Statistics of Income

SOI BULLETIN

Department of the Treasury
Internal Revenue Service

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Contents of This Issue

Publication 1136 (Rev. 10-87)

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Internal Revenue Service

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The SOI Bulletin provides the earliest published annual financial statistics from various types of tax and information returns filed with the Internal Revenue Service. It also includes information from periodic or special analytical studies of particular interest to tax administrators. In addition, historical data are provided for selected types of taxpayers, as well as the gross internal revenue collections and other tax related items.

Information on the availability of additional unpublished data concerning the topics in this issue may be obtained by writing to the Statistics of Income Division, TR:S Internal Revenue Service, Washington, DC 20224.

In addition, special Statistics of Income tabulations based on income tax returns can be produced upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, at the address shown above.

Overall policy review of the SOI Bulletin was conducted by the Office of Tax Analysis, under the direction of Thomas Neubig. For this issue, those assisting in the review were Mordecai S. Feinberg, Geraldine Gerardi, Allen H. Lerman, and Jerold Schiff. Robert A. Wilson and Bettye Jamerson of the Statistics of Income Division were the technical editors and were assisted by Clementine D. Brittain who provided editorial assistance and did the copy preparation.

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NEW STATISTICAL SERVICES

(Available from Statistics of Income Division)

As part of the Statistics of Income program a series of new services is now being offered (see below). Detailed information on these statistical services can be obtained by writing to Director, Statistics of Income Division (TR:S), Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224. Purchase is by check made payable to the IRS Accounting Section.

Studies of International Income and Taxes, Publication 1267 — Price $45.00

Purchase price includes a 516-page document for 1979–83 that presents information from 13 Statistics of Income studies in the international area, including:

- Foreign activity of U.S. corporations
- Activity of foreign corporations in the U.S.
- Foreign interests in U.S. corporations
- Statistics related to individuals, trusts, and estates
- Data presented by—
  geographical area or industrial activity, as well as other classifiers

Purchasers of this service also will be provided with additional information for one year as it becomes available. The one year period for receiving additional information can be extended at a cost of $35.00 per year. A long-term subscription ($150) includes the compendium and additional information as it becomes available through August 1990. (The next compendium is scheduled for release in September 1990.)

Individual Income Tax Returns, Publication 1304 — Price $30.00

Purchase price includes a 135-page document for 1984 presenting Statistics of Income data and tables on:

- Sources of income
- Exemptions
- Itemized deductions
- Tax computations
- Data presented by—
  size of adjusted gross income, marital status

Purchasers of this service also will be provided with additional articles relating to 1984 data and preliminary 1985 data as they become available and will be notified of future statistical releases relating to individual income tax returns.

Partnership Returns, Publication 369 — Price $22.00

Purchase price includes a 314-page document for 1978–82 presenting previously unpublished Statistics of Income data for 1980, 1981 and 1982, as well as data previously issued in other publications. Features include:

- Number of partnerships
- Limited partnerships
- Receipts
- Cost of sales and operations
- Deductions
- Net income
- Capital gains
- Data presented by—
  industry
  size of total assets
  state
  number of partners

Purchasers of this service also will be provided with data for 1983–1985 as they become available and will also be notified of future statistical releases relating to partnership returns.

Other Services — Price dependent on the request

- Unpublished tabulations from SOI program are available. Includes detailed tables underlying those published in SOI Bulletin.
- Special tabulations produced to user specifications.
- Public use tape files, including the Individual Tax Model (1978–1984), among others. (Earlier files are available from the Machine Readable Branch (NNSR) of the National Archives, Washington, DC 20408.

BUSINESS SOURCE BOOKS

(Available from Statistics of Income Division)

In addition to the Corporation Source Book, two others are now being offered by the Statistics of Income Division (see below). Information can be obtained by writing to Director, Statistics of Income Division (TR:S) at the address above. Purchase of Source Books should be made at time of request by check payable to the IRS Accounting Section.

Corporation Source Book, 1984, Publication 1053 — Price $175.00

This is a 480-page document that presents detailed income statement, balance sheet, tax and investment credit items by major and minor industries and size of total assets. This report is part of an annual series and can be purchased for $175 (issues prior to 1982 are for sale at $150). A magnetic tape containing the tabular statistics for 1984 can be purchased for $1,500.

Partnership Source Book, Publication 1289 — Price $30.00

This is a 291-page document showing key partnership data for 1957 through 1983, at the minor, major and division industry level. Includes a historical definition of terms section and a summary of legislative changes affecting partnerships during that period. Tables feature:

- Number of partnerships
- Number of partners
- Business receipts
- Depreciation
- Taxes paid deductions
- Interest paid
- Payroll
- Payments to partners
- Net income

Purchasers of this service also will be advised of the release of subsequent years' data. A magnetic tape containing the tabular statistics can be purchased for an additional $200.

Sole Proprietorship Source Book, Publication 1323 — Price $95.00

This Source Book is a companion to that for partnerships, shown above. It is a 244-page document showing key proprietorship data for 1957 through 1984. Each page contains statistics for a particular industry. Included will be data on:

- Number of business
- Business receipts
- Interest paid
- Depreciation
- Taxes paid deductions
- Payroll
- Net income

As with Partnerships, a magnetic tape containing the tabular statistics can be purchased for $245.

OTHER PUBLICATIONS

(Available from Superintendent of Documents GPO, Washington, D.C. 20402)

The Statistics of Income (SOI) Bulletin (Quarterly) — Publication No. 1136
Subscription price $16.00; Single copy price $6.00

The SOI Bulletin provides the earliest published financial statistics from the various types of tax and information returns filed with the Internal Revenue Service. The Bulletin also includes information from periodic or special analytical studies of particular interest to tax administrators and economists.

Statistics of Income—1984, Corporation Income Tax Returns, Publication No. 16
Price $8.00

Presents information on—
- Receipts
- Deductions
- Net income
- Taxable income
- Income tax
- Tax credits
- Distributions to stockholders
- Assets
- Liabilities

Data classified by—
- industry
- accounting period
- size of total assets
- size of business receipts

Articles in Preparation for Upcoming Issues

— Corporate Tax Adjustment Activity, 1978–83
— W–2 Data by Age and Marital Status, 1984
— Marginal Tax Rates, 1985
— SOI Statistical Services, Individual Income Tax Returns
— Individual Income Tax Returns, Preliminary Data, 1986

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Statistics of Income Domestic Special Studies

By Daniel F. Skelly and John A. Kozielec*

The Statistics of Income Division regularly conducts more than 40 studies of tax return data [1]. While the basic studies of individual and corporation income tax returns are well known, the studies of international income and taxes and the various domestic special studies are generally less well known. To remedy this, an article on the international statistics program was published in 1986 [2]. The present article is a sequel to that article and takes a look at the many domestic special studies that are currently underway or in the planning stages. Many of these studies are conducted annually, whereas others are conducted less frequently or even on a one-time basis.

Statistics of Income (SOI) domestic special studies covered by this article can be classified into three groups:

- *Tax-Exempt Organizations Studies.*—This group includes annual studies of returns filed by private foundations, nonprofit charitable and other organizations exempt under Internal Revenue Code section 501(c), exempt organizations with "unrelated business income," and tax-exempt private activity bonds. Also included are periodic studies of returns filed by nonexempt charitable and split-interest trusts and farmers' cooperatives. A one-time study of private foundation grant-administrative expenses is also included in this category.

- *Estate Tax and Wealth Studies.*—Besides the basic annual study based on data from estate tax returns, studies are conducted periodically to estimate personal wealth and to look at the intergenerational transfers of wealth through inheritance. Occasional studies involving fiduciary and gift tax returns are also included in this category.

- *Excise Tax Studies.*—Currently this group includes studies of returns relating to the quarterly crude oil windfall profit tax and the environmental excise tax on certain hazardous substances (i.e., the so-called "Superfund Tax").

As is true of most SOI studies, the main users of these statistical reports are the Office of Tax Analysis in the Office of the Secretary of Treasury and the Congressional Joint Committee on Taxation. In addition, detailed information is provided to other Government agencies— notably the Environmental Protection Agency, the Federal Reserve Board, and the Bureau of Economic Analysis in the Department of Commerce. Partial funding of the effort to compile statistics on tax-exempt organizations is provided by the Independent Sector, a nonprofit coalition of corporations, foundations, and voluntary organizations whose mission is to encourage giving, volunteering, and not-for-profit initiatives.

Exhibit 1 shows the estimated population and the size of statistical samples underlying the data, as well as the content and frequency of each of the studies. To meet the growing need for data, the Statistics of Income Division plans, in the near future, to initiate new statistical services in the personal wealth and tax-exempt areas that will provide university scholars, research organizations, and others with expanded access to the information.

TAX-EXEMPT ORGANIZATIONS STUDIES

This broad area currently consists of those exempt studies mentioned previously. SOI data indicate that the growth of tax-exempt organizations has kept pace with the national economy as a whole, or even exceeded it, during the past decade. For example, while the real Gross National Product (GNP) nearly doubled in the period from 1974 to 1983 (increasing by 92 percent), the receipts of private foundations, adjusted for inflation, increased by 125 percent. The total revenue of other charitable organizations exempt from income tax under Code section 501(c)(3) also grew by 95 percent from 1975 (the first recent year for which statistics were produced) to 1983.

Private Foundations

A private foundation is a nonprofit corporation, association, or trust with a narrow source of funds which supports

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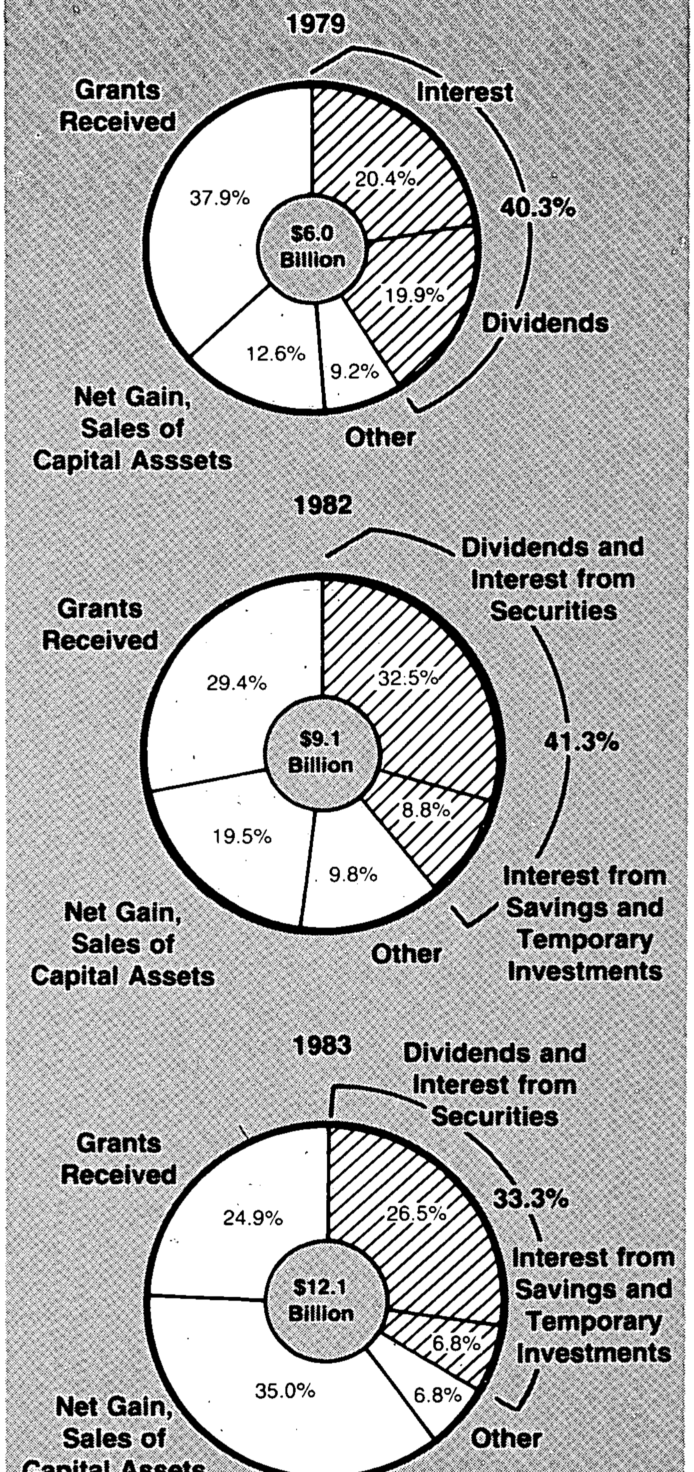
Figure A.
Sources of Private Foundation Revenue, 1979, 1982, and 1983



NOTE: For 1979, interest income from securities was combined and reported with other sources of interest income. Beginning with 1981, foundations were required to combine interest income from securities with stock dividends and report it separately from all other interest income.

social, educational, scientific, charitable, religious, or other programs dedicated to improving the general welfare of society. These organizations qualify for tax-exempt status under section 501(c)(3). The primary difference between private foundations and other tax-exempt charitable organizations is that foundations usually receive their funds from an individual, family, or corporation, while other nonprofit charitable organizations (described below) derive their funds from a large number of sources within the general public. In addition, private foundations generally do not operate their own charitable programs.

The first SOI studies of information returns filed by private foundations were published for 1974–1978 and 1979 [3,4]. Then in 1982 the study was redesigned as an annual series which will form a longitudinal data base (i.e., essentially the same organizations will be observed over time) [5,6]. Included in the annual samples are the returns of all private foundations with total assets (book value) of $10 million or more (about 700 returns in 1983, the most recent year for which data are available) [7]. These 700 returns accounted for 70 percent of the total assets of all private foundations and formed approximately half of the 1,375 sampled returns used for the study. The returns in the other half of the sample were randomly selected at various rates, ranging from 0.7 percent to 10 percent, depending on the book value of total assets.

Private foundation revenue more than doubled between 1979 and 1983. Figure A illustrates the significant shifts in sources of foundation income which occurred during this period. By 1983, substantial increases in net gains from sales of capital assets established this component as the leading source of foundation revenue, displacing both dividend and interest income and grants received, which were traditionally the major revenue sources. A fast-paced securities investment environment and a 1981 tax law change (which eliminated the requirement that foundations pay out as charitable distributions all of their investment income) may have encouraged the restructuring of foundation investment portfolios and may have been primary contributors to these shifts.

Figure B shows selected financial data by size of total fair market value of assets for 1983. Nearly 30,000 foundations filed returns, 5.4 percent more than 1982, with total revenue of $12.1 billion reported, a 33 percent increase.

Charitable and Split-Interest Trusts

Nonexempt trusts are legal instruments established by an individual or organization with either income or remainder interests (or both) devoted to charitable purposes. There are two types of nonexempt trusts: purely charitable trusts, which are intended exclusively for charitable purposes, and split-interest trusts, which have both charitable and noncharitable beneficiaries. Both types of trusts are

Figure B.—Private Foundations by Size of Total Assets, 1983

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

Item	Total	Size of total fair market value of assets: Under [1] $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	29,863	24,717	4,237	543	273	93
Total fair market value of assets	$71,935	$4,163	$14,054	$8,207	$12,897	$32,614
Total book value of assets	56,768	3,769	11,874	6,484	10,541	24,099
Total revenue	12,132	1,159	2,602	1,125	2,006	5,240
Net gain (loss) from sales of capital assets	4,249	86	418	282	487	2,976
Interest and dividend income	4,034	281	846	487	761	1,659
Grants received	3,025	759	1,052	286	584	344
Total expenses	5,883	934	1,560	721	1,073	1,595
Total qualifying grants paid	4,363	822	1,092	550	756	1,143

[1] Includes foundations with zero assets and unreported assets.

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

nonexempt in the sense that they do not have to be formally recognized as tax-exempt under the Internal Revenue Code. Although they are exempt from income taxation, they are treated by Internal Revenue Service (IRS) as foundations and taxed on their income not distributed to charities.

The most recent data available for nonexempt charitable trusts and split-interest trusts are for 1979. As noted in Exhibit 1, a study in this area is planned for 1989 and every third year thereafter.

In 1979 there were 15,846 nonexempt trusts, including 2,103 charitable trusts with reported assets of $894 million and 13,743 split-interest trusts with reported assets of $2.5 billion. The charitable contributions of these trusts totaled $118 million, including $56 million given by charitable trusts and $61 million by split-interest trusts [8]. Split-interest trusts contributed only 33 percent of their revenue to charities as compared to almost 58 percent for charitable trusts.

Nonprofit Charitable and Other Organizations Tax-Exempt under Code section 501(c)

The Statistics of Income Division's study of nonprofit charitable organizations includes all organizations exempt from Federal income tax under Code section 501(c)(3), except private foundations (discussed previously). These organizations are principally religious, educational, health-related, scientific, and literary organizations. As indicated previously, they differ from private foundations in that they derive their funds from the general public.

The most recent financial data available for nonprofit charitable organizations are for 1983 [9]. Of the approximately 280,000 organizations recognized by the IRS as nonprofit charities in that year, an estimated 89,000 were required to file returns (Form 990). Organizations with gross receipts of $25,000 or less, and churches, were not required to file. The sample returns used for the statistics for 1983 on nonprofit charitable organizations consisted of all organizations with total assets (book value) of $10 million or more (approximately 4,500 for 1983), plus a random stratified sample of approximately 500 returns from the remaining population of 84,500 returns. Data were also published for these section 501(c)(3) organizations for 1982 [10].

Earlier data, however, for the period 1975-1978, included all section 501(c) organizations, charitable as well as other organizations [11]. The three major groups in terms of numbers of organizations in 1975 (excluding section 501(c)(3) organizations) were civic leagues, social welfare organizations, and local associations of employees—section 501(c)(4); labor, agricultural, and horticultural organizations—section 501(c)(5); and social and recreational clubs—section 501(c)(7).

Future plans call for annual studies beginning with 1985 which will grow larger in size and scope. Beginning with 1988, the study will be expanded to again include all 501(c) organizations. The sample returns used will be increased from 5,500 for 1985 to 35,000 for 1988.

One of the dominant characteristics of the nonprofit sector and, in particular, of charitable organizations has been the concentration of financial resources among a small number of large organizations (see Figure C). Organizations (other than private foundations) with assets of $10 million or more filed only 5 percent of the returns for 1983, but accounted for 80 percent of total assets. In contrast, approximately 40 percent of the returns were filed by organizations with asset holdings under $100,000. Yet these nearly 35,000 small organizations accounted for only 0.3 percent of the total assets of all nonprofit charitable organizations.

Figure C.—Nonprofit Charitable Organizations by Size of Total Assets, 1983

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

Size of total assets	Number of returns	Total assets
Total, all organizations	89,052	$331,227
Under $100,000 [1]	34,650	1,153
$100,000 under $500,000	23,625	4,651
$500,000 under $1,000,000	10,574	7,237
$1,000,000 under $10,000,000	15,433	53,027
$10,000,000 under $50,000,000	3,653	84,167
$50,000,000 or more	1,113	180,992

[1] Includes returns with zero assets or assets not reported.

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

As shown in Figure D, program service revenue (fees collected to administer charitable programs) was the largest component of total revenue for 1983, accounting for nearly two-thirds ($147.5 billion) of total revenue of all nonprofit charitable organizations. A look at the 1983 data by type of charitable organization shows that program service revenue accounted for 90 percent ($93.8 billion) of total receipts for hospitals and 60 percent ($24.2 billion) of total receipts for educational institutions. Program service revenue includes a broad spectrum of revenue sources such as hospital charges for patient care (whether paid by the patient or through third-party reimbursement); tuition, fees, and day-care charges at educational institutions; admissions to museums, concerts, and other performing arts events; educational workshop fees; charges for athletic programs and housing facilities at YMCA's; and payments received for insurance and retirement coverage by pension and annuity fund companies.

However, while program service revenue was the major source of revenue for the large nonprofit charities, contributions (received directly from the public, or indirectly through fundraising campaigns and from Government grants) comprised the major portion of the revenues of the smaller organizations. For 1983, contributions represented 60 percent ($13.1 billion) of the total revenues ($21.8 billion) of organizations with assets of less than $1 million. Contributions received by educational organizations accounted for 24.8 percent ($10.2 billion) of total receipts and only 2.4 percent ($2.5 billion) of total receipts for hospitals. The remainder of the revenue received by charities was in the form of dues and assessments, interest, dividends, and other investment income.

Figure D.—Nonprofit Charitable Organizations, 1975, 1982, and 1983

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

Item	1975	1982	1983
	(1)	(2)	(3)
Number of returns	82,048	75,738	89,052
Total assets	$108.5	$279.6	$331.2
Total revenue	65.5	196.3	224.0
Contributions, gifts, and grants	17.1	41.3	46.4
Dues and assessments	1.5	2.5	3.1
Program service revenue	n.a.	124.4	147.5
Total expenses	62.6	181.3	207.5
Program service expenses	36.8	151.7	173.6
Fundraising expenses	1.4	1.7	1.8
Management and general expenses	n.a.	27.4	31.8

n.a. - Not available.
NOTE: Year-to-year comparability is affected by tax law changes.

Organizations receiving tax-exempt status under section 501(c)(3) represent the largest group of organizations with tax-exempt status. For 1975, when the minimum filing requirement was more than $10,000 in gross receipts, they represented 37 percent of all returns filed and accounted for 68 percent of the total assets of all tax-exempt organizations. (Labor organizations and civic leagues followed in terms of the numbers of returns filed.) Since then, the filing requirement has been increased to more than $25,000, so exact comparisons are not possible. However, the most recent data from the IRS Business Master File indicate that the organizations exempt under section 501(c)(3) still outnumber all other types of tax-exempt organizations. For 1986, returns filed by these charitable organizations represented 48 percent of the returns filed by all tax-exempt organizations and accounted for 63 percent of the total assets reported.

Exempt Organizations' Unrelated Business Income

In 1950, Congress imposed a tax on the income of tax-exempt organizations from a trade or business not substantially related to an organization's exempt purpose or function. The law's purpose was to restrict the potential for unfair competition between nonprofits and taxable, for-profit, businesses that provide the same services. The Tax Reform Act of 1969 revised and expanded this tax on "unrelated business income".

In more recent years, with Federal cutbacks in funding for social programs, there has been a major focus on the movement of exempt organizations into commercial activities and the resulting impact on for-profit businesses. In 1984, the Small Business Administration issued a report, "Unfair Competition for Nonprofit Organizations With Small Business: An Issue for the 1980's," that was critical of exempt organizations operating commercial activities [12]. In September 1986, the Ways and Means Committee of the House of Representatives began a comprehensive review of the Federal tax treatment of commercial and other income-producing activities of tax-exempt organizations. Hearings were held in the summer of 1987, with recommendations to follow [13]. It is anticipated that the Subcommittee on Oversight will call for expanded information to be reported on the Form 990 regarding taxable and nontaxable subsidiaries, as well as additional information on related and unrelated business activities of exempt organizations [14].

Against this backdrop of intensifying interest and concern regarding the possible conflict between the private sector and the income-producing activities of the nonprofit sector, the Statistics of Income Division is undertaking a major new annual study. This study, for 1987, is based on a sample of approximately 5,000 returns selected from an estimated population of 30,000 tax returns filed by exempt organizations with unrelated business income. Presently, data from the IRS Master File System for 1985 and 1986 are being analyzed for possible use in the study. Figure E shows the most recent information available from exempt organizations' business income tax returns (Form 990-T).

Figure E.—Exempt Organization Unrelated Business Income Tax Returns: Number of Returns and Unrelated Business Income Tax Collections, Fiscal Years 1985-1987

[Money amounts are in thousands of dollars]

Fiscal year	Number of returns	Unrelated business income tax
1985	24,103	30,208
1986	32,224	54,943
1987	33,286	119,875

NOTE: Fiscal Year 1984 covers returns filed in October 1983 through September 1984. Data for other years are similarly defined.
SOURCE: Business Master File Reports of Revenue Receipts, Internal Revenue Service. Unpublished annual reports.

Private Foundation Grant-Administrative Expenses

As part of the Tax Reform Act of 1984, Congress mandated a one-time study of the expenses of private foundations in administering grants. The purpose was to assess the impact of current provisions of the Internal Revenue Code governing the treatment of such expenses. This information collected by the Statistics of Income Division will enable the Office of Tax Analysis to report its findings and recommendations to Congress so that statutory or regulatory changes to the private foundation tax provisions of the Internal Revenue Code can be made if they are deemed necessary. A subsample of approximately 800 returns from the SOI 1985 private foundation study is being used in this study. The results will be provided to the Office of Tax Analysis for use in its report to Congress due in January 1990.

Farmers' Cooperatives

The Statistics of Income Division periodically publishes statistics on farmers' cooperatives. The last published study was for 1963 [15]. A more recent study on tax-exempt (under Code section 521) as well as nonexempt farmers' cooperatives, however, was conducted for 1977 with the assistance of the Department of Agriculture. Results will be published in an SOI compendium on exempt organizations scheduled for release in the fall of 1988. Figure F compares data for exempt and nonexempt cooperatives for 1963 and 1977. Although the number of exempt cooperatives dropped by almost half between 1963 and 1977, their total assets increased by approximately 44 percent. Total assets of nonexempt cooperatives, which were reported on Form 1120, the corporation income tax return, up until 1982, increased more than tenfold over the same period. Information for nonexempt cooperatives are now reported on Form 990-C, the same form filed by tax-exempt cooperatives.

Figure F.—Exempt and Nonexempt Farmers' Cooperatives, 1963 and 1977

[Figures for nonexempt cooperatives are based on samples—money amounts are in millions of dollars]

Item	1963		1977	
	Exempt cooperatives	Nonexempt cooperatives	Exempt cooperatives	Nonexempt cooperatives
	(1)	(2)	(3)	(4)
Number of returns	5,574	3,021	2,933	3,175
Total assets (book value)	$4,065	$1,927	$ 5,854	$20,377
Total receipts	8,940	4,937	15,340	34,471
Total deductions	8,919	4,908	15,330	34,298
Net income (less deficit)	21	29	12	172
Net income	42	40	54	201
Income subject to tax	7	36	25	177
Income tax after credits	2 [1]	13	6 [1]	61

[1] Exempt farmers' cooperatives are not exempt from income tax but are taxed at the same corporate rates (as are nonexempt cooperatives). However, exempt cooperatives are allowed to deduct from earnings dividends paid on capital stock and distributions of any net margins from nonpatronage business (which includes income from investments, sales of capital assets and the like). Nonexempt cooperatives may not deduct these two items, which in the case of exempt farmers' cooperatives totaled $31 million for 1963 and $23 million for 1977.

NOTE: Detail may not add to totals because of rounding. Year-to-year comparability is affected by tax law changes.

The next farmers' cooperative study is planned to coincide with the 1992 quinquennial economic census. Plans are to obtain most of the data from information already transcribed for tax administration purposes and included in the IRS Master File system. These data will be augmented by data abstracted from the returns processed for statistical purposes only. The Department of Agriculture is expected to help with the 1992 study as it did for the 1977 study.

Tax-Exempt Private Activity Bonds

Private activity tax-exempt bonds are issued by State and local Governments or their authorized agents for the direct benefit of private businesses, organizations, and individuals. The original intent of the Federal income tax exemption for interest earned on State and local bonds was to provide a subsidy for Government projects (such as highways) by making it possible to obtain funding at lower interest costs. However, there was nothing to prevent State and local Governments from also issuing private-purpose bonds to promote economic development and housing within their jurisdictions, while incurring little or no costs themselves. As a result, investment dollars were shifted away from other taxable, interest-producing alternatives which could lead to a significant loss in Federal tax receipts. The shifting of bonds toward these non-Government uses recently prompted the Federal Government to reexamine its policies in this area. The dollar volume of these bonds accounted for 54 percent of the $119.4 billion of total long-term tax-exempt bond volume for 1985 [16].

The Tax Equity and Fiscal Responsibility Act of 1982 required State or local Government issuers of private-purpose tax-exempt bonds to file information returns with the IRS describing the nature and uses of the bonds. Data obtained from these returns (Form 8038) for bonds issued in 1983 through 1985 have been published annually [17].

While the number of bond issues reported each year has remained steady at just under 15,000, the dollar volume of new issuances shot up from $49.9 billion in 1983 to $99.4 billion in 1985 (see Figure G). Figure G shows the massive growth in this 3-year period of private exempt entity bonds, in particular.

Figure G.—New Issue Private Activity Bond Volume, by Type of Bond, 1983-85

[Billions of dollars]

Selected type of bond	New issue volume			Percentage change, 1983 to 1985
	1983	1984	1985	
Total	$49.9	$65.8	$99.4	99.2%
Student loan bonds	3.1	1.4	2.8	-8.5
Private exempt entity bonds	8.2	9.0	26.1	218.0
Mortgage bonds [1]	10.8	13.9	13.4	24.5
Industrial development bonds	27.8	41.5	57.1	105.1

[1] Data for 1983 and 1984 are based on information compiled by the Department of Housing and Urban Development; for 1985, the data were compiled by IRS, based on Form 8038, Information Return for Private Activity Bond Issues.

NOTE: Year-to-year comparability is affected by tax law changes.

Future Plans in the Tax-Exempt Area

Although exempt organizations received little direct attention in the Tax Reform Act of 1986, several of the provisions dealing with individuals and taxable corporations will have a major impact on the operation and well-being of exempt organizations.

Basically, the 1986 Act increases the after-tax cost of charitable giving for several reasons. First, taxpayers whose marginal tax rates are decreased under the 1986 Act will realize a smaller tax benefit from their deductions for charitable contributions, while taxpayers subject to a higher marginal tax rate (due to changes in provisions dealing with tax shelters and the alternative minimum tax) will find the Government subsidizing a larger portion of their charitable giving. However, since the majority of taxpayers will have lower marginal tax rates, overall charitable giving is projected to decline. In addition, a provision enacted in 1981 permitting individuals who did not itemize their deductions to deduct part or all of their charitable contributions expired after 1986 and was not reinstated by the Tax Reform Act of 1986. Thus, these nonitemizers must again bear the entire cost of charitable contributions they make after 1986 (the same as they did before 1981) [18]. Finally, a number of other changes are expected to reduce the number of itemizers, further reducing the tax incentive to make charitable donations. This expected fall in donations may force nonprofit organizations to increasingly move into commercial activities in which they typically compete with for-profit firms in order to finance their programs.

There seems to be a general agreement among the users of SOI data on exempt organizations that there is a strong need to expand the data bases available so that policymakers can make more informed decisions in this area. Thus, if reimbursement can be obtained, the Statistics of Income Division will greatly expand its data on exempt organizations. Already, SOI studies of private foundations and nonprofit charitable organizations are being resumed on an annual basis, beginning with Tax Year 1985. Second, SOI plans to substantially increase the sample sizes for both the private foundation and nonprofit charitable organization studies beginning with 1987. Third, beginning with Income Year 1988, the exempt organization study will be expanded to include all section 501(c) organizations (rather than just 501(c)(3) organizations) and the sample will be increased from approximately 5,500 to 35,000 exempt organizations. Fourth, the study of the exempt organization unrelated business income tax, which is being conducted for the first time for 1987, will be done on an annual basis. Fifth, periodic studies (at least every 3 years) will be conducted on farmers' cooperatives, charitable and split-interest trusts, and also on excise taxes paid by private foundations and public charities.

SOI also is working on a compendium of exempt studies which will be available in the fall of 1988. The one-volume compendium will be comprised chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association,* along with facsimiles of tax forms and instructions. Also included will be other research papers and previously unpublished articles and tables. This material will serve as a reference source for statisticians, economists, and researchers. However, the compendium represents only a sampling of the available statistical information that might be of value to interested parties. Some microdata files are already available for public use; and efforts are underway to determine whether additional microdata files can be provided while protecting the identity of individual organizations wherever required under the law. Unpublished or special tabulations are also available on a cost-reimbursable basis [19].

ESTATE TAX AND WEALTH STUDIES

The Statistics of Income Division conducts five studies relating to estate taxes and its direct and indirect effects on transfers of wealth. To look at the direct effects, SOI analyzes estate and fiduciary taxation. Studies which focus on the indirect effects include those of personal wealth estimated from estate data (described in the Personal Wealth Estimates Section, below), intergenerational wealth transfers, and the relationship between income and wealth.

Perhaps the most important change in this area in recent years was the increase in the filing requirement for estate tax returns. From 1942 to 1976, the floor for the estate filing requirement was $60,000 in gross estate. The Tax Recovery Act of 1976 and the Economic Recovery Tax Act of 1981 (ERTA) mandated a series of increases in the filing requirement which doubled this floor for 1977 decedents and then further increased it for each of the next 10 years (see below). The filing requirement is scheduled, at least for now, to remain constant at $600,000 beginning with estates of taxpayers who died in 1987 and thereafter. Not surprisingly, the filing requirement changes have resulted in a dramatic decline in the number of returns. Just 68,000 returns were filed in 1985, 66 percent less than the nearly 201,000 returns filed in 1977 [20].

Year of death	Size of gross estate filing requirement
1976	$ 60,000
1977	120,000
1978	134,000
1979	147,000
1980	161,000
1981	175,000
1982	225,000

1983	275,000
1984	325,000
1985	400,000
1986	500,000
1987 and later	600,000

The rapid rise in the estate tax filing requirement has also narrowed the group of individuals whose personal wealth can be estimated from estate data. Nonetheless, estimates can still be generated for the richest 1 or 2 percent of the population, which still includes a significant portion of the Nation's wealth. For example, estimates of personal wealth in 1982 showed that there were approximately 4.5 million Americans with gross assets of $325,000 or more. Although these individuals represented only 2.8 percent of the Nation's adult population, their net worth (the value of their assets after reduction for debts) made up approximately 30 percent of the wealth in the United States held by U.S. households [21].

Each of the studies in the estate tax/wealth area is described in greater detail in the sections that follow. SOI plans for a major expansion of studies in this area are also highlighted.

Estate Tax

Statistics from estate tax returns are periodically published in the *Statistics of Income Bulletin*; the most recently published data were for 1983 [22]. (Limited data for returns filed in 1984 and 1985 are available directly from the Statistics of Income Division.)

Despite major changes in the estate tax law in recent years, taxation of estates continues to be based primarily on the total value of the decedent's property and not upon the shares received by the individual beneficiaries (although the liberalization of the marital deduction, described below, is an important change here). When a citizen or resident of the United States dies, a Form 706 must be filed by the executor or administrator of the estate if the value of the decedent's gross estate exceeds the filing threshold [23]. As noted already, the filing threshold which stood at $60,000 in 1976 has now increased to $600,000.

Estate tax return data available for 1982 through 1985 for decedents with gross estates of at least $300,000 show the impact of ERTA on estate taxation, exclusive of the changes in the filing requirement [20]. The liberalization of the marital deduction that was enacted as part of ERTA resulted in a significant decrease in the estate tax liability, even though the number of estate tax returns filed and particularly the size of total gross estate each increased. The total estate tax liability dropped by nearly 25 percent, from $6.2 billion in 1982 to $4.7 billion in 1984, before increasing to $5.0 billion in 1985. (The 1985 increase would have been more substantial if it were not for the aforementioned increases in the filing requirement for 1984 and 1985 decedents.) The liberalization of the marital deduction resulted from eliminating the monetary ceiling on the deduction for estates of decedents dying after 1981. Thus, unlimited amounts of property, except for certain terminable interests, could be transferred between spouses free of estate or gift taxes.

The number of estate tax returns with gross estate of $300,000 or more increased between 1982 and 1985 from approximately 60,000 to 68,000, while total reported gross estate grew by almost 40 percent (see Figure H). The major reasons for these increases were the overall expansion in the economy, accompanied by lower interest rates, both of which contributed to an increase in the value of residential and commercial real estate, and investment portfolios. For these reasons and with the moderate increase in inflation over this time period, more and more estates grew in size to the point that they exceeded the increased filing threshold.

Figure H.—Gross Estates of $300,000 or More, by Filing Year, 1982–1985

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

Filing Year	Number of returns	Gross estate	Total deductions	Taxable estate	Estate tax after credits
	(1)	(2)	(3)	(4)	(5)
1982	59,597	$45,412	$17,897	$27,568	$6,226
1983	63,251	50,390	24,322	26,235	5,170
1984	60,316	49,954	25,553	26,421	4,667
1985	67,961	62,805	31,364	31,645	5,035

NOTE: Returns were not required for decedents who died in 1984 or 1985 with gross estates under $325,000 or $400,000, respectively. Year-to-year comparability is also affected by other tax law changes. Returns filed each year primarily reflect deaths that occurred during the preceding year.

Personal Wealth Estimates

The estate tax return requires a great deal of information to be reported concerning the financial and demographic characteristics of the decedent. This includes data on assets and liabilities, as well as on age, sex, marital status, and State of residence. The extent and quality of these data are such that, since 1962, the personal wealth of the richest Americans has been estimated as a by-product of the SOI program generating estate tax return statistics [24,25].

The underlying assumption in making these estimates is that death draws a random sample of the living population. The technique used to derive the estimates, called the "estate multiplier," relies on the fact that for the general population the mortality rate is known for each age and sex group. Therefore, if the number that died in each age/sex group is known, and the mortality rate for each group is known, then the population is the inverse of the mortality rate times the number of deaths in each group. The estate multiplier technique for certain data sets may yield more accurate data than sample survey methods which suffer from problems of nonresponse and inexact responses.

The estate multiplier technique assumes that estate tax returns provide a representative sample of the living population for the purpose of estimating the personal wealth of that segment of the population which holds a substantial portion of the wealth of all individuals. The wealth of the living population can be estimated from those returns by using the mortality rates of wealthy individuals to develop multipliers to weight the data up to the living population [26].

In order to improve the accuracy of the personal wealth estimates, the SOI sample design was restructured beginning in 1982 to select returns based on the year of the taxpayer's death rather than on the year in which the estate tax return was filed. Returns filed during a 1-year period include returns for more than a single year of death. In addition, a core group of returns is selected without regard to the year of death. This enables estate tax return data to continue being produced on a filing-year basis (thus preserving the historical SOI time series) and, at the same time, allows for periodic estimates of wealth to be produced based on deaths in a specific year. Limited personal wealth data based on the returns filed each year are also prepared annually [27].

As shown in Figure I, the number of Americans with a net worth of $5 million or more grew more than tenfold between 1962 and 1984. Between 1981 and 1984 alone, the number almost doubled. These are among the statistics derived from the estate returns using the technique described above.

Figure I.—Number of Individuals with Net Worth of $5 Million or More, 1962–1984

[All figures are estimates based on samples]

Year	Number of individuals
1962	4,500
1969	9,300
1972	11,300
1981	24,100
1982	32,000
1983	40,200
1984	46,300

Figure J shows the contrast in composition of assets between the "very wealthy" (persons with net worth of $5 million or more) and for the "moderately wealthy" (persons with net worth between $250,000 and $500,000). More than a third of the assets of the very wealthy were represented by corporate stock, compared to 14 percent for the moderately wealthy. For the moderately wealthy, real estate accounted for nearly 43 percent of total assets, compared to less than 14 percent of the assets of the very wealthy.

Revised personal wealth estimates for 1982 based on estate tax returns filed between 1982 and 1984 are published in the *1987 Proceedings of the American Statistical Association* and in more detail elsewhere [28, 29].

A number of efforts are underway to improve SOI personal wealth estimates. Comparisons are being made, for example, between pre- and post-audit values, by asset type, from a sample of estate tax returns. This will allow the issue of undervaluation of assets reported on estate tax returns to be addressed. Second, comparisons are currently being made between certain published financial and demographic information from outside sources and SOI demographic data and wealth estimates [30]. Direct comparisons of information from outside sources with that reported on estate tax returns may provide information about the types of assets and amounts of wealth not captured by the estate multiplier technique.

Figure J.—Percentage of Estimated Personal Wealth, by Asset Type and by Selected Sizes of Net Worth, 1982

[All figures are estimates based on samples]

Type of asset	Size of net worth: $250,000 under $500,000	$5 million or more
All asset types	100.0%	100.0%
Corporate stock	14.3	35.9
Real estate	42.8	13.6
Bonds	1.5	9.6
Noncorporate business assets	8.5	9.5
Cash	6.6	4.2
Notes and mortgages	4.0	4.2
Life insurance	2.7	0.2
Other assets	19.6	22.7

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

Other research relating to personal wealth being pursued includes an examination of mortality rates of estate tax decedents, compared with the general population, based on actual experience to see if revisions to the SOI multipliers are needed. The Statistics of Income Division is also working closely with representatives from the Federal Reserve Board (FRB) who have produced wealth estimates from survey data collected during the 1983 Survey of Consumer Finances [31]. By studying both IRS and FRB data, improvements in SOI wealth estimates can be made. Survey data also allow analyses to be made of the distribution of wealth for individuals with assets totaling less than the estate tax filing requirement.

Intergenerational Wealth Transfers

The Statistics of Income Division has begun a long-term research project involving all estate tax returns filed since the inception of the estate tax in 1916 [32]. This study will focus on the changes in the concentration of wealth and on the transfer of wealth from one generation to another. Emphasis will be placed on asset composition, demographic information available from the returns, and information about the beneficiaries of the estates.

Data have thus far been abstracted from all estate tax returns of decedents who died from 1916 through 1945. Information from estate tax returns will enable a match to be made between heirs of an estate and the estate tax returns that may eventually be filed for those heirs. For the estates of decedents who died after 1945, information will be obtained only for decedents with gross estates in excess of an annually increasing amount.

Detailed asset information has been obtained from estate tax returns for a sample of decedents for 1916 to 1920 and for 1928 to 1930. Similar data will also be picked up for returns filed for decedents who died in the following years: 1938 to 1940, 1944, 1948 to 1950, 1953, 1958 to 1960, 1968 to 1970, and 1978 to 1980. Groups of 3 years have been selected to center around years ending with a 9 (e.g., 1928 to 1930 centers on 1929) in order to coincide with years for which income data are available from the Bureau of the Census. The single years 1944 and 1953 were included so that a comparison could be made between SOI wealth estimates based on weights applied to individual estate tax records and estimates produced by Horst Mendershausen for 1944 and Robert Lampman for 1953 [33].

Data from the intergenerational wealth study have been published for estate tax returns with years of death between 1916 and 1931 [34]. Additional data for 1932 through 1945 will be available in the spring of 1989. No data are yet available, however, on linking beneficiaries and heirs; this will be covered in a later phase of this project.

Estate Collation

This study is another by-product of the basic estate tax return statistics program. The purpose of the collation study is to generate data that will be useful for conducting research on the relationship between income and wealth. This is done by matching the estate tax return with the income tax returns for a given decedent and each beneficiary of the estate. For decedents, income tax returns for the year of death and the 2 preceding years, and for beneficiaries, the returns for the year prior to the decedent's death and 3 years after the decedent's death, are collated with the estate tax returns. This permits comparisons to be made of the wealth and income levels of decedents with the income levels of their beneficiaries, both before and after the year of death of the benefactor or at the point at which the transfer of wealth occurred.

Estate collation studies have been done for 1976 and for 1982. For the 1982 study, fiduciary income tax returns were included when a trust was listed as a beneficiary. Also included were gift tax returns filed by the decedent for the 2 years preceding death. This collation study will be repeated again for 1989.

Some significant results from these collation studies have been produced by Steuerle and Greenwood [35, 36]. In particular, Steuerle noted that for the very wealthy the rate of return on all financial assets was much less than if their funds had been invested in savings accounts. Steuerle also noted that the rate of return on all assets was found to be around 2 percent (see Figure K). Even when wage income was added to capital income, the amount of realized income was still less than 4 percent of the total value of assets.

Figure K also shows Steuerle's observation that the realized rate of return varies inversely with the size of the estate. The realized rate of return differs from the economic rate by the amount of unrealized income or other capital income not reported on the tax return. Thus, without adjustments, realized income as shown on the Form 1040 individual income tax return is not a very reliable measure of wealth for the richest people.

Figure K.—Realized Rates of Return on Assets, 1982

Type of asset	Size of gross estate		
	$60,000 under $362,000	$362,000 under $840,000	$840,000 or more
	(1)	(2)	(3)
Closely-held business (noncorporate)	2.22%	1.78%	0.47%
Corporate stock:			
Total	0.81	2.18	1.24
Closely-held	0.21	2.26	0.93
Non-closely-held	4.14	2.10	2.27
All assets (capital income only)	3.24	3.33	1.29
All assets (capital and wage income)	6.57	4.67	2.99

NOTE: The percentages represent weighted average rates of return (income divided by the value of assets). Estate classes were split so as to provide equal sample sizes in each class.
SOURCE: See footnote 36 at the end of this article.

Greenwood noticed that realized rates of return on financial assets varied not only with the level of assets, but also with the taxpayer's age, and with the marginal tax rate on income. Both Steuerle and Greenwood have suggested using capitalization of income as another approach to estimating wealth. In this approach, wealth is derived by dividing realized income from a particular asset by an expected rate of return and adjusting for unrealized gains and losses.

Fiduciary Income

Fiduciary income tax returns are filed by the person or institution that has power and control over the property of an estate or trust to report its income and tax when gross income is $600 or more. The most recent detailed statistics from fiduciary returns are for 1982 [37]. As shown in Figure L, over 1.6 million fiduciary income tax returns were filed for 1982, an increase of nearly 30 percent over 1974, the last previous year for which detailed data are available. Total income (less loss) almost tripled over the same period. In constant (1972) dollars, the increase was 60 percent using the GNP implicit price deflator developed by the Bureau of Economic Analysis.

Figure L.—Fiduciary Income Tax Returns for Estates and Trusts, Tax Years 1974 and 1982

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

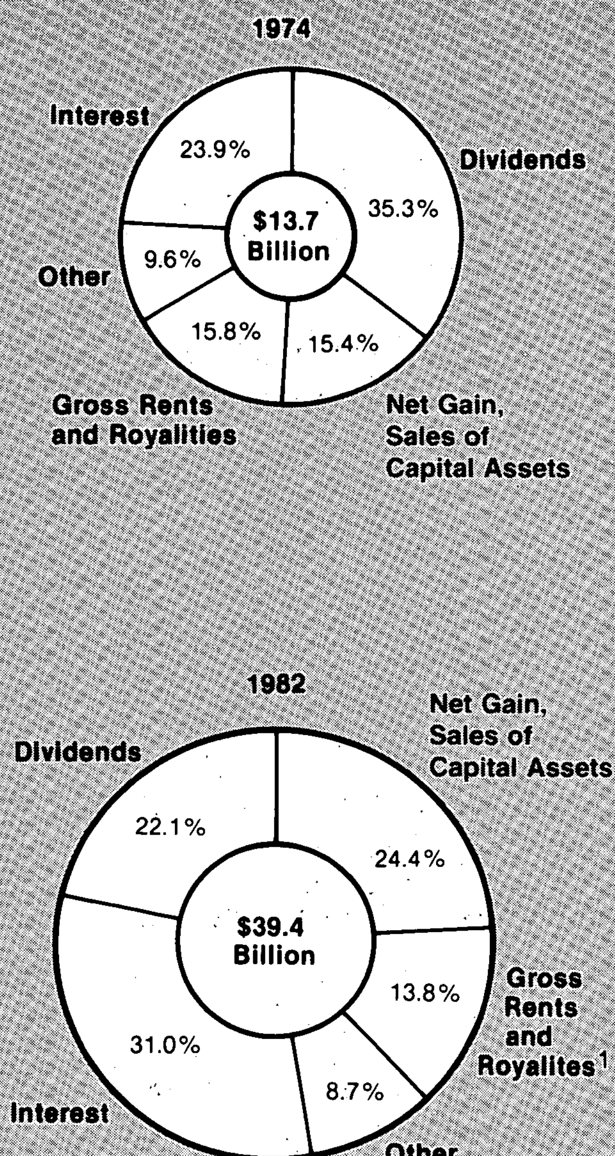
Item	1974	1982	Percentage increase
	(1)	(2)	(3)
Number of estates and trusts, total	1,258,116	1,631,645	29.7%
Estates	336,475	422,734	25.6
Trusts	921,641	1,208,911	31.2
Number of taxable estates and trusts, total	403,886	597,100	47.8
Estates	139,963	168,441	20.3
Trusts	263,923	428,659	62.4
Total income (less loss)	$13,737,886	$39,410,572 [1]	186.9
Taxable income	2,403,040	7,353,461	206.0
Total tax	835,575	2,617,771	213.3

[1] Total income (less loss) from 1982 tax returns was $36,677,858,000. This figure includes net (rather than gross) rent and royalty income. To facilitate comparison with 1974, when gross rents and royalties were included in total income (less loss), total income for 1982 has been adjusted to include the gross amounts. See also footnote 1, Figure M.

NOTE: Grantor trusts are not included in these statistics. Year-to-year comparability is affected by tax law changes.

Figure M.

Income Reported on Fiduciary Income Tax Returns, 1974 and 1982



[1]To make data comparable between 1974 and 1982, depreciation, depletions and other expenses were added to the 1982 figures.

Figure M shows the changes in the major sources of estate or trust income for 1974 and 1982 as reported on fiduciary income tax returns (Forms 1041). Interest and net gains (less losses) from sales of capital assets increased sharply as percentages of total income, while dividends decreased correspondingly.

Future Plans in the Estate Tax and Personal Wealth Areas

The Statistics of Income Division is mounting a large research effort aimed at improving the quality and usefulness of estate tax data. Specific issues being addressed include the treatment of jointly-owned property, the special use valuation of certain business assets, the valuation of non-corporate business assets, and the timing of estate valuations. Projects which have already begun include a review of audited returns, among others.

Other plans will be implemented in the future. Consideration is being given to exploring the feasibility of retrieving a small sample of estate tax returns from years for which wealth estimates have been made so that valuation issues can be studied in detail. As a follow-up to the 1982 estate collation study, an extension of the tracking of the beneficiaries listed on the estate tax returns in the SOI sample is being considered. Beginning with 1986, the estate data file contains the name and social security number for each beneficiary. This will make it possible to trace individual income information for the beneficiaries over time. Additional analysis of matched income tax data and estate tax data is also planned in order to develop better estate tax multipliers (for use in wealth estimation techniques) that will be differentiated by wealth [38]. In addition, a study is needed to compare income and estate tax data for given individuals collected at several points in time in order to study and adjust for the decrease in wealth which often occurs around the time of death [39].

A cooperative effort of interested parties, including the IRS, Federal Reserve Board, Social Security Administration, and many academicians will, it is hoped, lead to significant advancements in the measurement of wealth and its distribution. The Statistics of Income Division, at the request of the Office of Tax Analysis, designed the high-income supplemental sample for the 1983 Survey of Consumer Finances used by the University of Michigan's Survey Research Center. Since then the Division has been closely involved with both the University of Michigan and the Federal Reserve Board in designing the methodologies employed in weighting the supplemental and the cross-sectional samples [40].

At this point in the evaluation of wealth data for 1982 based on estate tax returns and results of the 1983 Survey of Consumer Finances, it appears that the survey record and estate multiplier technique approaches to measuring wealth have distinct advantages and disadvantages. The goal should be to combine both methodologies in order to arrive at the best possible way of measuring wealth for the Nation as a whole. The Statistics of Income Division would like to utilize both survey data and administrative records for conducting a wealth study for 1989. In particular, the Division may again be involved in the design of the high-income supplemental sample for the 1989 Survey of Consumer Finances. If possible, the objective would be to arrive at a sample size of perhaps as many as 2,500 high-income individuals. From estate tax returns, plans are to improve the capture of information on assets held by trusts and closely-held businesses.

In order to develop a complete picture of wealth, plans are to examine closely the gift and trust behavior of wealthy individuals in both the high-income supplemental sample and the estate/personal wealth sample. To carry out this study, the gift tax returns filed by decedents before death and the gift tax returns filed by individuals in the supplemental sample will be examined. This will provide an insight into the relationship between wealth transferred inter vivos (during life) and that transferred by bequest (will). A trust study based on fiduciary income tax returns is also planned in conjunction with the supplemental high-income and estate samples. Trusts will be identified on estate returns and in the supplemental sample; copies of the fiduciary and related estate and gift tax returns will then be obtained. The objective is to examine the role and importance of trusts and the distribution of trust income in the overall wealth generation process.

The most significant change mandated by the Tax Reform Act of 1986 to the unified Federal estate and gift transfer tax system may be the revival of the generation-skipping transfer tax. This tax was originally established in 1976 to tax trusts which provided for the distribution of benefits to beneficiaries assigned to more than one generation. The new tax, which applied to transfers occurring after October 22, 1986, also covered direct gifts and bequests made to recipients at least two generations younger than the donor. Since generation-skipping transfer tax returns are filed with the estate tax return, a review will be made of these returns as part of the regular SOI estate tax study. An assessment will then be made of the impact of the new tax and of plans for future studies of it.

Finally, a compendium on wealth and wealth-related studies will be published in the fall of 1989. This compendium will contain, in one volume, results of all recent SOI studies conducted in those areas. The material will be composed chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association*, along with facsimiles of the tax forms and instructions. Other research papers and previously unpublished articles and tables will also be included. In addition, efforts are underway to investigate how to release micro-data files in such a way that the identity of the taxpayers is protected. Unpublished or special tabulations will continue to be available on a cost-reimbursable basis [41].

EXCISE TAX STUDIES

The Statistics of Income Division currently conducts two studies on excise taxes each year. One study is on the windfall profit tax, an excise tax on oil producers and royalty owners of crude oil. The other covers environmental taxes, which are imposed on crude oil and petroleum, certain chemicals, and hazardous wastes. The latter taxes are often referred to as the "Superfund taxes."

Total excise tax collections declined slightly from 1981 to 1985 as shown in Figure N. This fall was due primarily to the reduction in windfall profit tax revenue. Fiscal Year 1981 was the first full year that the windfall profit tax was collected. The revenues amounted to $16.9 billion, almost 42 percent of the year's total excise tax revenue of $40.4 billion. However, by Fiscal Year 1985, windfall profit tax revenues had fallen to approximately $5.1 billion (14 percent of the year's total excise taxes) because of reduced tax rates and lower crude oil prices. In contrast, environmental tax payments averaged only about $235 million annually from 1981 to 1985 [42].

Figure N.—Gross Excise Tax Collections By Type, Fiscal Years 1981 and 1985

(Billions of dollars)

Type of excise tax	Fiscal Year	
	1981	1985
Total	$40.4	$37.0
Alcohol taxes	5.7	5.4
Tobacco taxes	2.6	4.5
Gasoline taxes	4.0	9.1
Manufacturers' excise taxes (except gasoline)	2.1	0.9
Windfall profit tax	16.9	5.1
Environmental taxes	0.1	0.3
Retailers, special fuels and unclassified excise taxes	6.2	6.1
All other miscellaneous excise taxes	2.8	5.6

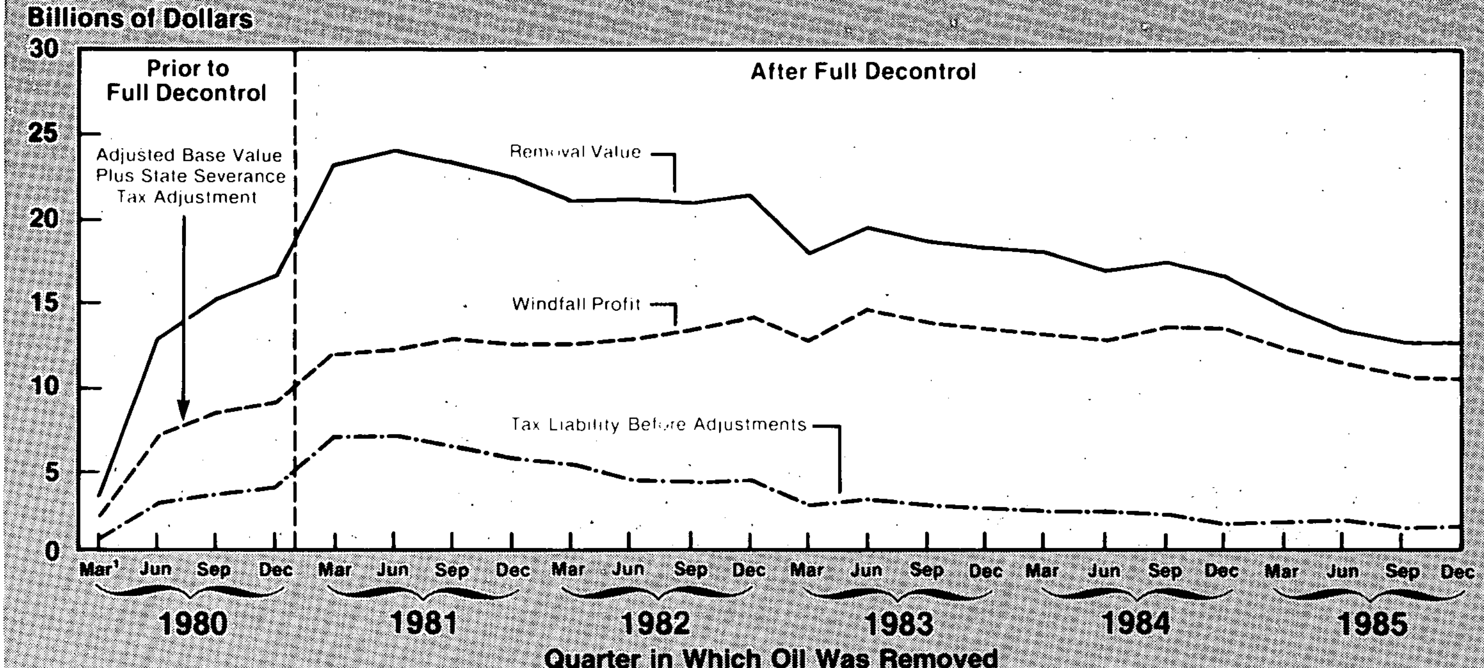
NOTE: Year-to-year comparability is affected by tax law changes.
SOURCE: U.S. Department of Treasury, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service.* See reports for Fiscal Years 1981 and 1985.

Windfall Profit Tax

The Crude Oil Windfall Profit Tax Act of 1980 imposed a Federal excise tax on domestic crude oil extracted on or after March 1, 1980. The tax was enacted in response to the planned phaseout of Federal price controls on domestic crude oil. Congress mandated that the tax be temporary, with a 33-month gradual phaseout. This phaseout was to begin in January 1988 if $227.3 billion in net revenue had been realized by then; otherwise, it was to begin no later than January 1991.

The windfall profit tax is reported on the Quarterly Federal Excise Tax Return, Form 720, and Form 6047, Windfall Profit Tax, which is filed as an attachment to Form 720. SOI tabulations are based only on the population of Forms 6047 that show a tax liability. Therefore, since not all oil production is

Figure O.
Components of Windfall Profit Tax Liability Before Adjustments: Aggregate Values by Quarter in Which Oil Was Removed, 1980-1985



NOTE: Some returns report windfall profit tax liability only; therefore, data for removal value, adjusted base value and state severance tax adjustment have been adjusted to reflect totals as if all returns reported this detail.
[1]One month only.

taxable, total domestic production is somewhat understated in the statistics. The sample includes all returns with a tax liability before adjustments of $1 million or more and a 10-percent sample of returns with a tax liability less than $1 million.

As shown in Figure O, windfall profit tax before adjustments declined from a high of $7.2 billion for the quarter ending June 1981 to $1.2 billion for the quarter ending December 1985. This decline was principally a result of a decrease in the price of oil. Almost $84 billion in taxes before adjustments was reported during this period; the amount after adjustments was nearly $78 billion [43]. The data in Figure O are not altogether comparable with the data on windfall profit tax collections in Figure N because of the difference between the year in which the tax liability was incurred and the year in which the returns were filed, processed, and recorded on the IRS Business Master File, and also because tax in Figure N is after adjustments while tax in Figure O is before adjustments [44].

Environmental Excise Tax

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) called for the creation of a $1.6 billion Hazardous Substance Response Fund, commonly referred to as the Superfund. The initial law, which took effect on April 1, 1981, and expired on September 30, 1985, imposed an excise tax on the sale or use of petroleum and 42 chemicals. (The law was reinstated for 1987.)

In addition to the Superfund, CERCLA established the Post-closure Liability Trust Fund. This Fund was financed by the Hazardous Waste Tax, an excise tax which took effect on October 1, 1983, and was based on the receipt of hazardous waste at a qualified hazardous waste disposal facility.

Figure P shows that for the period from June 1981 to September 1985, approximately $1.2 billion in environmental taxes were reported to IRS. Two-thirds of the excise taxes were derived from the tax on petrochemicals, while 18 and 15 percent, respectively, were derived from the tax on inorganic chemicals and petroleum. Only 1.3 percent was derived from the tax on hazardous waste [45]. The tax rates for each chemical were formulated so that the tax liability would reflect the respective percentages in which the substances were found in the hazardous waste sites [46]. Again, the data in Figure P are not altogether comparable with the data in Figure N. Excise tax collections as reported on Form

720, are entered onto the IRS Business Master File (BMF) each quarter as the returns are received, regardless of tax period. Because the interval between the close of the tax period and the recording of the return onto the BMF often varies, the BMF totals may represent more than one taxable period.

Figure P.—Environmental Excise Taxes by Category, Tax Years 1981-1985

[Millions of dollars]

Tax year	Total [1]	Petro-chemicals	Inorganic chemicals	Petroleum	Hazardous waste [2]
	(1)	(2)	(3)	(4)	(5)
All years	$1,181.8	$780.6	$208.3	$176.2	$15.6
1981 [3]	198.8	131.4	36.2	31.2	—
1982	232.3	153.3	41.3	37.6	—
1983	258.8	173.3	44.8	38.7	1.8
1984	280.9	183.3	49.6	39.3	8.7
1985 [4]	210.0	139.3	36.4	29.4	5.0

[1] Includes taxes not allocable to a specific category. For this reason, and also because of rounding, detail will not add to totals.
[2] The Post-closure Liability Trust Fund Tax was levied on hazardous waste received at a qualified hazardous waste disposal facility. This tax did not go into effect until October 1, 1983.
[3] 1981 data are for quarters ending June through December 1981.
[4] 1985 data are for quarters ending March through September 1985.
NOTE: Year-to-year comparability is affected by tax law changes.

Future Plans in the Excise Tax Area

There has been renewed interest in recent years in excise taxes as a source of expanded revenue to help alleviate the Nation's budget deficit. Current plans are to continue the two existing excise tax studies and to mount one or two major new efforts.

While the environmental excise taxes (as imposed by CERCLA) on petroleum, chemicals, and hazardous wastes expired on September 30, 1985, a new Superfund Amendments and Reauthorization Act of 1986 reinstated some of these taxes. Effective after 1986, taxes on crude oil received at a U.S. refinery and petroleum products were reimposed at increased rates. In addition, the tax on taxable chemicals sold by producers, manufacturers, or importers was reimposed at prior rates, except that the tax on xylene was increased. After 1988, a new tax on certain imported taxable substances manufactured or produced from taxable chemicals will be imposed. Finally, for tax years beginning after 1986 and before 1992, a corporation is liable for an environmental excise tax equal to 0.12 percent of "the modified alternative minimum taxable income" in excess of $2 million.

Since the Tax Reform Act of 1986 did not affect the crude oil windfall profit tax, plans are to continue generating quarterly windfall profit tax statistics; however, the data will be published only once a year in the *Statistics of Income Bulletin*. The same will be true for statistical studies of environmental excise taxes. Plans are to continue producing quarterly tabulations which will be summarized once a year in the *Statistics of Income Bulletin*.

While current plans do not call for publishing a separate compendium or providing a special statistical service for excise taxes, unpublished tables or special tabulations are available on a cost-reimbursable basis [47].

NOTES AND REFERENCES

[1] These regularly conducted studies are listed and briefly described in Jamerson, Bettye, "New SOI Statistical Services, 1985-86," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 1-8.

[2] Skelly, Daniel F., and Hobbs, James R., "Statistics of Income Studies of International Income and Taxes," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2, pp. 1-20.

[3] Skelly, Daniel F., *Statistics of Income—1974-1978, Private Foundations*, U.S. Department of Treasury, Internal Revenue Service, Washington, DC, 1981.

[4] See Petska, Thomas B., "An Examination of Private Foundations for 1979," *Statistics of Income Bulletin*, Fall 1982, Volume 2, Number 3, pp. 9-29.

[5] For an analysis of the 1982 study data, see Riley, Margaret, "Private Foundation Information Returns, 1982," *Statistics of Income Bulletin*, Fall 1985, Volume 5, Number 2, pp. 1-27. For a further discussion of the 1982 study results, see Riley, Margaret, "A Survey of Private Foundations," *Working Papers*, Independent Sector and The United Way Institute, 1986. (Certain data published for 1982 have been revised and are available upon request from the Director, Statistics of Income Division TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.)

[6] The Statistics of Income Division will carry out annual studies of private foundations provided sufficient resources are available. Resource limitations caused the 1984 study to be cancelled.

[7] See Riley, Margaret, "A Private Foundation Profile for 1983," *Statistics of Income Bulletin*, Winter 1986-87, Volume 6, Number 3, pp. 11-24.

[8] For more detail about charitable and split-interest trusts, see Petska, Thomas B., "Charitable Trusts: An IRS Examination of Nonexempt Philanthropic Organizations," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*.

[9] Hilgert, Cecelia, "Nonprofit Charitable Organizations, 1983," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-42.

[10] Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," *Statistics of Income Bulletin*, Winter 1985-

86, Volume 5, Number 3, pp. 21-40.

[11] Sullivan, John, and Coleman, Michael, "Nonprofit Organizations, 1975-1978," *Statistics of Income Bulletin*, Fall 1981, Volume 1, Number 2, pp. 6-38.

[12] The Small Business Administration report concluded, among other things, that the traditional rationale for granting Federal tax-exempt status to nonprofit organizations was no longer applicable to many so-called "commercial" nonprofit groups established during the past 20 years. A commercial nonprofit organization was defined as one that receives little or no income from donations, but rather derives all or nearly all of its income from prices charged for the goods or services it produces. See U.S. Small Business Administration, Office of Advocacy, "Unfair Competition by Nonprofit Organizations with Small Business: An Issue for the 1980's," November 1983, pp. 1-16.

[13] Broaddus, Will, "Crying Foul," *Foundation News*, July/August 1984, The Council on Foundations, pp. 56, 57, and 61.

[14] See Statement of O. Donaldson Chapoton, former Deputy Assistant Secretary (Tax Policy), U.S. Department of the Treasury, before the Subcommittee on Oversight of the Committee on Ways and Means, U.S. House of Representatives, June 22, 1987.

[15] Scheuren, Fritz. J., *Statistics of Income—1963, Farmers' Cooperative Income Tax Returns*, U.S. Department of Treasury, Internal Revenue Service, Washington, DC, 1966.

[16] See Clark, Phillip, "Private Activity Tax-Exempt Bonds, 1985," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-43.

[17] See Clark, Phillip, "Private Activity Tax-Exempt Bonds, 1985," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-43; "Private Activity Tax-Exempt Bonds, 1984", *Statistics of Income Bulletin*, Winter 1985-86, Volume 5, Number 3, pp. 55-64; and "Private Activity Tax-Exempt Bonds, 1983", *Statistics of Income Bulletin*, Summer 1984, Volume 4, Number 1, pp. 97-108.

[18] Chiechi, Carolyn P., Atkinson, Robert E., Jr., and Galston, Marian, "Impact of the 1986 Tax Reform Act on Exempt Organizations," *Journal of Taxation*, June 1987, pp. 344-351.

[19] Requests for these tabulations should be sent to the Director, Statistics of Income Division, TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.

[20] Most returns filed in 1977 were for taxpayers who died in 1976, when a return had to be filed by the executor of an estate if the value of the gross estate at time of death exceeded $60,000. Estimates for 1985 were for decedents with gross estate of $300,000 or greater. Most returns filed in 1985 were for decedents who died the previous year when the filing requirement was $325,000. A small number of returns filed in 1985 were for decedents who died in 1983 when the filing requirement was $275,000. Thus, a small number of returns filed in 1985 for decedents with less than $300,000 of gross estate are not included in estimates for that year.

[21] Marley, Marcia, and Wolff, Edward N., "Long-term Trends in U.S Wealth Inequality: Methodological Issues and Results," paper presented at the National Bureau of Economic Research Conference on Research on Income and Wealth, March 1987.

[22] See Bentz, Mary F., "Estate Tax Returns, 1983," *Statistics of Income Bulletin*, Fall 1984, Volume 4, Number 2, pp. 1-12.

[23] In addition, a U.S. estate tax return (Form 706 NA) must be filed by the personal representative of a nonresident alien's estate if the value of the decedent's gross estate located in the United States exceeded $60,000 at the date of death. A nonresident alien decedent is an individual whose domicile at the time of death was not within the United States and who was not a U.S. citizen. Returns were filed on behalf of 169 nonresident aliens who died in 1982 whose estates exceeded $60,000. For more detail, see Sutton, Bill, and Hobbs, James, "U.S. Estate Tax Returns of Nonresident Aliens, 1983" *Statistics of Income Compendium of Studies of International Income and Taxes, 1979-1983*, Washington, DC, 1985, pp. 437-442.

[24] See Scheuren, Fritz, *Statistics of Income—1962, Personal Wealth Estimated from Estate Tax Returns*. This report includes detailed explanations of personal wealth terminology, as well as of the statistical technique (the "estate multiplier") used to derive estimates of personal wealth of certain segments of the living population based on estate tax return data. Other separate reports were also published on this topic. See Crossed, Charles, *Statistics of Income—1969, Personal Wealth Estimated from Estate Tax Returns* and Gilmour, Keith, *Statistics of Income—1972, Personal Wealth Estimated from Estate Tax Returns*.

[25] See Gilmour, Keith, and Schwartz, Marvin, "Changes in the Composition and Concentration of Personal Wealth in the United States," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*, and Schwartz, Marvin, "Trends in

Personal Wealth, 1976-1981," *Statistics of Income Bulletin*, Summer 1983, Volume 3, Number 1, pp. 1-26. These two articles present an analysis of the 1976 and preliminary 1981 personal wealth data.

[26] McCubbin, Janet, and Scheuren, Fritz, "Piecing Together Personal Wealth Distributions," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Record Research: 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[27] Schwartz, Marvin, "Preliminary Estimates of Personal Wealth, 1982: Composition of Assets," *Statistics of Income Bulletin*, Winter 1984-85, Volume 4, Number 3, pp. 1-18. For additional information, see also Schwartz, Marvin, "Trends in Personal Wealth, 1976-1981," *Statistics of Income Bulletin*, Summer 1983, Volume 3, Number 1, pp. 1-26.

[28] Schwartz, Marvin, "Further Estimates of Personal Wealth in the United States Using the Estate Multiplier Technique," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Research: 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[29] More detailed results of the personal wealth estimates for 1982 based on estate tax returns classified by year of death and filed in 1982-1984 will be published in the fall of 1989 in the *Statistics of Income Compendium on Wealth and Wealth-Related Studies*. The one-volume compendium will be composed chiefly of articles published in the *Statistics of Income Bulletin* and in Proceedings of the American Statistical Association.

[30] McCubbin, Janet, "Improving Wealth Estimates Derived From Estate Tax Data," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Record Research; 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[31] Data on wealth have recently become available from the 1983 Survey of Consumer Finances. This study was jointly sponsored by the Board of Governors of the Federal Reserve System and six other Federal agencies (including the Internal Revenue Service). For further information, see Avery, Robert B., Elliehausen, Gregory E., Canner, Glenn B., and Gustafson, Thomas A., "Survey of Consumer Finances, 1983," *Federal Reserve Bulletin*, September 1984, pp. 679-692; and December 1984, pp. 857-868. See also McCubbin, Janet, and Scheuren, Fritz, "Piecing Together Personal Wealth Distributions," op. cit., 1987, where issues of comparability are covered.

[32] For a description of the plans for the creation and future use of a linked intergenerational estate tax return archive, see Bentz, Mary, "The Intergenerational Wealth Study: Prospects for Data Analysis and Methodological Research," *Multi-National Tax Modelling Symposium Proceedings*, Revenue Canada Taxation, 1985.

[33] Lampman, Robert J., *The Share of Top Wealthholders in National Wealth*, 1922-56, Princeton University Press, 1962; and Mendershausen, Horst, "The Pattern of Estate Tax Wealth," Volume III, *A Study of Savings in the United States*, ed. Raymond D. Goldsmith, Princeton University Press, 1956.

[34] Medve, Kathy, "Estate Tax Returns Revisited, 1916-31," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 51-58, and "The Intergenerational Wealth Study: Preliminary Findings and Future Plans," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Record Research: 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[35] Steuerle, C. Eugene, "The Relationship Between Realized Income and Wealth," *Statistics of Income Bulletin*, Spring 1983, Volume 2, Number 4, pp. 29-34.

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[38] Scheuren, Frederick, "Historical Perspectives on IRS Wealth Estimates With Prospectives for Improvements," paper presented at the May 2, 1975, National Bureau of Economic Research Workshop on Estate Multiplier Estimates, May 2, 1975.

[39] Caldwell, Steven, and Diamond, Theodore, "Income Differentials in Mortality: Preliminary Results Based on IRS-SSA Linked Data," *Statistical Uses of Administrative Records: Recent Research and Present Prospects*, U.S. Department of Treasury, Internal Revenue Service, July 1984; pp. 539-547.

[40] Heeringa, Steven G., and Curtin, Richard T., "Household Income and Wealth: Sample Design and Estimation for the 1983 Survey of Consumer Finances," *1987*

Proceedings of the American Statistical Association, Social Statistics Section. Also available in *Statistics of Income and Related Administrative Record Research: 1986-1987,* U.S. Department of the Treasury, Internal Revenue Service, 1987.

[41] See footnote 19.

[42] For more detail on excise taxes reported, see U.S. Department of the Treasury, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service*, for each fiscal year, 1981-1985.

[43] Adjustments amounted to $6.0 billion since the Crude Oil Windfall Profit Tax Act was enacted on March 1, 1980. These adjustments were corrections to the windfall profit tax liability for over- and under-withholding in previous quarters and corrections to the tax liability because the net income limitation (limits the windfall profit to 90 percent of the net income per barrel of oil).

[44] For more detail on the oil volume, removal value, adjustments, type of oil, tax liability, data sources and limitations, see Chung, Edward, "Crude Oil Windfall Profit Tax, 1985", *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2, pp. 88-89. Additional quarterly statistics on the windfall profit tax were shown in each issue of the *Statistics of Income Bulletin*, beginning with the Fall 1981 issue and ending with the Fall 1986 issue. Annual totals will continue to be published in the *Statistics of Income Bulletin.* Data for 1986 will be published in the Spring 1988 issue.

[45] For more detail, see Belal, Rashida, "Environmental Taxes, 1981-1985", *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-42.

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[47] See footnote 19.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies

Project	Sample size and scope of study	Frequency and content
	Part I - TAX-EXEMPT ORGANIZATIONS STUDIES	
Private Foundations	The sample for 1985 is approximately 1,800 returns selected from an estimated population of 30,000. The sample will increase in stages to about 5,000 returns for 1989 selected from an estimated population of about 36,000.	This study is to be conducted annually and includes tabulations of various data from the balance sheet and income statement. The last complete study was for 1983. The next study, for 1985, should be completed by the end of 1988.
Charitable and Split-Interest Trusts	The sample size for 1989 is expected to be approximately 6,000 returns selected from a population estimated at approximately 35,000 for both types of trusts.	This is a periodic study to be done at least every 3 years. The next study, planned for Tax Year 1989, will include primarily balance sheet and income statement information.
Nonprofit Charitable Organizations and "Other" Tax-Exempt Organizations (filing Form 990)	The stratified sample for 1985 will be approximately 5,500 returns selected from an estimated population of approximately 100,000. The sample will be increased to about 8,000 for 1987. For 1988 the sample will be expanded to about 35,000 returns and will represent all section 501(c) organizations (estimated at about 280,000 returns).	This study is to be conducted annually beginning with Tax Year 1985 data. It includes tabulations of balance sheets and and income statements for only those organizations classified as tax-exempt under section 501(c)(3) of the Internal Revenue Code. However, for Tax Year 1988, the study will be expanded to include all 501(c) organizations. The next study, for 1985, should be completed in the spring of 1989.
Exempt Organizations' Unrelated Business Income	The sample size will be approximately 5,000 returns selected from a population estimated at 27,000.	This is planned as an annual study. The first study, for Tax Year 1987, will be published in 1989 and will include tabulations of exempt organizations' unrelated business income and deductions. Plans are to link this file with the Form 990 file of organizations tax-exempt under section 501(c).

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part I - TAX-EXEMPT ORGANIZATIONS STUDIES (Continued)	
Private Foundation Grant-Administrative Expenses	The sample will include approximately 800 private foundation returns for Tax Year 1985 selected from a population of about 30,000 returns.	This is a one-time study mandated by Congress in the Tax Reform Act of 1984 to assess the impact of current provisions of the Internal Revenue Code. Results will be provided to the Office of Tax Analysis for its report to Congress in 1990.
Farmers' Cooperatives	The sample will include all of the approximately 6,000 exempt and nonexempt farmers' cooperative returns.	This is a periodic study planned for every 3 years. The next farmers' cooperative study is planned for 1992. The last complete study was for Tax Year 1977; results of the 1977 study will be published in the SOI Exempt Organization Compendium in the fall, 1988.
Tax-Exempt Private Activity Bonds	The sample will include all of the approximately 7,000 information returns for private activity bond issues filed for 1986. The population is expected to increase in 1987 when information on public-purpose bonds will be required for the first time.	This is an annual study providing information on industrial development bonds, private exempt entity bonds, student loan bonds, and qualified mortgage bonds, by industry, type of property financed, size of face amount, and State. Starting in 1987, information on public-purpose bonds will also be available. The next study of private activity bonds, for Tax Year 1986, will be completed in the spring, 1988.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part II - ESTATE TAX AND WEALTH STUDIES	
Estate Tax	The 1989 estate study will include a sample of approximately 18,000 estate returns selected over a 3-year period. The sample for 1986 will be approximately 4,500 returns selected from an estimated population of 62,000; the sample for 1987 will be about 9,500 returns selected from an estimated population of 35,000 returns; and for 1988, a sample of 3,500 returns will be selected from an estimated population of about 35,000 returns.	Basic data from estate tax returns are produced annually by year in which returns are filed. This report includes tabulations of gross estate and its composition, deductions, and tax, as well as information on age, sex, and marital status of decedents. Other statistics will be available on a year-of-death basis (approximately every 3 years). The most recent estate tax data available are for returns filed in 1985. Final data for returns filed in 1986 will be available in the summer, 1988.
Personal Wealth Estimates	This study is a by-product of the estate study. The sample for the 1982 study includes estate tax returns of decedents with year of death 1982 filed in 1982–1984. The sample is augmented with returns filed in 1982–1984 for decedents with gross estates of $5 million or more and decedents under 45 years of age regardless of year of death.	This is a periodic study done every 3 or 4 years. It includes estimates of personal wealth based on estate tax return data, using the "estate multiplier" technique and both the filing year and year-of-death estate data bases. The most recent data available are based on returns filed in 1983. Final personal wealth estimates based on individuals who died in 1982 will be available in the spring, 1988.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part II - ESTATE TAX AND WEALTH STUDIES (Continued)	
Intergenerational Wealth Transfers	The sample includes all estate tax returns filed between 1916 and 1945. For the post-1945 studies, the sample will be based on an artificial filing threshold.	This is a one-time study focusing on the changes in the concentration of wealth and on the intergenerational transfer of wealth, as well as on the history of the estate tax. Asset composition, demographic information, and an analysis of the beneficiaries of the estates will be emphasized. Selected information about wealth concentration from the first phase of this study (1916–31) was published in the Spring 1987 issue of the *Statistics of Income Bulletin*. Results of the next phase (1932–45) are planned for publication in 1989.
Estate Collation	The sample includes estate returns with year of death 1982 filed in 1982 or 1983 with gross estate of $1 million or more.	This periodic study provides a means of examining the relationship between personal income and wealth. Information from the estate tax return is associated with income tax return data. Realized rates of return are produced based on correlating information from the estate return with data from income tax returns. The most recent study was for 1982 decedents. The next study is planned for 1989 decedents.
Fiduciary Income Tax	The sample for the 1989 study of fiduciary income tax returns will be approximately 1,000 returns.	This study is periodic, covering data on estate and trust income, deductions, and taxes. The last complete study was for Tax Year 1982. The next study is planned for 1989, to coincide with the 1989 estate study.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part III - EXCISE TAX STUDIES	
Gift Tax	The sample for the 1989 study of gift taxes will be approximately 3,000 returns.	This study is a periodic study covering data on the types of gifts, deductions, and taxes. The last complete study was for 1965. The next study is planned for 1989, to coincide with the 1989 estate study.
Windfall Profit Tax	The sample for Filing Year 1985 was approximately 75 returns per quarter, consisting of all returns with a tax liability of $1 million or more and a 10-percent sample of all other returns.	Detailed information is published annually on numbers of barrels of oil, removal value, adjusted base value, and the tax, by type and oil "tier" for first purchasers of oil. The last complete study was for oil removed in 1985. The next complete study, for oil removed in 1986, will be available in the spring, 1988.
Environmental Excise Tax	The sample for Filing Year 1985 included all environmental tax forms filed, or approximately 400 each quarter.	This study is published annually and summarizes environmental excise tax data from the quarter ended June 1981, the first quarter the tax was in effect, to the present. It includes data on environmental taxes by source and by type of substance. The most recent study was for 1985. Another study is planned for taxes beginning with 1987 as authorized by the Superfund Amendments and Reauthorization Act of 1986. The next complete study, for Filing Year 1987 returns, will be available in the winter, 1988.

Taxation of Social Security and Railroad Retirement Benefits, 1985–1990

By Janet Holtzblatt*

The Treasury Department transfers to the Social Security and Railroad Retirement Trust Funds income tax collections derived from the taxation of social security and railroad retirement benefits as required by the Social Security Amendments of 1983 [1]. The 1983 Amendments require that beginning in January 1984 social security and "tier 1" railroad retirement benefits be partially taxable for high-income taxpayers and the estimates of the tax liability attributable to these benefits be transferred to the Federal Old Age and Survivors Insurance (FOASI), Federal Disability Insurance (FDI), and Railroad Retirement Trust Funds [2]. The Amendments require adjustments in the amounts transferred to the trust funds in the event that the estimates of the tax liability attributable to the benefits, made before the year's tax returns become available, are subsequently shown to be incorrect. The 1985 individual income tax return data for the required adjustments were obtained in 1987 from the Internal Revenue Service (IRS) [3].

The amounts transferred to the Social Security Trust Funds are calculated as the difference between tax liabilities with and without the inclusion of benefits in "adjusted gross income" (AGI) for returns with taxable social security and tier 1 railroad retirement benefits. A taxpayer adds taxable wages, interest, dividends, and other taxable income to one-half of social security and tier 1 railroad retirement benefits plus tax-exempt interest on State and local government obligations to obtain a sum which is compared to certain thresholds. The threshold for single taxpayers is $25,000 and for joint returns it is $32,000. A maximum of 50 percent of the social security and tier 1 railroad retirement benefits are includable in AGI if a taxpayer's income exceeds the threshold. For taxpayers with incomes slightly above the threshold amounts or with relatively large social security and tier 1 railroad retirement benefits, the percentage of such benefits includable in AGI is often lower than the 50 percent maximum.

The initial Calendar Year 1985 transfers of $3,428 million to the Trust Funds were $12 million higher than the amount of income tax liability calculated from actual 1985 tax return data. Transfers to the FDI and Railroad Retirement accounts were initially overstated by $114 million and $43 million, respectively. These overpayments were partially offset by an underpayment to the FOASI account of $145 million. Correcting adjustments were made in the July 1987 Trust Fund transfers. Transfers for Calendar Years 1986 through 1990, including the adjustment for 1985 and an anticipated adjustment for 1986, are estimated to be $18,948 million.

METHODOLOGY AND ESTIMATES OF BENEFIT TAXATION FOR THE INITIAL CALENDAR YEAR 1985 TRUST FUND TRANSFERS

The Treasury Department's Office of Tax Analysis (OTA) has responsibility for making the transfers of additional income tax liability attributable to the Social Security Amendments of 1983 to the Social Security and Railroad Retirement Trust Funds. OTA estimated the tax liability effects of the benefit taxation provision of the Amendments using the Office's Individual Income Tax Model.

The Individual Income Tax Model contains information from a stratified random subsample of 75,000 tax returns selected from the IRS' Statistics of Income file of sampled returns, various imputations of data not available from tax returns, and a tax calculator which computes changes in tax liabilities attributable to changes in the tax code. Computations based on this model are weighted to produce results that are representative of the population that filed returns in the year the sample was selected [4]. The imputations and the tax calculator are described below, after which the initial 1985 transfers are discussed.

Imputation of data items not available from tax returns was necessary to make initial revenue estimates of the additional tax liability attributable to the taxation of social security and tier 1 railroad retirement benefits. First, the Individual Income Tax Model had to be modified to include data on taxable pension benefits. For example, payable benefits, as provided by the Social Security Administration and the Railroad Retirement Board, had to be distributed among appro-

* Office of Tax Analysis, U.S. Department of the Treasury. Prepared under the direction of Howard W. Nester. This report is a reprint (edited for the SOI Bulletin) of a report from the Secretary of the Treasury to the Congress, Secretary of Health and Human Services, and Chairman of the Railroad Retirement Board, required under section 121, Public Law 98-21, the Social Security Amendments of 1983.

priate taxpayers. This distribution was based on the most recent Current Population Survey data from the Census Bureau [5]. Second, an imputation was made for tax-exempt interest on State and local government obligations because it is included in the benefit inclusion formula but was not reported in IRS statistics [6].

Calculation of the tax liability effect of the new legislation required forecasts of 1985 revenue when 1983 tax data were the latest available. Forecasts of tax effects beyond 1983 required that the data items on the Individual Income Tax Model be adjusted for three types of growth. First, an adjustment was made for the forecasted growth in social security and tier 1 railroad retirement pension benefits provided by the Social Security Administration and the Railroad Retirement Board.

Second, an adjustment was made to capture the maturing of the beneficiary population. The current structure of the social security system ensures that for the near future new beneficiaries subject to tax have both greater benefits and higher incomes than prior entrants. Finally, the thresholds were adjusted to reflect the effect of inflation on their real value. The thresholds which trigger taxation of social security and tier 1 railroad retirement benefits are unadjusted for inflation, so the real value of the thresholds erode with some beneficiaries becoming taxable as inflation raises their incomes over the thresholds.

These imputations and forecasts are inputs to the tax calculator which utilizes information from each potential filing unit to calculate each unit's Federal income tax liability. For purposes of making the initial 1985 transfers, the Individual Income Tax Model was used to estimate 1985 tax liabilities with and then without social security and tier 1 railroad retirement benefits included in AGI. The tax calculator takes account of changes in itemized deductions which are affected by AGI (e.g., as AGI increases, it becomes more difficult to meet the criteria for deducting medical and casualty expenses), the individual minimum tax, and the usage of tax credits (the increased liability resulting from inclusion of social security benefits in AGI enables some taxpayers to use credits which otherwise might not be usable for that year) [7]. The Tax Model yielded the percentage of total benefits included in AGI as a result of the special benefit inclusion formula, and associated marginal tax rates.

Estimates of the additional tax liability from the partial taxation of social security benefits for Calendar Year 1985 were made in late 1984 and were adjusted as new information was obtained. Transfers to the Trust Funds are authorized by Treasury Department regulations to be made on a quarterly basis. The amount of each quarter equals one-fourth of the estimated change in calendar year tax liability as a result of the 1983 Amendments (plus adjustments for prior transfers). The transfers required by the Amendments are allocated to the following accounts:

- Federal Old Age and Survivors Insurance (FOASI)
- Federal Disability Insurance (FDI)
- Railroad Retirement (Tier 1):
  - Social Security Equivalent Benefit Account (SSEBA)
  - Railroad Retirement Account (RRA)

Since October 1984, the tax attributable to receipt of tier 1 railroad retirement benefits has been transferred into two trust funds maintained by the Railroad Retirement Board. The Social Security Equivalent Benefit Account (SSEBA) was established in October 1984 by the Railroad Retirement Solvency Act of 1983. From the SSEBA, the Railroad Retirement Board pays retired rail workers the amount of tier 1 railroad retirement benefits which is equivalent to the social security benefits they would have received had their service been covered under the social security system rather than the railroad retirement system. The tax liability attributable to the social security equivalent benefits is transferred into the SSEBA. The remaining portion of tier 1 benefits is paid from the Railroad Retirement Account (RRA), and consequently, the tax liability attributable to this portion is transferred into the RRA. For 1985, the first full calendar year in which taxes on the tier 1 railroad retirement benefits were divided between the two accounts, 84 percent of these benefits were classified as SSEBA payments, while 16 percent were classified as RRA benefits.

Figure A compares the assumptions used to estimate the initial transfers for Calendar Year 1985 with the actual results. The top section of the table indicates that for FOASI, it was initially assumed that 5.3 percent of the $167,877 million of benefits paid out in 1985 would be included in AGI at a marginal tax rate of 35.3 percent, yielding an initial transfer of $3,133 million. Similar assumptions were used to obtain the initial estimates of the tax liability associated with tier 1 railroad retirement benefits: 5.1 percent of the $4,195 million paid out in tier 1 railroad retirement benefits were included in AGI at a 35.2 percent marginal tax rate, yielding a $77 million transfer. Relative to retirees, recipients of social security disability benefits have lower incomes. As a result, smaller tax parameters were used in the estimation of the initial transfer of disability benefits: 3.3 percent of the $19,072 million in FDI benefits were included at a 34.4 percent marginal tax rate resulting in a transfer of $218 million. The actual results are discussed in the following section.

Figure A.—Comparison of Assumptions Used to Estimate Initial Transfers with Actual Results, Calendar Year 1985
[Amounts in millions]

Trust funds	Initial transfer assumptions[1]			
	Totals benefits paid	Benefits includable in adjusted gross income (AGI): As a percentage of total benefits	Benefits includable in adjusted gross income (AGI): Average marginal tax rates used	Initial transfers
	(1)	(2)	(3)	(4)
Total	$191,143	5.1%	35.2%	$3,428
Federal Old Age and Survivors Insurance	167,877	5.3	35.3	3,133
Federal Disability Insurance	19,072	3.3	34.4	218
Railroad Retirement Tier 1	4,195	5.1	35.2	77
Trust funds	**Actual results[2]**			
	Totals benefits paid	Benefits includable in adjusted gross income (AGI): As a percentage of total benefits	Benefits includable in adjusted gross income (AGI): Average marginal tax rates used	Actual results
	(5)	(6)	(7)	(8)
Total	$190,271	5.2%	34.8%	$3,416
Federal Old Age and Survivors Insurance	167,248	5.6	35.2	3,278
Federal Disability Insurance	18,827	2.0	27.9	104
Railroad Retirement Tier 1	4,196	3.0	27.4	34

[1] The total benefits paid data were estimates provided by the Social Security Administration and the Railroad Retirement Board; the other data are from the Individual Income Tax Model of the Office of Tax Analysis.
[2] The total benefits paid data are from the *Annual Statistical Supplement for 1986* of the *Social Security Bulletin* and the Railroad Retirement Board; the other data are from IRS Individual Master File data.
NOTE: Different assumptions were used for each quarterly transfer. Figure A presents a weighted average of these quarterly transfer assumptions. Details may not add to totals because of rounding.
Source: U.S. Department of the Treasury, Office of Tax Analysis, July 10, 1987.

ADJUSTMENTS TO TRANSFERS FOR ACTUAL 1985 TAX RETURN INFORMATION

The Social Security Amendments of 1983 require that transfers made on the basis of estimates be subsequently adjusted when actual tax return data become available. Calculations of the additional tax liability for Calendar Year 1985 resulting from partial taxation of social security and railroad retirement benefits were made by the IRS using two sets of forms: 1) All Form 1040 individual income tax returns showing some of these taxable benefits; and 2) payment forms provided to beneficiaries, the Forms 1099-SSA and 1099-RRB, which respectively inform social security and railroad retirement beneficiaries of payments potentially includable in AGI. The IRS calculated the number of tax returns with benefits which might be includable in AGI, the gross dollar amount of benefits ultimately paid to beneficiaries who filed tax returns, the amount of benefits included in AGI, and the additional taxes resulting from inclusion. Additional taxes resulting from inclusion were obtained by comparing for all returns the tax liability with and without social security and railroad retirement benefits in AGI.

The lower section of Figure A shows the additional tax liability attributable to partial inclusion of social security and railroad retirement benefits calculated from actual 1985 tax returns. In 1985, the Social Security Administration and the Railroad Retirement Board paid out $190,271 million in FOASI, FDI, and tier 1 railroad retirement benefits. As a result of the Social Security Amendments of 1983, $9,894 million in benefits were added to AGI for Tax Year 1985. On the average, these benefits were taxed at a marginal rate of 34.8 percent, yielding $3,416 million in additional revenues. For all Trust Funds, initial transfers exceeded actual receipts by $12 million. In the aggregate, this compares favorably with the previous year, when subsequent data on 1984 actuals required a transfer from the Trust Funds of $157 million back to general revenues in April, 1987.

The aggregate data, however, mask offsetting adjustments among the Trust Funds. While transfers to the FDI and tier 1 railroad retirement accounts exceeded actual receipts by $157 million, transfers to the FOASI account fell short of actual receipts by $145 million. For both the FDI and tier 1 railroad retirement benefit accounts, the assumptions concerning the tax parameters were too high. In the FDI account, the initial estimates assumed that 3.3 percent of benefits would be taxable at a marginal rate of 34.4 percent. The actual results showed, instead, that 2.0 percent of benefits were taxable at a marginal rate of 27.9 percent. Similarly, the initial estimates for the tier 1 railroad retirement benefit accounts overstated the amount of benefits includable in AGI and the applicable marginal tax rate by 2.1 and 7.8 percentage points, respectively.

In the FOASI account, the initial estimate of the marginal tax rate again erred on the positive side, though by only 0.1 percentage point. In addition, initial estimates of total benefits paid in 1985 were in excess of the actual amount by $629 million. But, in contrast to the other accounts, the proportion of benefits includable in AGI was initially understated by 0.3 percentage points, and the total amount of tax liabilities transferred consequently fell short by $145 million.

As a result of the reconciliation of estimated and actual 1985 tax liability, the July 1, 1987 transfer included an upward adjustment in the FOASI account and downward adjustments in the FDI and railroad retirement accounts. These adjustments reflect the changes from the initial transfers and are presented in Figure B.

Figure B.—Adjustments to Trust Funds Based on Comparison of the Initial Transfers with Actual Results, Calendar Year 1985
[Amounts in millions]

Trust funds	Initial transfers for calendar year	Actual results	Change from initial transfer
	(1)	(2)	(3)
Total	$3,428	$3,416	-$12
Federal Old Age and Survivors Insurance	3,133	3,278	+145
Federal Disability Insurance	218	104	-114
Railroad Retirement Tier 1	77	34	-43

Source: U.S. Department of Treasury, Office of Tax Analysis, July 10, 1987.

FORECAST OF TRANSFERS TO TRUST FUNDS FOR 1986–1990

The Social Security Amendments of 1983 required that the Treasury Department annual report include a forecast of transfers to the Trust Funds for the next 5 years. The forecast is produced by OTA using the methodology described above. Social security and railroad retirement benefit forecasts are obtained from the respective agencies, and the percentage of aggregate retirement benefits includable in AGI and marginal tax rates are obtained by extrapolating the Individual Income Tax Model in accordance with the Administration's budget forecasts. In addition, the estimates of future transfers reflect the information obtained from the IRS computation of marginal tax rates and benefits includable in AGI reported on tax returns for Calendar Year 1985. Downward adjustments have been made in the percentages of FDI and tier 1 railroad retirement benefits includable in AGI for 1987 through 1990 as a result of the information from actual 1984 and 1985 tax returns (the amounts estimated for Calendar Year 1986 have already been transferred).

The estimated transfers for Calendar Years 1986–1990, including the 1984 and 1985 adjustments and anticipated adjustments for 1986, are presented in Figure C. It is expected that the 1983 Amendments will result in $18,948 million being transferred to the Social Security and Railroad Retirement Trust Funds in Calendar Years 1986–1990. It should be noted that the transfers for Calendar Years 1987–1990 take account of the Tax Reform Act of 1986. The Tax Reform Act of 1986 lowers the tax liability effect of the Social Security Amendments of 1983, causing approximately a $2.0 billion decline over the 1987–1990 period due to decreases in marginal tax rates [8].

Figure C.—Forecast of Net Transfers Due to the Social Security Amendments of 1983, Calendar Years 1986–1990[1]

[Amounts in millions]

Trust funds net transfers	Total transfers, 1986–1990	1986 initial transfer already made	Estimated transfers			
			1987	1988	1989	1990
	(1)	(2)	(3)	(4)	(5)	(6)
Total net transfers	$18,948	$3,656	$3,123	$3,572	$4,019	$4,578
Federal Old Age and Survivors Insurance, net transfer	18,082	3,353	3,190	3,509	3,756	4,274
Federal Disability Insurance, net transfer	688	234	−39	49	205	239
Railroad Retirement Tier 1, net transfer	178	69	−28	14	58	65

[1] Transfers for 1985 and 1986 have already been made. The estimates for 1987–1989 include the impact of the Tax Reform Act of 1986 and expected adjustments. The 1987 data reflect the adjustment for 1984 actuals (made in the initial April 1987 transfer when data on 1984 actual receipts became available) and for the 1985 actuals.

Source: U.S. Department of the Treasury, Office of Tax Analysis, July 10, 1987.

NOTES AND REFERENCES

[1] These Amendments call for annual reports by the Secretary of the Treasury on transfers from general revenue tax collections to the social security and railroad retirement trust funds for each calendar year, as soon as data from individual income tax returns on income tax liability are complete. As required by the Amendments, the annual reports also include descriptions of the methodology used to effect the transfers and estimates of the transfers anticipated for the 5 subsequent years.

The "Report on the Taxation of Social Security and Railroad Retirement Benefits in Calendar Year 1984," released in March 1987 by the Office of Tax Analysis, contains a description of the methodology used to estimate and adjust transfers of the 1984 tax liability attributable to receipt of social security and tier 1 railroad retirement benefits.

[2] As mentioned below, "tier 1" benefits consist of two parts (a) benefit equivalent in amount to what a rail worker would have received if covered under social security, and (b) certain other benefits. In contrast, "tier 2" benefits are analogous to those received from private pension plans.

[3] Reports are filed approximately 1-1/2 years after the close of the applicable calendar year due to the normal lags in tax return filing, processing, transcription, and analysis.

[4] For a detailed description of the Individual Income Tax Model, see Cilke, James C., Nelson, Susan C., and Wyscarver, Roy A., "The Tax Reform Data Base," Proceedings of the Seventy-Ninth Annual Conference, National Tax Association-Tax Institute of America, 1986.

[5] U.S. Department of Commerce, Bureau of the Census, Current Population Survey, March 1983, (Machine Readable Data File). (The Survey was conducted for the Bureau of Labor Statistics; the File was produced and distributed by the Bureau of the Census in 1983.)

[6] While Form 1040 has a place where taxpayers are asked to report how much tax-exempt interest on State and local government obligations is included in the social security (and tier 1 railroad retirement) benefit inclusion calculation, only limited information on it was tabulated by IRS for 1986 (for the first time). Beginning with Tax Year 1987, all taxpayers with tax-exempt interest are required to report the amount on Forms 1040 or 1040A, as a result of the Tax Reform Act of 1986. Total tax-exempt interest will then be tabulated by IRS for Statistics of Income.

[7] The Tax Reform Act of 1986 will have a variety of impacts on the Social Security and Railroad Retirement Trust Funds. Some of these impacts, like the one referred to in this report, will reduce trust fund balances, while other effects, such as the expansion of the income of self-employed workers subject to payroll taxation, will increase trust fund balances. No attempt is made here to quantify all of these impacts.

Foreign Recipients of U.S. Income, and Tax Withheld, 1985

By Margaret P. Lewis*

Total income paid to foreign persons (including individuals, corporations and other organizations) from U.S. sources increased 2 percent in 1985 to $17.5 billion; at the same time, U.S. tax withheld on this income fell to $940 million, a 3 percent decrease [1]. U.S. source income included such items as interest and dividend payments, rents and royalties, but not income "effectively connected" with a U.S. trade or business, or interest paid on bank deposits. The total income figure included $748 million in social security and railroad retirement payments which became subject to tax withholding beginning in 1984 and were included for the first time in the statistics for 1985. Nearly $80 million in tax was withheld on these payments in 1985. The decrease in total tax withheld resulted partially from the removal of the withholding tax on most interest payments to foreign persons when the Deficit Reduction Act of 1984 took effect in mid-1984. This income is generally still subject to reporting and therefore, is included in these statistics [2].

U.S. source income paid to residents of the Netherlands Antilles increased 12 percent in 1985 surpassing the United Kingdom as the largest recipient of this income. Residents of the Netherlands Antilles received 18 percent ($3.1 billion) of the total $17.5 billion of U.S. source income paid to foreign persons, while income paid to residents of the United Kingdom fell by $257 million to $2.8 billion, an 8 percent decrease.

BACKGROUND

A U.S. individual or organization paying income to a foreign individual (who, for tax purposes, was not a resident or citizen of the United States) or to a corporation or other organization that was not incorporated or organized in the United States reported this income and the U.S. tax withheld on Form 1042S, Foreign Persons' U.S. Source Income Subject to Withholding. While the basic tax rate was 30 percent, certain types of income were taxed at lower rates. Moreover, income paid to residents of countries that entered into tax treaty agreements with the United States was also usually taxed at lower rates. The tax withheld represented final payment of the actual tax liability in most instances; the foreign recipients did not file a U.S. income tax return because their tax liability had thus been satisfied at its source. The responsibility for withholding this tax belonged to the payer or a representative of the payer (usually a financial institution). Income connected with a foreign recipient's U.S. trade or business was exempt from such withholding. The United States taxed this income separately, the same as though it were received by a U.S. citizen or corporation. Amounts of such "effectively connected" income are not included in the statistics for U.S. source income presented here.

U.S. source income was taxed at a flat rate (generally 30 percent) rather than being subject to graduated tax rates as was the income of U.S. individuals and organizations (and "effectively connected" income of foreign persons). Because most foreign persons receiving income from U.S. sources were not required to file U.S. income tax returns (which would require that they consolidate all of their U.S. income), the flat rate provided for equitable taxation in situations where foreign individuals or organizations received income from more than one U.S. source.

RECENT LEGISLATION AND ITS IMPACT

The Deficit Reduction Act of 1984 removed the U.S. withholding tax on most interest payments made to foreigners. This exemption was effective for all qualified debt issues made after July 18, 1984 [3]. The Act was intended to reduce U.S. borrowing through tax haven countries (which are discussed later in this article) and to encourage U.S. corporations to borrow foreign funds through direct Eurobond placements [4]. The interest paid on these new issues was exempted from tax withholding regardless of the recipient's country of residence.

The Social Security Amendment Act of 1983 required U.S. tax withholding on certain benefits paid to foreign persons beginning in 1984. At the same time, the Railroad Retirement Act of 1937 was also revised to require withholding on certain payments to foreigners. Almost $80 million in taxes was withheld in 1985 on social security and railroad retirement payments of $748 million.

* Foreign Returns Analysis Section. Prepared under the direction of James Hobbs, Chief.

DATA HIGHLIGHTS AND TRENDS

As previously mentioned, U.S. source income paid to foreigners totaled $17.5 billion in 1985, a 2-percent increase over 1984. By contrast, U.S. source income paid jumped 57 percent in 1984, an increase largely attributable to continued high U.S. interest rates and the exemption from tax withholding of interest paid on debt issued after July 18, 1984. Interest paid in 1984 rose by 70 percent over 1983, and dropped only 2 percentage points in 1985. The 2-percent increase in total U.S. source income paid in 1985 reflected continued high interest payments (dropping only slightly from the record 1984 level with a slowing down of new debt issues) and a significant drop in direct foreign investment in the United States, affecting dividends, rents and royalties and other types of income [5].

The average income payment fell by 14 percent in 1985, to less than $19,000, which was indicated by a 2 percent increase in total income paid and an almost 20 percent increase in the number of Forms 1042S filed which grew to nearly 934,000 forms for 1985. The increase in the number of forms filed was due in large part to the inclusion of social security and railroad retirement payments to foreign persons. These payments, while large in number, were comparatively small in size and, therefore, led to a decrease in the average payment.

The average amount of tax withheld per payment fell by 19 percent to $1,000, which again reflected the large number of social security and railroad retirement payments with small amounts of tax withheld. The average effective tax rate (tax withheld as a percentage of total income paid by U.S. sources to foreign recipients) for all countries for 1985 fell to 5.4 percent, only a small change from the effective tax rate of 5.7 percent in 1984 (the reasons for this low tax rate, as compared to the 30 percent basic tax rate, are discussed below under "Tax Withheld and Effective Tax Rates by Country").

TYPES OF INCOME

The proportion of total U.S. source income paid to foreign persons that was attributable to interest payments fell slightly in 1985. Interest payments totaling nearly $10 billion accounted for 56 percent of income paid in 1985 (a decrease of 3 percentage points from 1984), while dividends totaling just over $5 billion represented 29 percent of income paid in 1985 (a 4 percentage-point drop from 1984). Again, these percentage decreases reflected the inclusion of social security and railroad retirement payments which accounted for 4 percent of all 1985 income paid. Without the additional social security and railroad retirement payments, the above percentages for interest and dividends would have been only slightly changed from 1984.

Tax of $193 million was withheld on interest payments to foreign persons in 1985. As Figure A shows, this represented only 21 percent of the total tax withheld, although interest payments represented more than half of all U.S. source income. By contrast, dividends (which are rarely exempt from the withholding tax) accounted for 60 percent of total tax withheld but represented less than 30 percent of all income paid. [Figure A shows the percentage of total income paid and the percentage of total tax withheld for several income types.]

During periods of high U.S. interest rates (and relatively low foreign interest rates), foreign persons tend to take advantage of these rates by increasing their lending to the United States. The Eurobond rate is based primarily on U.S. interest rates and thus these affect the Eurobond issues which are a major source of foreign lending to the United States. Figures B and C show the relationship between the U.S. prime interest rate, the Eurodollar rate, and the amount of interest paid. Figure B charts the interrelationship of these factors for the 10-year period 1976 through 1985 [6].

The amount of interest paid appears to be influenced by the prime rate and the Eurodollar rate, in addition to other influencing factors such as the removal of withholding on most interest payments to foreigners due to the Deficit Reduction Act of 1984 (discussed elsewhere in this article). However, this influence can sometimes appear after a 2-3-year lag period. Thus, the sharp rise in the prime rate which peaked in 1981 is reflected in a sharp increase (60 percent) in interest paid in 1984. This lag may reflect the various pay schedules corporations may arrange for their outstanding debt.

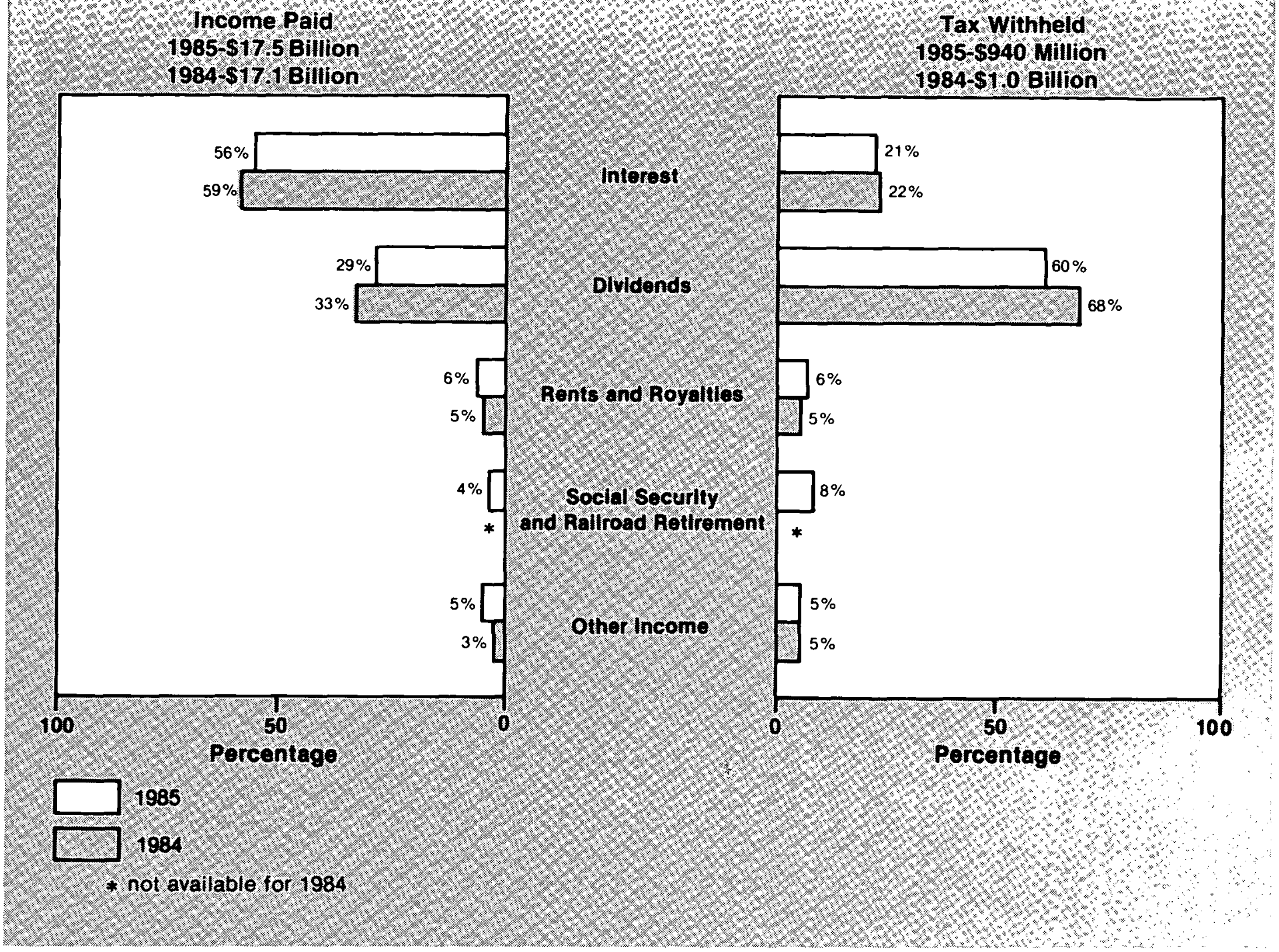
Figure C, which examines this interrelationship more closely, shows that the percentage changes year-to-year in the amount of interest paid are again affected by the pattern of changes in the U.S. prime interest rate and the Eurodollar rate.

Interest payments constituted the largest category of U.S. source income paid to all types of foreign recipients in seven of the nine countries shown in Figure D (which includes only those countries whose residents received a total of more than $700 million in U.S. source income). The two exceptions were the United Kingdom and France, both of which received more U.S. source income in the form of dividends than interest.

As in past years, the six non-tax-haven countries shown in Figure D received a greater portion of rents and royalties (9 percent average) than the Netherlands Antilles, the Netherlands, and Switzerland (3.7 percent average), all of which may be considered tax havens to some degree (see the section entitled "Tax Haven Countries"). In contrast, rents and royalties accounted for 26 and 11 percent of all income

Figure A

Percentage of Total Income Paid and Total Tax Withheld, by Income Type, 1984 and 1985



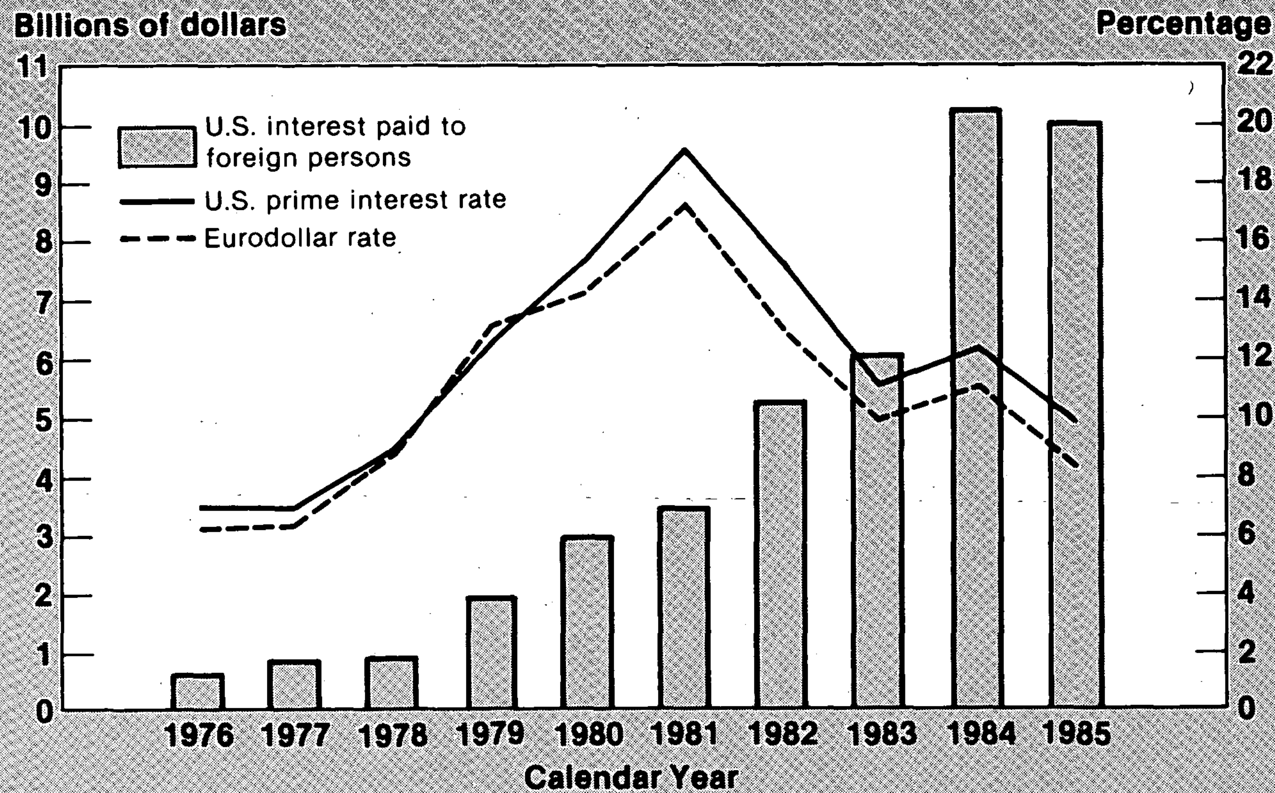
paid to France and Japan, respectively, both non-tax-haven countries. More than half of all rents and royalties paid by U.S. sources to foreign recipients in 1985 were industrial royalties (such as royalties for the use of, or the privilege of using, trademarks, patents, secret processes and formulas, goodwill, franchises, and similar rights.) These types of payments are made primarily to industrial countries whereas tax havens generally have a narrow industrial base. Switzerland and the Netherlands are unusual in that they are tax haven countries with more diversified economies. U.S. corporations in some cases may use tax haven countries to set up foreign companies to which they sell or license the use of their patents, trademarks, secret processes and formulas, goodwill, franchises, and other rights. These companies, in turn, license the use of these patents, trademarks, and the like, back to the originating company and others - resulting in rents, royalties, and license fees paid to tax haven countries.

The data on Belgium may be somewhat misleading since Belgium nominees once again received large interest payments. Therefore, the final recipients of these payments may not be Belgian residents.

As previously mentioned, certain social security and railroad retirement payments to foreign persons became subject to tax withholding beginning in 1984. The first statistics on these were available for 1985. Over 300,000 social security and railroad retirement payments were made to foreign individuals in 1985 amounting to $748 million of U.S. source income on which almost $80 million of tax was withheld, resulting in an effective tax rate of 11 percent. Social security

Figure B

U.S. Interest Paid to Foreign Persons, U.S. Prime Interest Rate, and Eurodollar Rate, 1976-1985



payments accounted for more than 95 percent of this $748 million. Almost 70 percent of this income was paid to individuals in Canada, Europe, and Mexico. As Figure E shows, Canadians and Mexicans were the principal recipients of such income since many residents of these U.S. border countries worked in the United States at one time or another.

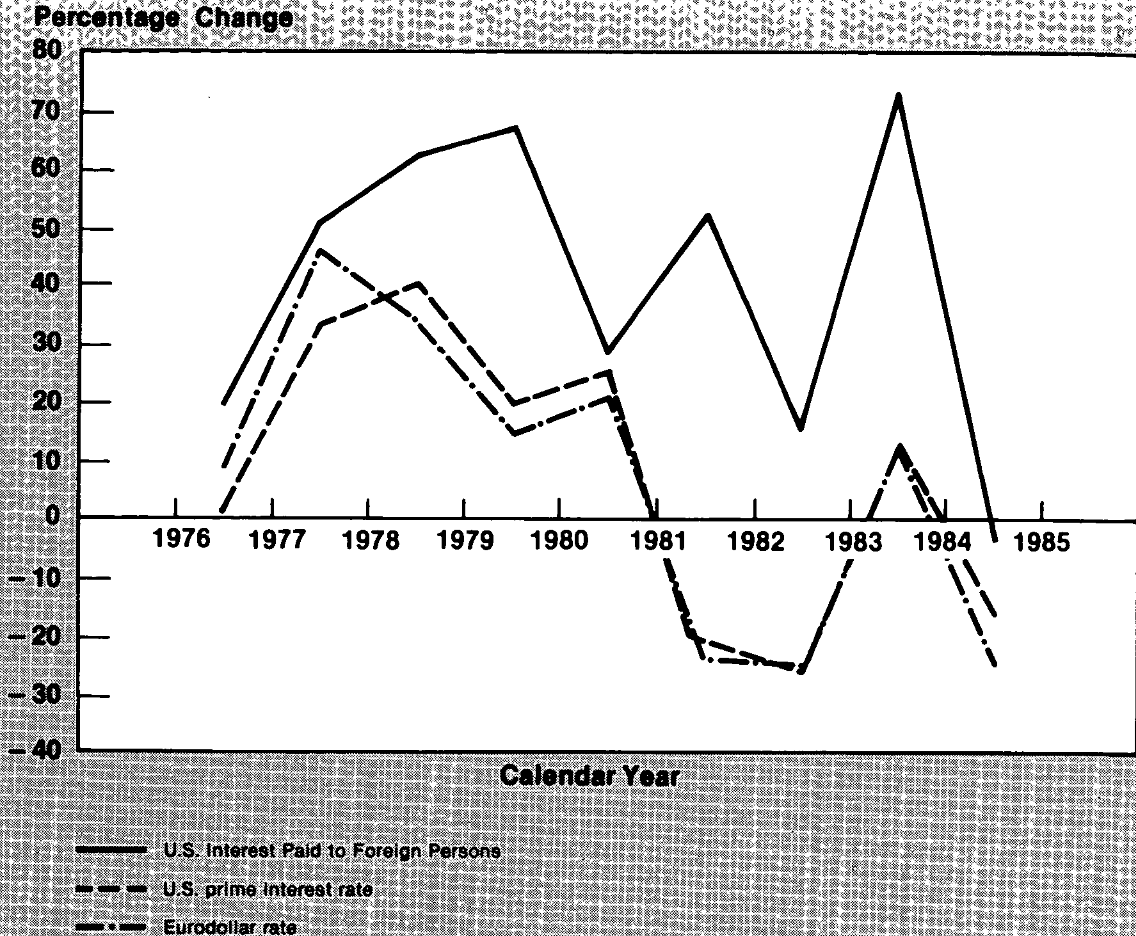
COUNTRY OF RECIPIENT

As Figure F shows, recipients in nine countries accounted for 85 percent of all U.S. source income paid to foreigners in 1985. As in 1984, Canada, Japan, the Netherlands, the Netherlands Antilles, Switzerland and the United Kingdom received more than $1 billion a piece in U.S. source income. Only four of the nine countries showed increased totals for 1985 (led by Japan, up 32 percent). The Netherlands, down 40 percent, experienced the largest drop in U.S. source income of those countries shown.

Total tax withheld on U.S. source income paid to foreign recipients in 1985 fell in six of the countries shown in Figure G (the countries shown in Figure G are the same as those shown in Figure F). Canada and Belgium both received a larger percentage of income that was exempt from withholding in 1985 than in 1984, thus resulting in the large discrepancy in percentage changes in income paid and tax withheld shown in Figure G. West Germany, in contrast, received less income that was exempt from tax withholding in 1985 than in 1984 thus resulting in an increase in tax withheld with a decrease in income paid. Referring back to Figure F, the Netherlands Antilles had the largest discrep-

Figure C

Percentage Changes in U.S. Interest Paid to Foreign Persons, U.S. Prime Interest Rate, and Eurodollar Rate, 1976-1985



ancy between percentage of income paid and percentage of tax withheld, 16 percentage points although tax withheld rose at a faster rate than income paid to Netherlands Antilles recipients.

TAX WITHHELD AND EFFECTIVE TAX RATES BY COUNTRY

Partly because the Deficit Reduction Act of 1984 exempted most types of interest from withholding tax, the overall effective tax rate on U.S. source income paid to foreign persons fell from 5.7 percent in 1984 to 5.4 percent in 1985. The addition of social security and railroad retirement payments prevented this rate from falling further to 5.1 percent. The overall effective tax rate is much lower than the basic U.S. withholding tax rate of 30 percent for a number of reasons. First, tax treaties allow for lower tax rates on certain types of payments made to residents of certain countries. Second, as mentioned previously, the 1984 Act exempted most types of interest from withholding tax. Third, U.S. income paid to foreign government organizations is generally not taxed. Fourth, most U.S. income paid to foreign private foundations is taxed at only a 4-percent rate. Finally, the statutory rate for social security and railroad retirement payments is 15 percent. These factors result in considerable variation among countries in the effective U.S. withholding tax rate (tax withheld as a percentage of total income paid).

Figure H ranks the 13 countries with the lowest effective U.S. withholding tax rates in 1985. The United Arab Emirates had the lowest rate, 0.07 percent, compared to the average for all countries of 5.37 percent. Tax withheld by

Figure D

Percentage of Income Paid by Selected Income Type, Selected Recipient Type, and Selected Country of Recipient, 1985

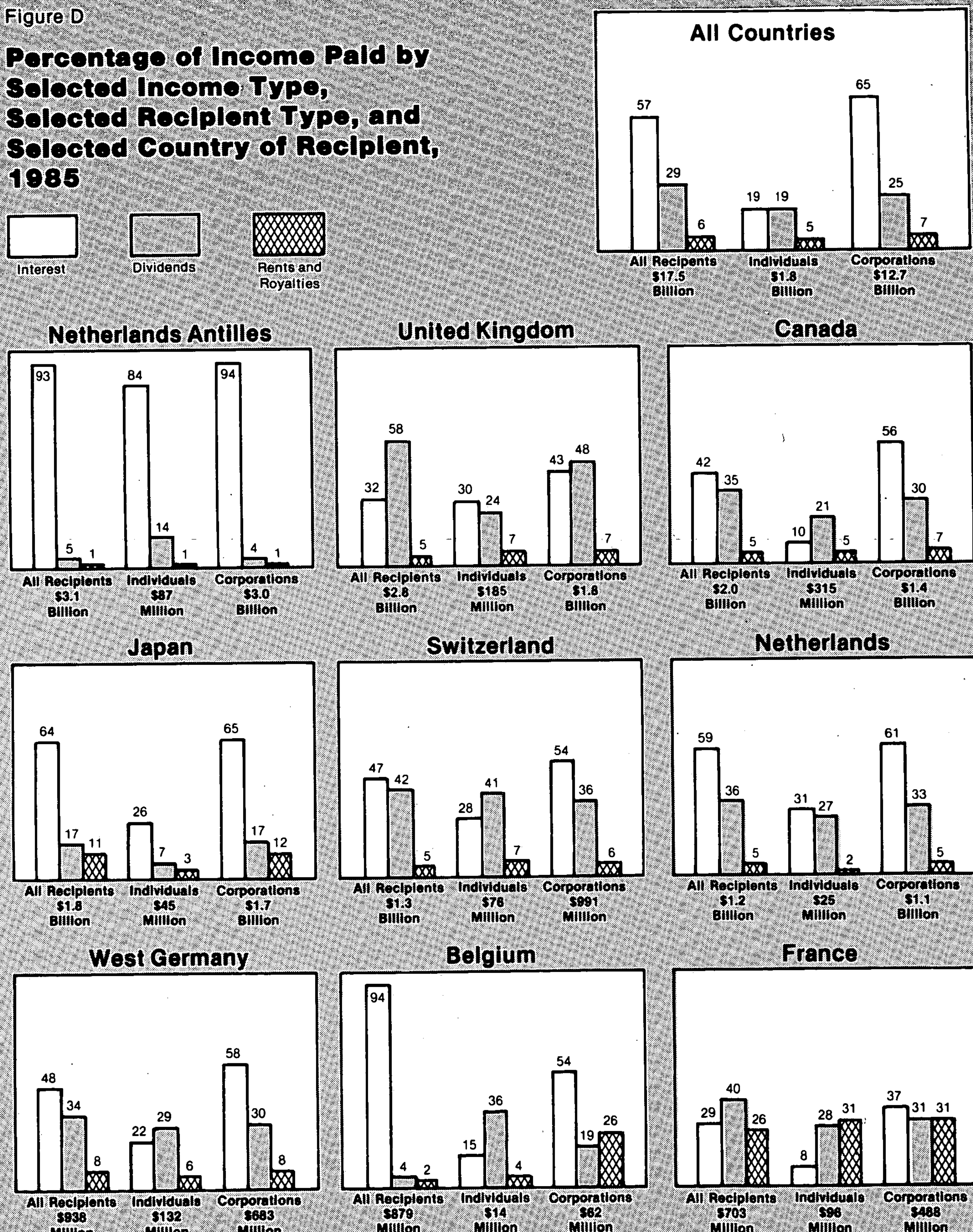
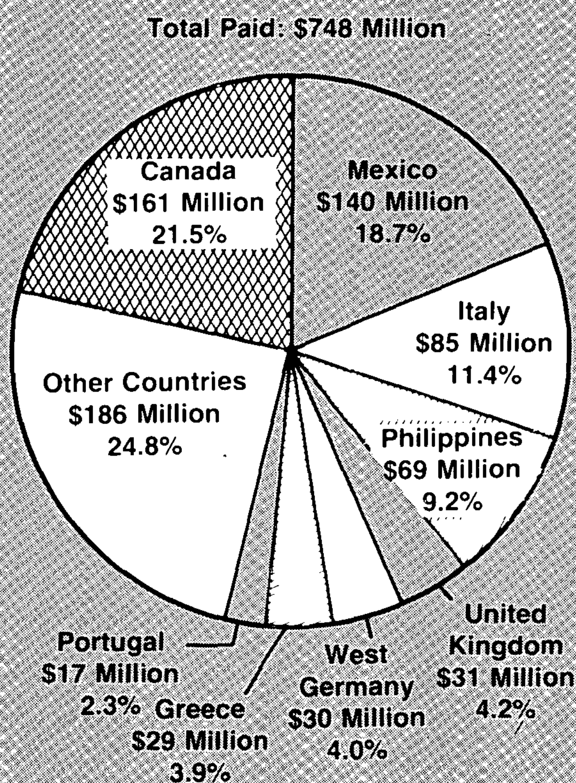


Figure E

Percentage and Amount of Social Security and Railroad Retirement Payments to Recipients in Selected Countries, 1985



foreign governments and foreign withholding agents is not included in this figure (except for Canada) because such tax cannot be properly attributed to income for a particular year (as is discussed in the "Data Sources and Limitations" section). This tax is, however, shown in Table 1. Only countries receiving at least 100 payments and $1 million or more of U.S. source income were considered for this ranking.

Newcomers to this list for 1985 were New Zealand, Malta, the Cayman Islands and Puerto Rico. New Zealand and Malta are treaty countries that receive the benefits of reduced tax withholding rates. While Puerto Rico and the Cayman Islands are not treaty countries, more than 80 percent of the U.S. source income paid to residents of these two countries was interest and thus generally exempt from tax withholding under the Deficit Reduction Act of 1984. In fact, of the 13 countries shown in Figure H, interest payments represented 80 percent or more of all payments for 8 of these countries. Only Canada, Egypt, Malta, the Netherlands, and New Zealand received less than 80 percent of U.S. source income as interest payments.

TAX TREATY COUNTRIES

In order to avoid double taxation of income earned in one country by "residents" of another, the United States has negotiated tax treaties with many countries that reduce the withholding rates in both countries [7]. Presumably any losses in withholding-tax revenue resulting from tax treaties are at least partly offset by a reduction in the foreign tax credits against U.S. income tax claimed by U.S. individuals and corporations. In other words, reciprocal tax treaties generally provide for a reduced withholding rate for U.S. recipients of foreign income and for foreign recipients of U.S. income. Since U.S. individuals and corporations consequently have less foreign tax withheld, this either reduces their excess foreign tax credit or raises their U.S. tax liability.

Figure I compares the effective tax rates on payments to recipients in treaty countries (5.1 percent) with those in nontreaty countries (7.8 percent). There is little difference between the effective tax rate for all countries and that for treaty countries since almost 90 percent of all U.S. source income was paid to residents of treaty countries. Also, the exemption of interest from the withholding tax helped to lower the overall effective tax rate for both treaty and nontreaty countries. Table 1 lists many of the tax treaty and nontreaty countries and provides comparative data on income paid and tax withheld.

Residents in tax treaty countries typically enjoyed lower U.S. withholding tax rates than those for recipients in other countries. When U.S. source income was paid to a foreign nominee or fiduciary on behalf of a person not entitled to the treaty benefit, the full 30-percent U.S. tax should have been imposed. In some cases U.S. treaty partners collected the additional amounts on behalf of the United States (as listed in Table 1, column 7). These amounts are not included in the tax withheld data cited in Figure I and elsewhere in this article (for reasons explained in the "Data Sources and Limitations" section).

Although tax treaties between the United States and various foreign countries are intended to benefit U.S. residents and those residents of the treaty country only, others could benefit indirectly by investing through a treaty country. Some tax treaty countries were also considered tax havens due to favorable tax and secrecy laws (discussed in the section on tax havens below). The most notable of these tax treaty/tax haven countries is the Netherlands Antilles, a U.S. treaty partner for the past 30 years.

For a number of years, the Netherlands Antilles has served as the major conduit for placements of Eurobond

Figure F

Percentage of Total Income Paid and Total Tax Withheld by Domestic Withholding Agents, by Country of Recipient, 1984 and 1985

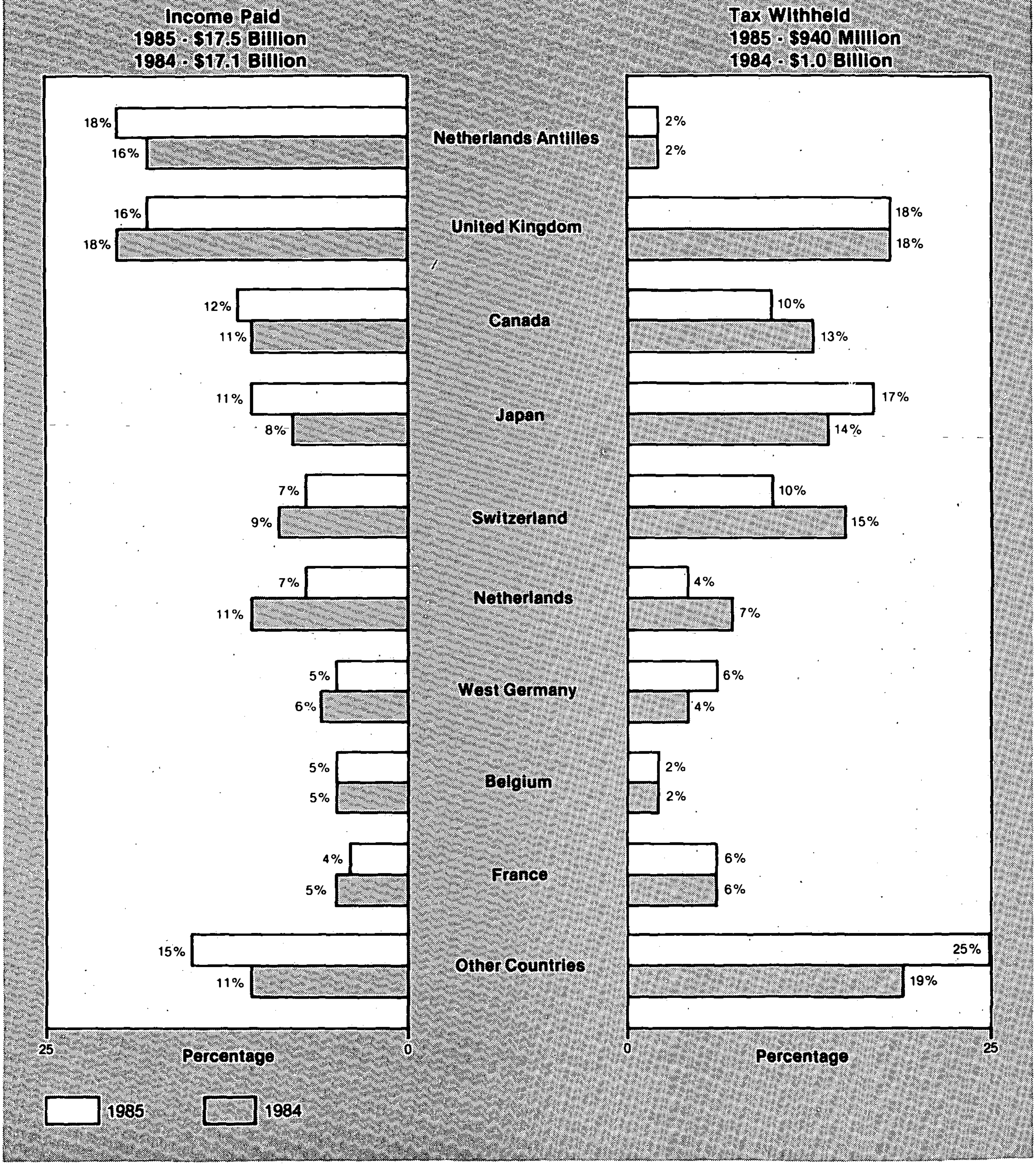


Figure G.—Percentage Increase in Income Paid to and Tax Withheld from Recipients in Selected Countries, 1984 to 1985

Country	Percentage increase in income paid	Percentage increase in tax withheld
Japan	32%	24%
Netherlands Antilles	12	22
Canada	12	-22
Belgium	6	-45
West Germany	-3	35
United Kingdom	-8	-4
Switzerland	-13	-31
France	-14	-11
Netherlands	-40	-37

Figure H.—Ranking of Countries by Effective U.S. Tax Rates, 1985

[Thousands of dollars]

Country	Total income	Tax withheld	Effective U.S. tax rate
	(1)	(2)	(3)
All countries[1]	$17,501,189	$940,094	5.37%
United Arab Emirates	269,038	201	0.07
Saudi Arabia	202,821	1,369	0.68
Netherlands Antilles	3,147,132	22,906	0.73
Belgium	878,966	9,221	1.05
Singapore	93,378	1,194	1.28
New Zealand	31,373	586	1.87
Malta	1,385	31	2.23
Trinidad and Tobago	11,671	296	2.53
Netherlands	1,158,252	41,784	3.61
Cayman Islands	90,776	3,413	3.76
Egypt	3,678	149	4.05
Puerto Rico	6,805	323	4.74
Canada	2,032,458	97,650	4.80
Other countries[1]	11,605,914	858,621	7.40

[1] Includes all other countries not listed, regardless of number of payments or amount of income paid.

Figure I.—Total Income, Tax Withheld and Effective U.S. Tax Rate for Treaty and Nontreaty Countries, 1985

[Thousands of dollars]

Treaty status	Total income	Tax withheld	Effective U.S. tax rate
	(1)	(2)	(3)
All countries	$17,501,189	$940,094	5.4%
Treaty countries	15,582,787	790,540	5.1
Nontreaty countries	1,918,403	149,554	7.8

issues and other foreign borrowing by U.S. corporations. U.S. companies set up financial affiliates in the Antilles through which they can borrow large amounts of foreign monies. The interest, which is exempt from U.S. tax withholding under the United States-Netherlands Antilles treaty, is then paid to the financial affiliates in the Antilles by the U.S. corporations (which claim the interest paid as deductions on their Federal income tax returns). The financial affiliates, in turn, receive the interest as income. However, when this income is distributed to foreign investors there is no withholding tax imposed by the Government of the Netherlands Antilles.

Although the Deficit Reduction Act of 1984 exempted most interest payments from withholding tax in an attempt to reduce such borrowing through tax haven countries, as of July 1987 there remained over $30 billion of outstanding Eurobond issues made through the Netherlands Antilles before July 18, 1984, the effective date of this portion of the Act [8].

The United States-Netherlands Antilles tax treaty has been undergoing renegotiations for a number of years. In June of 1987, negotiations with the Government of the Netherlands Antilles broke down and on June 29, 1987, U.S. Treasury officials unconditionally cancelled the United States-Netherlands Antilles tax treaty effective January 1, 1988. This created turmoil in the Eurobond market. Most of the estimated $30 billion of outstanding Eurobond issues carry a high interest rate since interest rates prior to 1984 were much higher than today. These bonds also generally provide that the issuing corporations may call in the bonds should their tax treatment ever change due to a revision in the United States-Netherlands Antilles treaty. The treaty cancellation suddenly caused issuing corporations to be subject to a 30-percent withholding tax which in turn triggered the use of recall options. The corporations could call the outstanding bonds at par value and replace them with new issues at significantly lower interest rates. While the savings for the issuing corporations may have been significant, investors in these Eurobonds stood to lose hundreds of millions of dollars in interest. Because of the high interest rates on these outstanding bonds, they had been trading at a premium whereas, after the Treasury announcement the bond values began to drop as foreign investors lost confidence in U.S. bond issues because of fluctuating tax policy.

In order to calm the markets, U.S. Treasury officials informed the Dutch authorities on July 10, 1987, that it would modify the termination of the United States-Netherlands Antilles treaty, preserving the exemption of interest paid to Netherlands Antilles recipients from U.S. withholding tax. Treasury officials will continue to look for ways to close loopholes to prevent tax evasion without affecting the legitimate foreign investors in Eurobonds.

TAX HAVEN COUNTRIES

Tax havens are generally considered to be countries having tax and secrecy laws favorable to foreign individuals and organizations. They attempt to attract foreign investors by offering lower taxation than that imposed by the investor's own country or by other foreign countries. The tax haven country typically benefits by collecting certain fees or by imposing taxes at a low rate. Tax haven countries tend to have the following characteristics:

- Low or zero withholding tax on most payments from the tax haven country to foreign individuals and organizations,
- Low or zero effective income tax rates for foreign individuals and organizations operating within the tax haven country, and

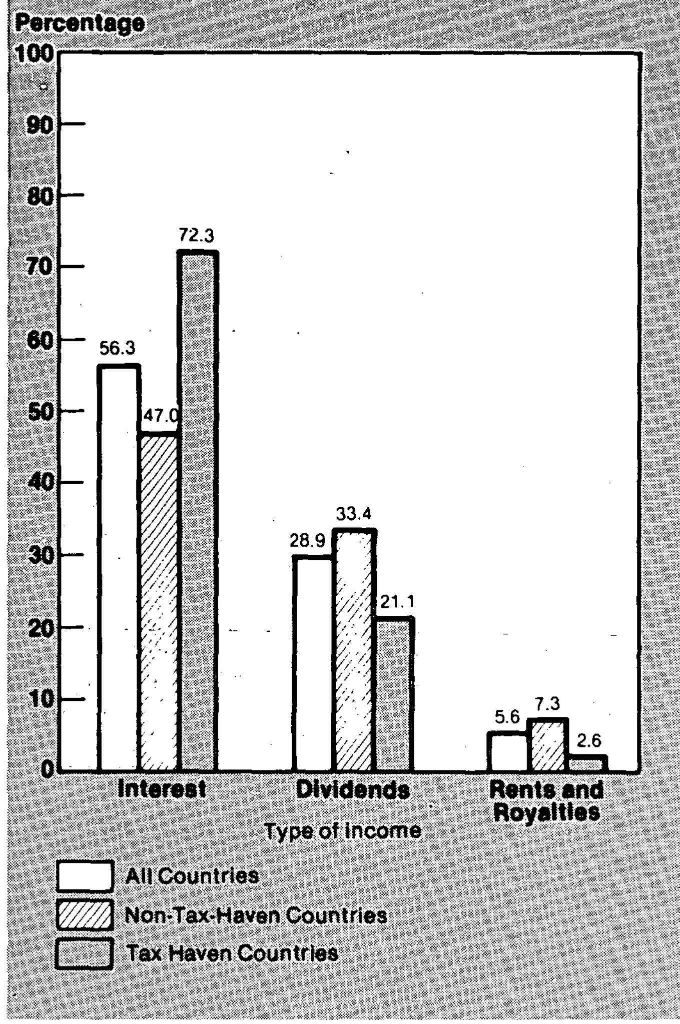
- Secrecy laws to prevent foreign governments from obtaining financial information about their own citizens and organizations.

Low or zero withholding tax rates are primarily designed to attract foreign individuals and corporations to invest through the tax haven, rather than to provide a tax benefit to the residents of the country, although a number of tax haven countries have low tax rates in an effort to attract real productive investment into the country, as well as financial investment.

In addition to tax haven countries, almost any treaty country can be an attractive conduit for third country residents to invest in the United States with little or no tax withholding. All treaties are subject to abuse by these third country parties and therefore, new treaties with all countries now generally exempt income from U.S. tax withholding only if the tax haven country gives no benefits or tax reductions to the recipients of such income. These treaties also deny exemption to any corporations that are 10 percent or more owned by residents of any country other than the treaty country. This is to prevent income tax avoidance by U.S. corporations or persons not entitled to treaty benefits who funnel U.S. source income through the treaty countries with little or no tax liability.

Tax haven countries received a disproportionately large amount of interest payments as shown in Figure J [9]. More than 72 percent of the U.S. source income paid to residents of tax haven countries was in the form of interest. Dividends also accounted for over 21 percent of the income paid to residents of tax havens.

Figure J
Percentage of Total Income Paid, by Income Type, for Tax Haven and Non-Tax-Haven Countries, 1985



TYPE OF RECIPIENT

Corporations received 72 percent of all U.S. source income paid to foreign persons in 1985, while the percentage of tax withheld on corporations was a comparatively low 58 percent of all tax withheld. One reason for this large difference was that direct investment dividends were subject to a lower tax rate under tax treaties than were portfolio dividends. In contrast, the percentage of tax withheld on payments to the next two largest classes of income recipients, individuals and nominees and fiduciaries, (21 and 10 percent, respectively), was disproportionately large relative to the income they received, (10 and 5 percent respectively). Figure K shows the distribution of 'income received and tax withheld by various types of income for the various categories of foreign recipients.

This discrepancy is reflected in the effective U.S. withholding tax rate for corporations of 4.4 percent, which compares to the effective tax rate of 8 percent for non-corporate recipients. The effective tax rate for corporations has shown a steady decline since 1979 (when the rate was 9.2 percent) as a result of a steady increase in interest payments, caused by increasing U.S. interest rates, to foreign corporations which were generally subject to low or zero withholding tax rates.

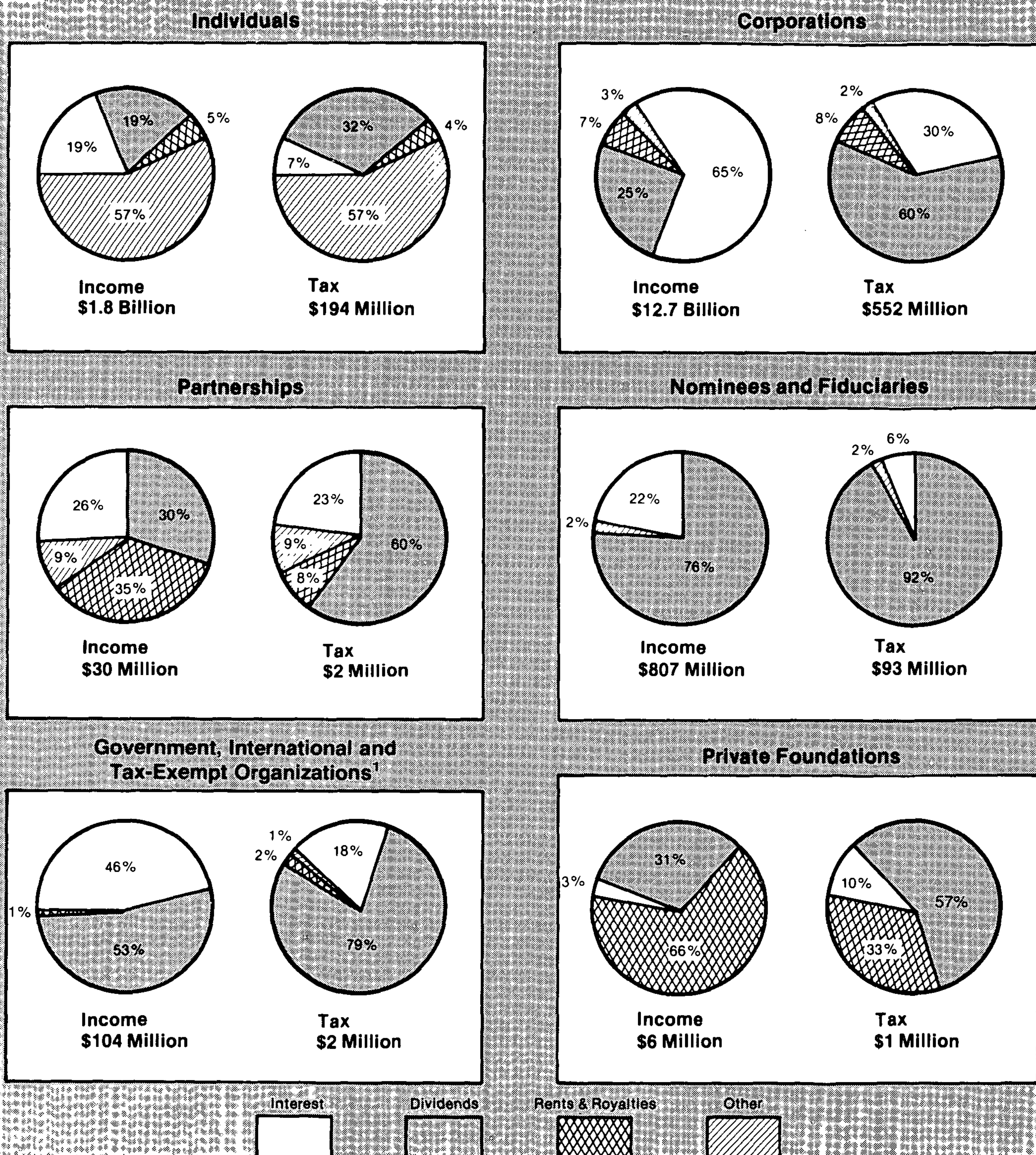
Government, international and foreign tax-exempt organizations received 1 percent of total U.S. source income paid to foreign persons yet accounted for only 0.2 percent of the total tax withheld in 1985 because more than 87 percent of U.S. source income paid to these organizations was exempt from the U.S. withholding tax [10].

Foreign governments received the largest average payment of U.S. source income ($360,274) reflecting large interest and dividend payments from their investment in the United States. By comparison, the average payment to corporations was $223,185, while individuals received by far the smallest average payment, $2,409.

Unlike the outcome in past years, in 1985 corporations were the only recipients to receive more interest than any other type of income. Nominees and fiduciaries; and government, international, and tax-exempt organizations, re-

Figure K

Percentage of Income Paid and Tax Withheld, by Income and Recipient Types 1985



[1]Tax-Exempt Organizations do not include Private Foundations

ceived more dividends while partnerships and private foundations received more rents and royalties. Individuals received primarily "other" types of income, including 100 percent of all social security and railroad retirement income and over 80 percent of all personal service income [11]. For every type of recipient except individuals, tax withheld on dividends far exceeded tax withheld on any other income type.

SUMMARY

U.S. source income paid to foreign persons in 1985 totaled $17.5 billion, surpassing the previous year's record high of $17.1 billion. Partly because the Deficit Reduction Act of 1984 exempted most interest payments from withholding tax, tax withheld on U.S. source income fell from $970 million in 1984 to $940 million in 1985.

Withholding on social security and railroad retirement payments to foreigners, first tabulated for 1985, accounted for nearly $750 million of U.S. source income paid and contributed to an almost 20 percent increase in the number of Forms 1042S filed.

Interest payments were the largest category of U.S. source income paid to foreign persons in 1985 accounting for 56 percent of the total. The principal recipients of U.S. source income were foreign corporations which received 72 percent (or $12.7 billion) of all such income paid in 1985. Foreign governments continued to receive the largest average payments ($360,274), while individuals received the smallest ($2,409).

Residents of nine countries accounted for 85 percent of all U.S. source income received in 1985. The Netherlands Antilles was once again, the largest recipient, receiving $3.1 billion of U.S. source income in 1985.

DATA SOURCES AND LIMITATIONS

Payers of most U.S. income to foreign persons must withhold tax in accordance with the Internal Revenue Code. Form 1042S, Foreign Persons' U.S. Source Income Subject to Withholding, is filed by the payer to report this income and the U.S. tax withheld. Often a financial institution acts as the payer's withholding agent.

The statistics in this article were tabulated by calendar year, based on all Forms 1042S filed with the IRS for 1985. The amounts shown in the tables and figures represent the income that was paid and the U.S. tax that was withheld in 1985, except for U.S. tax withheld by foreign governments and withholding agents (which reflects the amount of tax remitted to the United States under treaty agreements during 1985). This additional tax cannot be properly attributed to specific income types and years. For this reason, tax withheld amounts and percentages shown in Table 2 and Figures A, F–I and K do not include tax withheld by foreign governments and foreign withholding agents (except for Canada, which remits its payments during the same calendar year that the U.S. income is paid).

Income that is "effectively connected" with a foreign person's U.S. trade or business is not subject to tax withholding, and is therefore generally not included in these statistics [12, 13]. This category of income was subject to the same graduated tax rates and methods of payment as the income of U.S. individuals and corporations.

Since all Forms 1042S are included in the statistics, the data are not subject to sampling error. However, the data are subject to nonsampling error such as computer data entry errors and minor taxpayer reporting errors. Forms 1042S with income greater than $1 million were manually verified. A limited computerized program was used to test the data for certain basic numerical relationships, including the calculation of the correct tax withheld.

EXPLANATION OF SELECTED TERMS

Foreign Person.—For purposes of this article, a foreign person is an individual whose residence (for tax purposes) is not within the United States and who is not a U.S. citizen. Corporations and other organizations created or organized outside the United States are also considered foreign persons. Persons residing in U.S. possessions and Puerto Rico are also considered foreign persons for purposes of withholding.

Income Effectively Connected With a Trade or Business.—Income that is "effectively connected" with the conduct of a trade or business in the United States is exempt from tax withholding. This income is subject to substantially the same tax rates that apply to U.S. citizens, residents, and corporations. When a foreign corporation has a business operation in the United States, it must file a Form 1120F and pay appropriate taxes on the income of this operation. When this income is then remitted by the domestic branch to the foreign corporation it is generally not subject to U.S. tax [14]. In all but rare (and indeterminable) circumstances, these amounts are not included in these statistics.

Nominee and Fiduciary.—An entity chosen or appointed to accept income for, or act on behalf of, the eventual recipient of the income. Typically a financial institution acts as a nominee or fiduciary.

Resident (of a jurisdiction other than the United States).—A resident is a foreign "person" as described above.

Withholding Agent.—Any person (individual, corporation, partnership, estate, or trust) required to withhold tax.

Usually the withholding agent is the payer of the income or a "person" (usually a financial institution) acting on behalf of the payer. A foreign nominee or fiduciary required to withhold additional tax under a tax treaty is also a withholding agent. Foreign governments may also act as withholding agents by withholding additional taxes on persons who are not entitled to the treaty rates.

NOTES AND REFERENCES

[1] U.S. source income includes, but is not limited to, interest, dividends, rents, royalties, capital gains and compensation for personal services paid to foreign persons from sources within the United States. These types of income are subject to a withholding tax at the source. The U.S. source income discussed in this article excludes income "effectively connected" with a U.S. trade or business. See the "Explanation of Selected Terms" section of this article. For a further discussion of U.S. source income, see U.S. Department of the Treasury, Internal Revenue Service, Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations, November 1985.*

[2] For Forms 1042S reporting requirements, see IRS Publication 515, *op.cit.*

[3] For a further discussion of the 1984 Act, see Lewis, Margaret P., "Foreign Recipients of U.S. Income, and Tax Withheld, 1984", *Statistics of Income Bulletin,* Fall 1986, Vol. 6, No. 2, pp. 61-62.

[4] Eurobond placements are U.S. corporate bonds placed in foreign markets that are denominated and sold in dollars and that also yield dollar interest.

[5] U.S. Bureau of Economic Analysis, *Survey of Current Business,* June 1986.

[6] Board of Governors of Federal Reserve System, *Federal Reserve Bulletin,* monthly, and *Annual Statistical Digest.*

[7] For a list of specific tax treaty countries and their appropriate withholding rates, see IRS Publication 515, *op.cit.*

[8] Figures compiled by Salomon Brothers Inc. and reported in the *Wall Street Journal,* June 30, 1987, p. 7.

[9] For a complete list of tax haven countries used in this figure, see Senate Report 99-130, *Crime and Secrecy: The Use of Offshore Banks and Companies,* Report by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, U.S. Senate., August 28, 1985, pp. 33 and 34.

[10] Foreign tax-exempt organizations are those corporations that would be tax-exempt under U.S. law despite the fact that they are incorporated in a foreign country. The tax exemption applies only to income effectively connected with a U.S. trade or business, however, tax-exempt organizations may be taxed on "unrelated business income." See IRS Publication 515, *op.cit.*

[11] Business services are generally not included in these data since they are assumed to be "effectively connected" with a U.S. trade or business and, therefore, are not subject to withholding tax. See also "Data Sources and Limitations" and "Explanation of Selected Terms" for further clarification.

[12] Data for foreign corporations with "effectively connected" income derived from U.S. sources are presented, for 1983, in the *Statistics of Income Bulletin,* Summer 1987, Volume 7, Number 1 and for 1979-1982 in *Statistics of Income—1979-1983, Compendium of Studies of International Income and Taxes.*

[13] IRS Publication 515, *op.cit.,* contains additional information about income paid to, and tax withheld on, foreign persons.

[14] For further information on foreign corporations with effectively connected income, see Hobbs, James R., "Foreign Investment and Activity in the United States by Corporations, 1983," *Statistics of Income Bulletin,* Summer 1987, Volume 7, Number 1, pp. 53-68.

Table 1.—Forms 1042S: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Income paid: Total	Income paid: Exempt from withholding	Income paid: Subject to withholding	Tax withheld: Total	Tax withheld: By domestic withholding agents	Tax withheld: By foreign government and withholding agents
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	**933,512**	**$17,501,189**	**$9,936,663**	**$7,564,526**	**$1,041,722**	**$940,094**	**$101,628**
Treaty countries, total	**719,183**	**15,582,787**	**8,718,327**	**6,864,460**	**892,168**	**790,540**	**101,628**
Australia	15,713	92,799	30,590	62,209	8,874	8,874	—
Austria	3,901	37,006	24,768	12,238	3,533	2,019	1,514
Belgium	10,948	878,966	819,287	59,679	9,221	9,221	—
Canada	305,758	2,032,458	1,227,972	804,486	97,650	97,650	—
Denmark	3,044	18,456	9,222	9,234	1,273	1,272	1
Egypt	452	3,678	2,947	731	149	149	—
Finland	1,157	32,563	8,562	24,001	1,679	1,679	—
France	19,439	703,754	186,293	517,461	54,569	53,689	880
Greece	14,962	37,929	5,076	32,853	5,326	5,326	—
Ireland	8,051	25,577	5,883	19,694	2,925	2,925	—
Italy	34,320	161,685	45,221	116,464	19,304	19,304	—
Jamaica	1,820	5,574	722	4,852	679	679	—
Japan	16,657	1,840,381	348,091	1,492,290	161,185	161,185	—
Luxembourg	2,505	107,441	68,598	38,843	8,837	8,837	—
Netherlands	9,084	1,158,252	743,378	414,874	41,962	41,784	178
Netherlands Antilles	3,022	3,147,131	2,975,333	171,798	22,906	22,906	—
New Zealand	2,054	31,373	26,673	4,700	586	586	—
Norway	6,243	24,161	9,615	14,546	2,256	2,256	—
Philippines	30,681	75,999	2,574	73,425	11,394	11,394	—
Poland	2,830	11,956	2,469	9,487	1,404	1,404	—
South Africa	2,432	5,173	558	4,615	1,282	1,282	—
Sweden	8,358	86,667	15,554	71,113	7,784	7,784	—
Switzerland	21,683	1,268,858	373,243	895,615	195,043	98,322	96,721
Trinidad and Tobago	767	11,671	9,832	1,839	296	296	—
United Kingdom	135,496	2,834,161	1,204,092	1,630,069	173,627	171,293	2,334
West Germany	54,623	937,931	565,471	372,460	57,361	57,361	—
Other treaty countries	3,183	11,187	6,303	4,884	1,063	1,063	—
Nontreaty countries, total	**214,329**	**1,918,403**	**1,218,336**	**700,066**	**149,554**	**149,554**	**—**
Argentina	6,351	17,700	8,233	9,467	2,217	2,217	—
Bahamas	2,303	72,960	36,127	36,833	10,294	10,294	—
Barbados	575	5,677	1,648	4,029	954	954	—
Bermuda	1,713	176,131	132,586	43,545	12,568	12,568	—
Brazil	3,874	15,945	7,650	8,295	2,025	2,025	—
British Virgin Islands	517	10,813	1,908	8,905	2,396	2,396	—
Cayman Islands	1,066	90,776	78,188	12,588	3,413	3,413	—
Hong Kong	11,687	125,491	45,413	80,078	11,571	11,571	—
Israel	5,689	17,128	5,812	11,316	2,386	2,386	—
Jersey	428	12,680	1,757	10,923	2,977	2,977	—
Kuwait	833	24,175	17,603	6,572	1,928	1,928	—
Liberia	368	23,646	14,037	9,609	2,848	2,848	—
Liechtenstein	857	17,498	4,978	12,520	3,739	3,739	—
Mexico	74,950	209,810	35,404	174,406	30,763	30,763	—
Panama	3,919	106,128	54,601	51,527	14,830	14,830	—
Portugal	6,613	19,051	914	18,137	2,791	2,791	—
Puerto Rico	3,729	6,805	5,692	1,113	323	323	—
Saudi Arabia	3,714	202,821	197,635	5186	1,369	1,369	—
Singapore	3,621	93,378	89,305	4,073	1,194	1,194	—
Spain	8,155	41,800	17,380	24,420	5,469	5,469	—
Taiwan	1,808	5,312	2,331	2,981	799	799	—
United Arab Emirates	740	269,038	268,360	678	201	201	—
Venezuela	5,876	21,217	12,895	8,322	2,310	2,310	—
Other nontreaty countries	64,943	332,425	177,879	154,546	30,189	30,189	—

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient

[Money amounts are in thousands of dollars]

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All countries, total	**933,512**	**$940,094**	**$17,501,189**	**$9,852,256**	**$5,050,519**	**$975,896**	**$748,374**	**$147,451**
Individuals	764,303	194,060	1,841,153	342,085	342,040	99,395	748,374	116,510
Corporations	56,682	552,387	12,650,590	8,164,336	3,175,898	829,987	—	28,615
Argentina	6,351	2,217	17,700	9,602	2,983	331	3,014	944
Individuals	5,356	1,581	10,026	2,850	2,285	133	3,014	919
Corporations	88	435	2,092	1,755	237	95	—	5
Australia	15,713	8,874	92,799	25,149	30,849	21,557	3,377	7,550
Individuals	13,568	2,487	16,957	1,438	4,270	2,518	3,377	2,682
Corporations	829	4,573	62,129	23,135	16,609	15,926	—	4,832
Austria	3,901	2,019	37,006	22,497	7,855	368	2,827	1,297
Individuals	2,960	1,298	17,416	8,028	2,999	199	2,827	1,290
Corporations	208	483	14,577	11,082	3,288	168	—	(1)
Bahamas	2,303	10,294	72,960	39,845	30,454	73	661	153
Individuals	1,247	1,049	5,298	1,322	2,713	34	661	143
Corporations	554	5,861	52,576	31,100	20,102	28	—	2
Bahrain	446	520	5,059	3,778	1,209	18	4	(1)
Individuals	363	131	52	354	140	18	4	—
Corporations	41	336	4,351	3,380	928	—	—	—
Barbados	575	954	5,677	1,728	2,917	24	906	(1)
Individuals	460	217	1,938	603	302	24	906	(1)
Corporations	57	649	2,410	245	2,165	—	—	—
Belgium	10,948	9,221	878,966	823,571	31,641	16,865	1,598	2,391
Individuals	8,463	1,541	13,582	2,102	4,947	533	1,598	2,051
Corporations	1,221	5,194	62,109	33,320	11,936	16,265	—	339
Bermuda	1,713	12,568	176,131	65,072	30,937	7,370	468	2,318
Individuals	894	1,924	7,247	794	5,517	2	468	302
Corporations	375	8,597	154,060	56,892	18,087	7,290	—	2,013
Bolivia	541	158	2,827	2,127	501	2	164	(1)
Individuals	449	128	728	218	311	2	164	—
Corporations	11	2	239	113	126	—	—	—
Brazil	3,874	2,025	15,945	8,381	1,631	679	2,682	1,425
Individuals	3,437	1,546	9,897	2,894	1,213	560	2,682	1,407
Corporations	87	318	4,617	4,387	148	73	—	(1)
British Virgin Islands	517	2,396	10,813	1,266	8,608	192	—	1
Individuals	269	89	626	231	352	38	—	(1)
Corporations	133	1,510	6,965	500	5,576	150	—	—
Canada	305,758	97,650	2,032,458	850,363	710,137	110,306	160,902	19,443
Individuals	246,755	17,724	315,181	30,511	65,907	15,017	160,902	12,236
Corporations	21,517	63,544	1,352,437	752,425	401,274	90,828	—	6,929
Cayman Islands	1,066	3,413	90,776	81,772	8,166	79	404	50
Individuals	314	508	8,540	7,327	737	13	404	—
Corporations	520	1,735	71,101	66,380	4,373	66	—	50
Chile	2,129	842	5,801	2,349	1,608	365	945	280
Individuals	1,772	631	3,597	879	1,178	82	945	265
Corporations	88	134	702	150	285	250	—	(1)
China	1,321	1,195	6,724	2,808	1,873	74	55	294
Individuals	1,201	405	2,570	165	464	9	55	269
Corporations	28	351	1,224	51	1,135	1	—	25
Colombia	3,230	1,064	7,427	3,026	1,480	182	2,342	76
Individuals	2,823	861	5,380	1,429	1,061	163	2,342	70
Corporations	78	78	566	442	103	15	—	—
Costa Rica	1,690	796	5,229	1,176	1,098	352	2,264	15
Individuals	1,532	666	4,003	357	709	336	2,264	15
Corporations	54	80	385	154	228	1	—	—
Czechoslovakia	1,268	931	5,515	218	80	200	3,949	981
Individuals	1,247	866	5,279	203	78	4	3,949	963
Corporations	13	12	59	15	2	37	—	—
Denmark	3,044	1,272	18,456	5,073	6,384	2,114	3,442	690
Individuals	2,785	820	6,301	506	823	150	3,442	650
Corporations	102	239	9,532	3,473	4,121	1,879	—	40
Dominican Republic	2,605	918	6,286	212	283	147	5,469	102
Individuals	2,559	904	6,169	135	252	38	5,469	102
Corporations	16	7	23	4	9	9	—	—
Ecuador	1,707	666	5,036	597	667	776	2,706	134
Individuals	1,591	640	4,093	232	588	277	2,706	134
Corporations	24	6	581	85	19	477	—	—
Egypt	452	149	3,678	474	214	1	21	329
Individuals	380	129	1,169	415	153	1	21	329
Corporations	17	4	2,422	14	19	—	—	—
El Salvador	611	247	1,840	559	278	69	891	11
Individuals	567	208	1,643	485	182	51	891	1
Corporations	24	29	133	43	90	(1)	—	—
Finland	1,157	1,679	32,563	5,475	19,737	2,045	2,075	713
Individuals	1,078	457	8,208	4,387	148	7	2,075	713
Corporations	30	979	22,725	1,081	19,573	2,035	—	—
France	19,302	53,646	703,357	204,622	278,712	184,645	9,058	12,213
Individuals	14,215	8,827	95,754	8,083	26,755	29,852	9,058	12,141
Corporations	1,098	29,160	487,740	180,920	151,529	151,032	—	63
Greece	14,962	5,326	37,929	2,264	2,485	132	29,128	767
Individuals	14,389	4,915	36,337	1,565	1,633	1	29,128	757
Corporations	114	92	352	94	248	(1)	—	10
Guatemala	1,115	399	2,697	910	585	134	908	131
Individuals	999	346	1,992	342	454	134	908	124
Corporations	29	17	266	218	47	—	—	—
Guernsey	249	1,738	6,978	1,419	5,545	6	—	2
Individuals	60	226	968	341	610	(1)	—	—
Corporations	119	903	3,929	461	(1)	5	—	2

Footnote at end of table

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

[Money amounts are in thousands of dollars]

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Honduras	1,167	339	2,311	188	326	22	943	299
Individuals	1,106	311	2,071	61	221	22	943	299
Corporations	25	15	117	71	39	—	—	—
Hong Kong	11,687	11,571	125,471	48,308	28,958	1,785	5,050	664
Individuals	9,354	5,470	63,928	5,719	13,068	737	5,050	635
Corporations	812	4,864	48,976	33,899	13,019	875	—	28
India	1,716	734	6,849	2,551	788	58	523	261
Individuals	1,532	637	4,034	239	513	43	523	241
Corporations	34	50	1,021	668	128	12	—	20
Indonesia	674	200	2,495	1,147	1,033	9	27	47
Individuals	506	155	1,831	730	852	8	27	47
Corporations	68	22	440	325	102	(1)	—	—
Iran	967	320	2,487	1,620	677	13	2	8
Individuals	849	274	1,342	591	561	13	2	8
Corporations	9	10	40	—	40	—	—	—
Ireland	8,051	2,925	25,577	4,594	11,511	516	7,763	582
Individuals	7,587	1,501	11,547	534	1,842	232	7,763	581
Corporations	143	986	11,061	4,025	6,771	280	—	(1)
Israel	5,689	2,386	17,128	6,563	3,066	466	3,521	877
Individuals	4,764	1,565	9,968	1,351	1,504	239	3,521	873
Corporations	116	367	2,947	2,417	222	155	—	—
Italy	34,320	19,304	161,685	37,947	16,197	10,908	85,359	5,317
Individuals	33,373	17,185	112,401	2,838	4,399	8,779	85,359	5,181
Corporations	276	1,467	43,092	34,442	6,558	1,918	—	91
Jamaica	1,820	679	5,574	318	470	207	4,081	46
Individuals	1,724	653	5,042	72	315	77	4,081	45
Corporations	25	5	145	(1)	15	129	—	(1)
Japan	16,657	161,185	1,840,381	1,185,670	317,994	208,425	9,914	13,608
Individuals	14,111	2,201	44,863	11,809	3,308	1,127	9,914	7,959
Corporations	2,093	153,667	1,727,538	1,126,335	301,524	200,402	—	5,629
Jersey	428	2,977	12,680	2,584	9,955	2	—	8
Individuals	93	92	351	128	220	—	—	—
Corporations	184	1,651	8,124	2,087	5,899	2	—	8
Kuwait	833	1,928	24,175	18,866	4,906	56	4	56
Individuals	600	506	1,853	148	1,553	55	4	55
Corporations	111	915	20,357	17,727	2,380	—	—	—
Lebanon	1,401	601	5,037	3,107	1,312	48	360	52
Individuals	1,262	489	2,700	981	1,158	48	360	52
Corporations	25	21	1,559	1,497	62	—	—	—
Liberia	368	2,848	23,646	14,731	8,746	104	47	(1)
Individuals	245	188	1,056	511	481	(1)	47	—
Corporations	78	1,947	19,942	13,806	6,031	103	—	—
Liechtenstein	857	3,739	17,498	6,848	10,305	176	9	127
Individuals	318	1,145	4,542	1,250	3,264	1	9	—
Corporations	286	1,270	5,190	1,183	3,711	156	—	127
Luxembourg	2,505	8,837	107,441	69,259	37,696	62	158	76
Individuals	564	203	2,478	1,353	884	9	158	27
Corporations	871	5,719	65,850	43,047	22,564	53	—	49
Malaysia	1,049	556	5,070	4,432	372	64	24	4
Individuals	978	122	555	32	258	64	24	4
Corporations	26	414	2,437	2,386	51	—	—	—
Mexico	74,950	30,763	209,810	44,367	10,864	5,352	139,621	1,446
Individuals	73,446	26,011	167,003	8,908	9,092	4,500	139,621	1,410
Corporations	412	4,200	30,587	24,885	805	615	—	18
Monaco	499	1,765	8,103	1,876	3,634	1,245	98	782
Individuals	379	1,366	5,760	1,052	2,304	1,066	98	782
Corporations	42	108	1,133	618	350	164	—	—
Netherlands	9,084	41,784	1,158,252	677,650	411,682	53,451	4,582	3,001
Individuals	6,718	2,729	25,388	7,936	6,808	602	4,582	2,905
Corporations	1,203	32,714	1,074,477	656,294	351,186	51,879	—	41
Netherlands Antilles	3,022	22,906	3,147,131	2,931,232	167,083	29,954	363	224
Individuals	902	2,025	88,625	74,550	12,630	461	363	30
Corporations	1,464	17,287	2,961,710	2,782,790	129,309	29,294	—	143
New Zealand	2,054	586	31,373	3,149	853	388	298	313
Individuals	1,768	266	2,223	226	599	130	298	258
Corporations	77	42	26,385	348	175	53	—	55
Norway	6,243	2,256	24,161	7,890	3,516	1,237	10,075	716
Individuals	5,796	1,864	13,627	387	1,112	679	10,075	659
Corporations	159	264	8,158	6,044	1,596	458	—	55
Panama	3,919	14,830	106,128	68,268	28,545	3,647	905	333
Individuals	1,873	2,223	13,216	5,793	5,780	63	905	314
Corporations	1,132	11,034	70,206	45,693	17,980	3,534	—	7
Peru	1,664	481	3,994	1,790	772	255	718	294
Individuals	1,510	432	2,864	823	625	255	718	294
Corporations	34	20	67	1	60	—	—	—
Philippines	30,681	11,394	75,999	2,608	1,241	49	69,038	224
Individuals	30,140	11,286	73,725	641	1,001	43	69,038	224
Corporations	93	46	382	278	59	1	—	—
Portugal	6,613	2,791	19,051	811	509	45	17,172	294
Individuals	6,397	2,728	18,137	153	373	27	17,172	209
Corporations	62	21	627	601	8	18	—	—
Puerto Rico	3,729	323	6,805	5,527	622	225	18	126
Individuals	3,299	156	880	290	462	44	18	3
Corporations	255	129	5,274	4,981	108	181	—	4
Saudi Arabia	3,714	1,369	202,821	171,315	26,137	85	2	5,065
Individuals	3,335	1,050	4,072	688	2,014	82	2	1,091
Corporations	65	221	192,841	164,983	23,859	2	—	3,974

Footnote at end of table.

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

[Money amounts are in thousands of dollars]

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Singapore	3,621	1,194	93,378	39,276	36,759	92	115	170
Individuals	3,276	709	3,914	1,051	2,386	90	115	170
Corporations	114	397	75,487	18,808	34,057	2	—	—
South Africa	2,432	1,282	5,173	933	1,870	337	472	726
Individuals	2,225	833	3,583	340	1,053	169	472	725
Corporations	49	169	601	95	461	34	—	—
South Korea	650	311	3,408	649	978	[1]	94	1,230
Individuals	560	128	1,971	119	216	[1]	94	1,108
Corporations	34	64	493	100	370	—	—	—
Spain	8,155	5,469	41,800	20,241	6,360	1,033	11,524	1,643
Individuals	7,485	3,338	18,072	1,058	2,811	197	11,524	1,629
Corporations	165	1,701	16,777	13,545	2,754	322	—	12
Sweden	8,358	7,784	86,667	9,958	52,340	2,869	11,478	7,309
Individuals	7,866	4,066	25,579	1,493	2,558	228	11,478	7,251
Corporations	181	3,302	55,917	7,355	46,391	2,060	—	4
Switzerland	21,683	98,322	1,268,858	595,145	538,115	67,558	3,685	4,048
Individuals	10,739	7,420	76,471	21,490	28,019	5,513	3,685	2,830
Corporations	3,340	65,072	990,842	538,033	356,399	60,828	—	1,159
Taiwan	1,808	799	5,312	2,920	1,437	24	157	69
Individuals	1,561	716	3,650	1,433	1,297	24	157	65
Corporations	25	62	310	250	35	—	—	—
Thailand	754	259	2,138	601	344	290	644	37
Individuals	691	225	1,509	63	278	289	644	33
Corporations	10	27	572	505	55	[1]	—	—
Trinidad and Tobago	767	296	11,671	9,614	175	163	1,571	35
Individuals	714	285	6,129	4,108	139	163	1,571	35
Corporations	13	8	884	858	26	—	—	—
United Arab Emirates	740	201	269,038	229,104	39,915	5	1	3
Individuals	649	166	589	282	284	5	1	—
Corporations	16	22	258,212	218,622	39,590	—	—	—
United Kingdom	135,496	171,293	2,834,161	918,691	1,651,616	154,193	31,082	27,153
Individuals	96,008	12,529	184,994	56,125	45,097	13,555	31,082	23,722
Corporations	11,815	84,016	1,795,346	772,022	860,478	125,298	—	2,810
Uruguay	1,106	706	5,938	3,283	2,065	317	91	44
Individuals	687	241	2,299	1,194	608	316	91	43
Corporations	89	310	1,850	789	968	[1]	—	1
Venezuela	5,876	2,310	21,217	12,838	5,884	939	877	222
Individuals	5,065	1,756	13,923	7,594	4,483	337	877	208
Corporations	183	350	3,650	2,259	771	591	—	2
West Germany	54,623	57,361	937,931	454,617	320,936	72,628	30,159	10,601
Individuals	45,432	14,214	131,649	29,294	38,524	8,214	30,159	10,338
Corporations	1,627	30,095	683,489	397,594	206,054	57,291	—	62
Yugoslavia	3,862	2,030	14,385	1,731	407	146	11,651	130
Individuals	3,771	1,932	12,550	167	174	112	11,651	130
Corporations	13	50	166	40	121	2	—	—
Other Countries	38,672	14,923	232,348	61,106	92,631	7,342	43,838	6,871
Individuals	31,312	9,545	76,767	8,284	10,131	581	43,838	6,474
Corporations	1,353	1,938	115,009	50,111	70,500	6,645	—	6

[1] Less than $500

Projections of Returns to be Filed in Fiscal Years 1988–1995

By Corman G. Franklin*

The latest Internal Revenue Service (IRS) projections estimate that nearly 200 million primary tax returns and supplemental documents will be filed in Fiscal Year (FY) 1988. These projections call for total filings to reach 198.1 million— a 3.0 percent increase over estimated 1987 filings [1]. Although projected year-to-year increases will consistently range between 4 to 6 million, the year-to-year rates of growth in total filings are expected to decline. After a 5.5 percent increase in 1986, the year-to-year rates of growth in total returns to be processed by IRS are projected to decline to 2.6 percent in 1990 and 2.0 percent in 1995.

Employment is a major determinant for estimating several different types of tax returns. Because of the high correlation between employed individuals and those filing individual returns, employment is especially important in projecting individual returns.

Current forecasts show the rate of employment growth declining throughout the 1988 to 1995 forecast interval [2]. Total employment is projected to reach 114.3 million in 1987, a 2.3 percent increase over actual employment in 1986. FY 1988 should initiate the beginning of a period of gradual decline in the rate of employment growth. From 1988 through 1995, the rate of employment growth is expected to decrease from 2.0 percent in 1988 to 1.1 percent in 1994. This slowdown in the rate of employment growth is expected to be mirrored in individual income tax return filings, so that a decline in the rate of growth of these filings is anticipated.

Projections are developed by: (1) using econometric models that relate the number of returns filed to selected independent economic and demographic variables and (2) extrapolating observed time trends into the 1988 through 1995 time period. The forecasting models are initially formulated on a calendar year basis. Fiscal year projections are derived from calendar year statistics by various methods including seasonal adjustment [3].

These fiscal year projections are the first to capture the effects of the Tax Reform Act of 1986. They also reflect the impact of other recent legislative, as well as regulatory and administrative changes affecting the filings of the various primary tax returns and supplemental documents. They generally do not anticipate legislative or administrative changes which are under consideration.

TOTAL PROJECTED RETURNS AND DOCUMENTS

The total number of projected returns, as delineated in Table 1, consists of primary returns and supplemental documents. Except for the category of primary returns titled "other," items in both of these categories of returns are a part of the IRS Master File system. Primary returns, because they account for the majority of total filings, have historically generated the majority of the IRS document processing workload. These returns are expected to continue to account for the bulk of total filings throughout the forecast horizon.

Of the approximately 188.0 million tax forms filed in 1986, 178.2 million were designated as primary returns. Major returns in the primary returns category include: U.S. Individual Income Tax Returns; Individual Declaration of Estimated Tax; U.S. Corporation Income Tax Return; and, Employer's Quarterly Federal Tax Return.

Information documents processed by the Service, such as interest and dividend statements and Form W-2, Wage and Tax Statement, are not included in the returns counted or projected in this article and, consequently, have been excluded from all of the previously discussed return categories. These various information documents, while large in volume (848.3 million were processed in 1986 and 887.1 million are expected to be processed in 1987), are mostly filed on magnetic media. Figure A presents the average annual percentage changes for the major return types during the 1988–1995 projection period. Total returns increase by an average of 2.2 percent per year during this time frame. Projections for 1988 and the associated rates of change from 1987 to 1988 are presented in Figure B.

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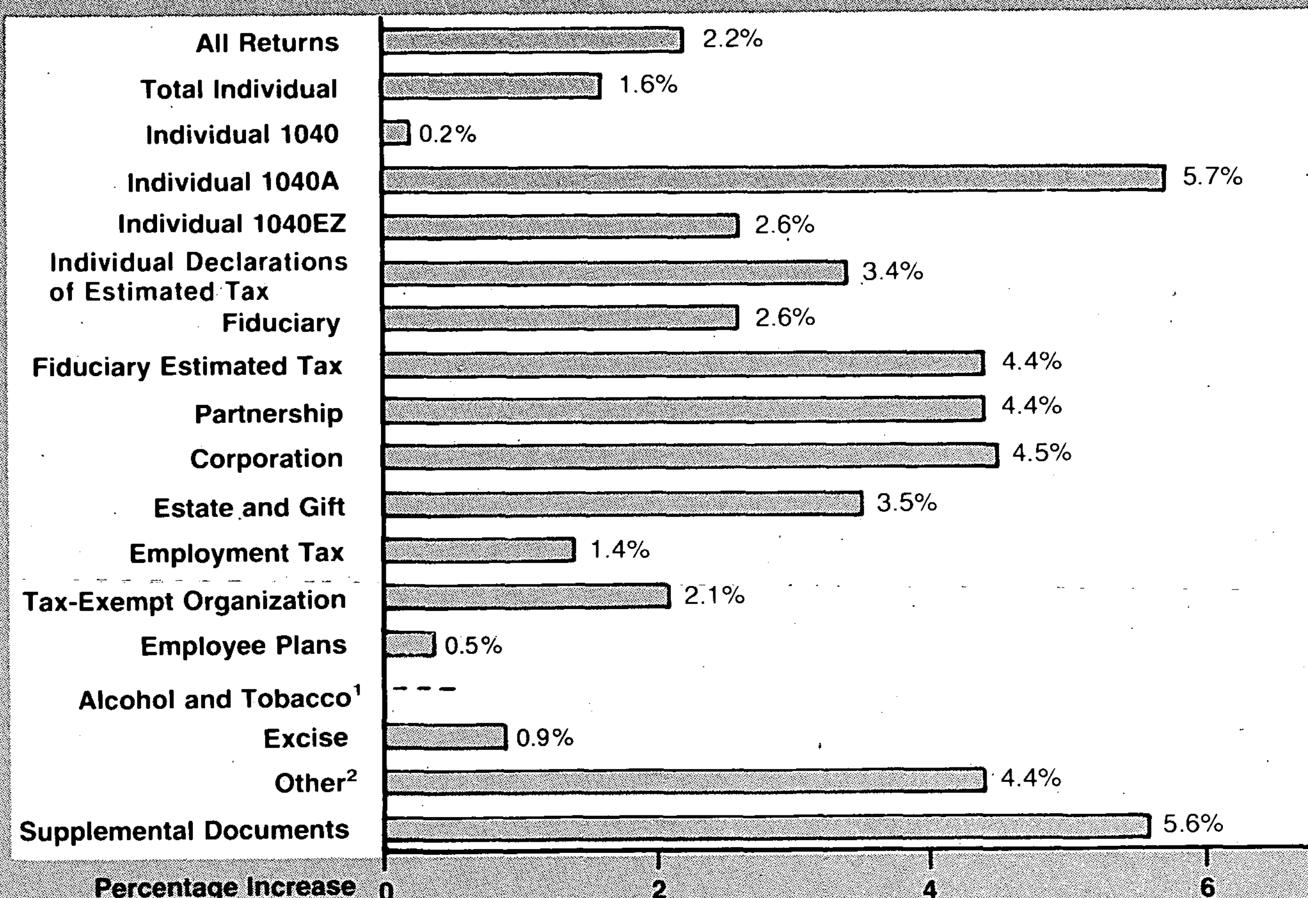
Figure A.
Projected Average Annual Percentage Increase in the Number of Returns Processed, Fiscal Years 1988-1995



[1]As of July 1987, the IRS will no longer process these forms.
[2]See Table 1, footnote 9

Figure B.—Projections for Fiscal Year 1988

Type of return	1988 projection (thousands)	Percentage increase from 1987
	(1)	(2)
Total returns	198,060	3.0%
Primary returns	186,972	2.8
Individual	107,662	3.5
Individual declaration of estimated tax	37,323	2.7
Fiduciary	2,534	8.5
Fiduciary estimated tax	911	17.2
Partnership	1,887	0.2
Corporation	4,053	6.5
Estate and gift	157	−3.7
Employment tax	28,575	1.6
Tax-exempt organization	512	2.8
Employee plan	2,275	−11.5
Alcohol and tobacco	[1]	−100.0
Excise tax	1,072	0.6
Other	11	10.0
Supplemental documents	11,089	6.5

[1] Projections exclude returns filed with the Bureau of Alcohol, Tobacco and Firearms which were no longer processed by the Internal Revenue Service after July 1987

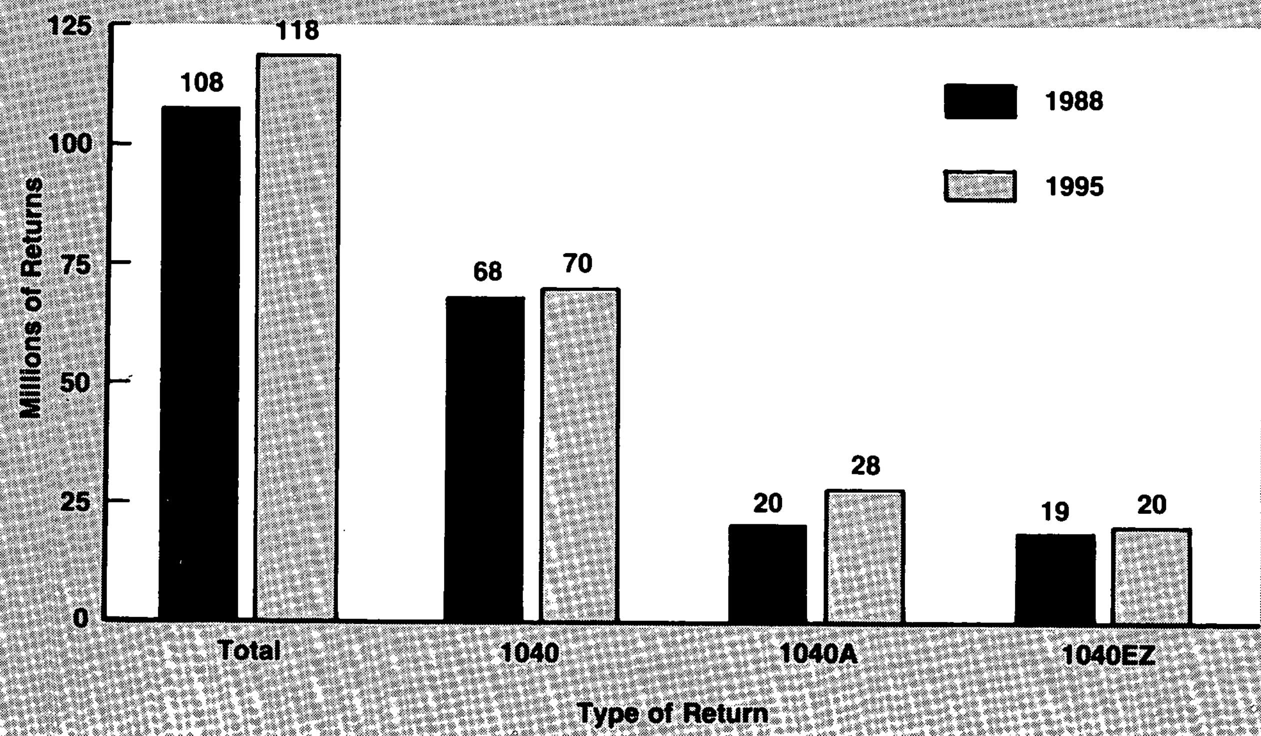
Individual Income Tax Returns

The number of individual income tax returns filed (including Forms 1040, 1040A, and 1040EZ) are expected to increase 3.5 percent in 1988. This 3.5 percent increase will represent the largest single year increase in individual filings experienced this decade. Two major occurrences will drive this increase in returns. First, provisions in the Tax Reform Act of 1986 repealed the personal exemption for taxpayers who are dependents while also increasing the standard deduction and personal exemption amounts. The repeal of the personal exemption for dependents will significantly increase the number of dependents required to file for the first time. Conversely, the increase in the standard deduction and personal exemption amounts will remove several million lower-income taxpayers from the filing rolls. The net effect will be an increase in the number of individual returns filed. Secondly, the illegal alien amnesty program is also expected to slightly increase the number of persons filing for the first time.

The Tax Reform Act will also enable a significant number of taxpayers to switch to simpler forms because of the restrictions placed on itemized deductions (e.g., taxpayers who previously filed a 1040 can now file a 1040A). This shift is reflected in the projected 1988 filings. Forms 1040A and 1040EZ are projected to increase by 12.8 and 13.9 percent, respectively, in 1988, while Form 1040 is projected to decline by 1.5 percent.

Over the projection interval, the rate of growth in total individual filings is expected to gradually decline from 3.5 percent in 1988 to 0.8 percent in 1995. This decline is attributable to recent employment projections which show rate-of-employment growth declining throughout the mid-1990's, as already mentioned. Figure C compares the number of Forms 1040, 1040A, 1040EZ, and total individual returns expected to be filed in 1988 and 1995, respectively.

Figure C.
Individual Income Tax Returns by Type
Fiscal Years 1988 and 1995



Individual Declarations of Estimated Tax

Projections of Individual Declarations of Estimated Tax (Form 1040-ES "vouchers"—up to four per year can be filed) are developed from a regression of vouchers on the number of their taxpayer counterparts. Progressively higher taxpayer projections and the same "voucher-to-taxpayer" ratio forecasts result in increasingly higher estimates of the number of Forms 1040ES. Current forecasts are calling for increases in growth ranging from 2.7 percent in 1988 to 4.2 percent in 1995.

Fiduciary Income Tax Returns

A provision in the the Tax Reform Act of 1986 mandated that taxable trust filers of fiduciary income tax returns (Forms 1041) who previously could have filed on a noncalendar year basis had to begin filing their returns on a calendar year basis. This ruling is expected to account for a surge in fiduciary return filings in 1988, as noncalendar year filers adjust their accounting periods to coincide with the calendar year by filing additional returns to cover transitional part-year accounting periods. Current estimates call for a 8.5 percent increase in 1988 filings. After 1988, growth is expected to range from 1.6 percent in 1991 to 2.3 percent in 1995.

Fiduciary Estimated Tax Returns

The Tax Reform Act of 1986 required that both new and existing estates and trusts make estimated tax payments for calendar years beginning after 1986. Form 1041-ES, Estimated Income Tax for Fiduciaries, was developed for taxpayers with a tax liability of $500 or more to compute and pay estimated taxes. Initial rapid growth in these forms is expected because not all estates and trusts were affected in 1987. Therefore, 1988 filings are estimated to increase by 17.2 percent. In later years, growth will taper off to 3.0 percent in 1991 and to 2.3 percent in 1995.

Partnership Tax Returns

The Tax Reform Act also required most noncalendar year filers of partnership returns (Form 1065) to file on a calendar year basis. Tax reform also required that "passive losses" can only be offset by "passive gains" [4]. This revision in the law is expected to make "net loss" limited partnerships less attractive to investors, thereby resulting in fewer filings of partnership returns. Thus, although there will be a surge in 1988 filings because of the need to file for part-years before converting to calendar year accounting periods, it is expected that there will be a decline in filings, as partnerships become less attractive to investors. The net effect is a projected 0.2 percent increase in partnership filings in 1988. In later years, growth is projected to increase, as investors adjust their investment strategies to coincide with tax reform. Year-to-year increases from 1989 to 1995 range from 3.4 percent to 5.6 percent.

Corporation Income Tax Returns

As with certain fiduciaries and most partnerships, tax reform also required most noncalendar year filers of "personal service" and "S" corporation returns to file on a calendar year basis. The collective group of corporation returns, including U.S. Corporation Income Tax Return (Form 1120) and U.S. Income Tax Return for an S Corporation (Form 1120S), are expected to post a 6.5 percent increase in 1988 because of the one-time increase in part-year returns caused by the new provision. After 1988, growth in corporation return filings is projected to stabilize, with year-to-year increases ranging from 2.8 percent in 1989 to 4.7 percent in 1995.

Estate and Gift Tax Returns

The Tax Reform Act of 1976 and the Economic Recovery Act of 1981 both stipulated that the filing threshold for the U.S. Estate Tax Return (Form 706) be gradually increased on an annual basis, from $60,000 in 1976 to $600,000 in 1987 and beyond. Current projections reflect this rising threshold, and call for a decline of 17.7 percent in 1988. Filings are then expected to gradually increase throughout the remainder of the forecast interval, with annual increases ranging from 1.7 percent in 1989 to 6.7 in 1995.

Filings of U.S. Gift Tax Returns (Form 709) are expected to grow steadily through the mid-1990's. Year-to-year growth ranges from 3.8 percent in 1988 to 2.3 percent in 1995.

Employment Tax Returns

Employment tax returns consist of Employer's Annual Federal Unemployment Tax Return, Employer's Annual/Quarterly Federal Tax Return, and Employer's Annual Railroad Retirement Tax Return. Projections for the forecast period 1988–1995 reflect year-to-year increases that average 1.4 percent per year.

Tax-Exempt Organization Returns

A host of tax-exempt entities, including those for public charities, farmers' cooperative associations, private foundations, and "other" exempt organizations, embody the exempt organization category of returns. The magnitude of this return category is dictated by changes in Form 990, Return of Organization Exempt From Income Tax (filed by the "other" organizations that include most public charities), which accounts for 77 percent of exempt organization filings. Current estimates of tax-exempt organizations call for growth throughout the forecast interval consistent with that experienced in the 1980's—an average annual increase of

1.5 percent. Year-to-year increases are expected to range from 2.8 percent in 1988 to 1.6 percent in 1995.

Employee Plan Returns

Form 5500, Annual Return/Report of Employee Benefit Plan, Form 5500C (same as the Form 5500 except that it is filed by plans with fewer than 100 participants), and Form 5500R, Registration Statement of Employee Benefit Plan (to be filed by plans with fewer than 100 participants) comprise the total employee plans category of returns. Filings in 1987 increased by over 20 percent, in response to the initial filings by owner-employee plan participants that the Tax Equity and Fiscal Responsibility Act of 1982 added to the filing population. These returns are projected to decline 11.5 percent in 1988, as filings return to a more normal growth pattern. In subsequent years, employee plan returns are expected to show steady growth, with year-to-year advances averaging 1.7 percent per year from 1989 through 1995.

Alcohol and Tobacco Returns

Forms 11 and 5000.24 comprise the alcohol and tobacco returns filed with the Bureau of Alcohol, Tobacco, and Firearms. As of July 1987, these forms will no longer be processed by the Internal Revenue Service. Therefore the counts given for 1987 are estimated only through July 1987, not for the entire fiscal year. No projections of alcohol and tobacco returns were made by the IRS for years beyond 1987.

Excise Tax Returns

Total excise returns are the sum of the following four categories of returns: (1) Form 11C (Special Tax Return and Application for Registry-Wagering); (2) Form 720 (Quarterly Federal Excise Tax Return); (3) Form 730 (Tax on Wagering); and (4) Form 2290 (Heavy Vehicle Use Tax Return). Projections of Form 720 filings were adjusted downward because of two provisions in the Tax Reform Act of 1986 that are expected to reduce the number of diesel fuel retailers and gasoline wholesalers required to file Form 720. Total projections for all excise tax returns are projected to post a nominal increase of 0.6 percent in 1988 and then decline by 6.9 percent in 1989. For the balance of the forecast interval, positive growth will again appear, with year-to-year advances ranging from 0.3 percent in 1990 to 2.6 percent in 1995.

Supplemental Documents

Supplemental documents are composed of amended returns and requests for filing extensions from both individuals and corporations. Current forecasts call for increases consistent with those in previous years, ranging from 6.4 percent in 1988 to 4.6 percent in 1995.

DATA SOURCES AND LIMITATIONS

The number of returns filed (as used in this article) represents the number of returns processed at IRS service centers during a fiscal year [5]. Data for 1987 include actual returns processed through June 1987, with the remainder of the year estimated, in general, on the basis of 1986 filing patterns.

To illustrate the general forecasting process, projections for the combined total of Forms 1040, 1040A, and 1040EZ returns were developed based on a multiple regression relating total 1040 returns to total employment; an interaction variable involving both total employment and employed married women with husbands present (used as a proxy for potential joint filers); pension beneficiaries and annuitants; and a qualitative "dummy" variable which accounts for the effects of the Tax Reduction and Simplification Act of 1977 [6]. The historical base period for this regression was 1949–1987, with 1987 estimated on the basis of returns filed through June 1987.

Return projections were primarily formulated on a calendar year basis and subsequently converted to fiscal year projections by the Census Bureau's X11–Q Seasonal Adjustment Program by applying resultant seasonal factors to calendar year projections [7].

NOTES AND REFERENCES

[1] All statistics are cited on a fiscal year basis, unless otherwise noted. Actual counts for all of Fiscal Year 1987 were incomplete at the time this article was written (see the Data Sources and Limitations section). For complete counts, see U. S. Department of the Treasury, Internal Revenue Service, *1987 Annual Report, Commissioner and Chief Counsel, Internal Revenue Service* (in preparation). As defined in Table 1, primary tax returns are equal to total returns minus supplemental documents. (Alcohol and tobacco return totals were not used in computing the year-to-year increase in primary returns between 1987 and 1988.)

[2] Employment projections were obtained from Data Resources, Inc. (DRI), in June 1987. DRI believes that employment growth will decline due to a general slowdown in economic activity through the mid-1990's.

[3] For details of these methods, see U.S. Department of the Treasury, Internal Revenue Service, "Number of Returns to be Filed," *Projections*, Document 6292 (Rev. 8–87). In particular, see the Fall 1987 update.

[4] Passive gains or losses resulted from trade or business activities in which the partners did not materially participate in the business on a regular, continuous, or substantial basis (i.e., they were "limited" partners).

[5] U.S. Department of the Treasury, Internal Revenue Service, *1986 Annual Report,* op. cit.

[6] Projections of total employment, employed married women with husbands present, and pension beneficiaries and annuitants were made by the Projections and Forecasting Group, Research Division, Internal Revenue Service.

[7] U.S. Department of Commerce, Bureau of the Census, "The X11-Q Variant of the Census Method II Seasonal Adjustment Program," *Technical Paper No. 15* (1967 revision).

Table 1.—Number of Returns by Type, Fiscal Years 1986-1995

[Numbers are in thousands]

Type of return	Actual	Projected								
	1986	1987[1]	1988	1989	1990	1991	1992	1993	1994	1995
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	**188,015**	**192,261**	**198,060**	**202,695**	**207,984**	**212,380**	**216,957**	**221,216**	**225,465**	**230,029**
Primary returns, total	**178,219**	**181,841**	**186,972**	**190,891**	**195,420**	**199,087**	**202,923**	**206,460**	**210,004**	**213,856**
Individual income tax, total	102,393	104,043	107,662	110,093	112,767	114,119	115,496	116,538	117,408	118,324
Form 1040	66,675	69,009	67,972	64,800	65,776	66,745	67,938	68,756	69,280	69,836
Form 1040A	18,466	18,005	20,317	23,986	25,045	25,702	26,163	26,689	27,232	27,767
Form 1040EZ	17,015	16,823	19,161	21,088	21,720	21,440	21,154	20,843	20,640	20,457
Other[2]	236	206	212	219	225	233	241	249	257	265
Individual declaration of estimated tax	35,485	36,331	37,323	38,301	39,435	40,830	42,348	43,929	45,656	47,588
Fiduciary income tax[3]	2,305	2,336	2,534	2,480	2,520	2,587	2,660	2,730	2,795	2,858
Fiduciary estimated tax	N/A	777	911	937	953	982	1,011	1,038	1,062	1,086
Partnership	1,845	1,883	1,887	1,951	2,027	2,136	2,265	2,391	2,519	2,660
Corporation[4]	3,667	3,807	4,053	4,166	4,311	4,508	4,725	4,951	5,184	5,426
Estate tax	72	57	47	47	49	51	54	57	60	64
Gift tax	103	106	110	114	118	122	126	129	132	135
Employment tax[5]	27,921	28,133	28,575	28,966	29,358	29,791	30,199	30,575	30,976	31,410
Tax-exempt organization[6]	487	498	512	525	538	549	559	569	578	587
Employee plan[7]	2,142	2,572	2,275	2,302	2,332	2,364	2,404	2,452	2,504	2,560
Alcohol and tobacco[8]	520	224	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Excise tax[9]	1,265	1,066	1,072	998	1,001	1,033	1,062	1,088	1,115	1,144
Other[10]	14	10	11	11	12	12	13	13	13	14
Supplemental documents, total	**9,796**	**10,420**	**11,089**	**11,804**	**12,565**	**13,294**	**14,034**	**14,756**	**15,461**	**16,173**
Form 1040X	2,180	2,264	2,300	2,397	2,508	2,609	2,709	2,810	2,911	3,013
Form 4868	4,658	5,047	5,525	5,958	6,415	6,861	7,322	7,771	8,210	8,658
Form 2688	1,358	1,409	1,453	1,525	1,604	1,673	1,738	1,796	1,847	1,895
Form 1120X	30	32	34	36	38	41	43	45	47	50
Form 1120-ND	N/A	(11)	1	1	1	1	1	1	1	1
Form 7004	1,534	1,629	1,737	1,846	1,956	2,067	2,178	2,289	2,400	2,511
Form 1041A	23	23	24	24	25	26	26	27	28	28
Form 1042	14	16	16	16	17	17	17	17	18	18

N/A—not applicable

[1] Projections based on counts of returns processed as of June, 1987.
[2] Includes Forms 1040NR, 1040PR, 1040SS and 1040C; Form 1040X is included in the Supplemental Documents category.
[3] Includes Form 1041, but excludes Form 1041A (see Supplemental Documents).
[4] Includes Forms 1120, 1120-A, 1120-F, 1120-POL, 1120S, 1120-H, and other special purpose Forms 1120, except Forms 1120-DISC/FSC (see footnote 10) and those included in Supplemental Documents (Forms 1120X and 1120-ND).
[5] Includes Forms 940, 940PR, 941, 941E, 941PR, 941SS, 942, 942PR, 943PR, and CT-1.
[6] Includes Forms 990, 990PF, 990C, 990-T, 4720, and 5227.
[7] Includes Forms 5500, 5500-C, and 5500-R; and 5500-G and 5500-K in years previous to 1987.
[8] Includes Forms 11 and alcohol and tobacco excise tax returns in 1986 and 1987. A one-time alcohol floor tax is included in 1986. The 1987 figure is an estimate through July 1987, at which time IRS ceased processing alcohol and tobacco returns.
[9] Includes Forms 11C, 720, 730, and 2290.
[10] Includes Forms CT-2, 941M, 941NMI, 990BL, and 1120-DISC/FSC. (These returns are not included in the IRS Master File system.)
[11] Less than 500 returns.

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

Legally-Blind Tax Filers, 1983: A Profile

By Corinne Kirchner and Laura Smith Hare*

Only two things in life are certain: death and taxes. This grim joke reveals a bias of the majority who are fortunate enough to qualify as taxpayers. For people who do not qualify, paying taxes could be a welcome opportunity, indicating economic self-sufficiency, and involvement in civic life. The case for public support of rehabilitation for disabilities stresses helping people to switch from the welfare rolls to the tax rolls.

This article reports recent trends in the number and characteristics of the nearly 300,000 tax-filers who claimed a personal exemption for blindness on their individual income tax returns for 1983. The analysis is timely in light of new tax policy; in addition, the data base of tax returns can be viewed as a source to describe aspects of the socioeconomic situation of an interesting segment of the blind population.

EARLY AND CURRENT TAX POLICY

In 1944, culminating prodigious advocacy efforts, the Federal tax law was amended to permit a *deduction* for a taxpayer's "blindness" [1,2]. In 1948, that provision was changed to an *exemption*, and was extended to a spouse, even with no separate income [3]. That is, in addition to the personal exemption each taxpayer or spouse could take, an equivalent exemption for blindness was allowed for either or both individuals. (In the tax law, and in this article, the term blindness means "legal blindness"—corrected acuity of 20/200 or less in the better eye, or a visual field of 20 degrees or less.)

Initially, national policy had focused on blindness as a basis for welfare payments, i.e., Title X of the 1935 Social Security Act. By contrast, the 1936 Randolph-Sheppard Act and the 1938 Wagner-O'Day Act promoted the idea of blind persons engaging in productive employment [4]. The tax law combined these perspectives by recognizing that blind people might become taxpayers, and that additional costs associated with blindness should be allowed against earnings. Only subsequently was there research to document those costs. Those studies were limited then and are now seriously out-of-date [5,6].

Starting in 1987, tax law revisions remove the exemption for blindness (and the one for age 65 years or older). Instead, there is a return to the original method of a special deduction; this time, it will be an additional standard deduction amount for blind or elderly individuals (both amounts may be taken if both conditions apply). The amount for each condition is $600 if the individual is married, $750 if single. In addition, the larger standard deduction allowed taxpayers in general starting with 1988 is allowed 1 year earlier (1987) for the blind or elderly. As of 1989, each of these amounts will be adjusted for inflation [7].

The new system will not, of course, benefit people who do not take a standard deduction, i.e., who itemize their deductions instead. For 1983, over one-third of blind tax-filers itemized, surprisingly close to the 36 percent of all returns with itemized deductions for that year [8]. Under the new law, this difference is expected to widen as more blind or elderly persons use the larger standard deduction allowed them.

A prospective analysis in 1986 of the new Tax Reform Act by the Price-Waterhouse accounting firm concluded that these changes would result in tax increases for some blind persons and decreases for others [9, 10]. Note that there is dispute among analysts as to whether more people will be affected unfavorably than favorably. The net result depends on many factors whose particular mix for the blind population is unknown, e.g., filing status, age, deductions, and income.

FINDINGS

Total Number of Exemptions: Level and Trend

For 1983, the number of exemptions for blindness was 294,280, almost three times larger than 20 years earlier, and more than double the figure for 1974. Between 1979 and 1983, there was an average annual increase of over 14 percent [11].

* Reprinted from the *Journal of Visual Impairment and Blindness*, January 1987, American Foundation for the Blind (edited for the *SOI Bulletin*), with the permission of the authors and the American Foundation for the Blind (AFB). Corinne Kirchner is the Director, Social Research Department, AFB, and Laura Smith Hare is a former research assistant, Social Research Department, AFB. (The views expressed here are the views of the authors and do not necessarily reflect the views of the U.S. Department of the Treasury.)

For comparison, total personal exemptions and the subgroup of exemptions for age 65 and over were examined. Both had grown, but at much lower rates than blindness exemptions. Since 1979, the average annual increase in total exemptions was 1 percent; for age exemptions, it averaged 7 percent.

Bearing in mind that tax exemptions cannot be used to estimate prevalence of blindness, the increased number of exemptions *could* indicate any or all of the following possible changes in the legally-blind population: age structure, household patterns, sources and levels of income, and awareness of eligibility, *as well as* prevalence of blindness. Also, changes in the tax code could have interacted with individuals' financial situations so as to require increased numbers of the blind to file.

How does the number of blindness exemptions compare with the estimated prevalence of blindness among adults? The authors, have, frankly, little confidence in the prevalence estimates since lack of current data forces use of very old and incomplete sources for age-specific rates, applied to recent total population figures [12, 13]. This procedure indicates that 1983 exemptions were about 60 percent of the estimated number of legally-blind persons over 20 years old.

"Returns" vs. "Exemptions:" Indicators of Family Status

Tax data have been used by researchers to reveal economic aspects of a nation's family structure [14]. Here the data permit us a limited glimpse at the family status of blind tax-filers in the United States.

The difference between the number of *returns* that claim blindness exemptions, and the number of *exemptions* for blindness, indicates how many returns were for two legally-blind spouses. For the years examined, that number was very small. The data show about 1,800 such couples for 1979 and about 500 for 1983. However, given the high sampling variability associated with these estimates, this change is not considered to be statistically significant.

It seems likely that the financial status of most "blind couples" does not require tax-filing. As evidence, consider the larger number of "blind couples" (i.e., two blind persons married to each other) who receive SSI (Supplemental Security Income for the blind) than who file tax returns; the SSI figure averaged about 4,000 from 1979 to 1983, although it also declined during that period (from about 4,300 to about 3,700) [15]. Note, however, that "SSI blind couples" could include some spouses eligible for SSI on bases other than blindness, if the "reference individual" were blind.

Although very few blind tax-filers are blind couples, the percentage of blind filers who are married was quite high for 1983 when compared to "all" U.S. tax-filers. Figure A presents this comparison, using the marital status groups recognized by the tax code. Among filers with a blindness exemption, 61 percent were married, compared to 42 percent married among all other persons filing for that year. (1981 and 1982 data were almost identical [11].)

Figure A.—Returns with a Blindness Exemption Compared with All Other Returns, by Marital Status, 1983

Marital status	Returns with a blindness exemption	All other returns
Number of returns	293,752	96,027,558
Percentage of returns by marital status:		
Total	100%	100%
Married [1]	61	42
Head of household	4	9
Single [2]	36	49

[1] Joint returns and returns of married persons filing separately.
[2] Includes returns of persons filing as a "surviving spouse," i.e., widowed within the 2 previous years. (These returns comprised less than 1 percent of the total for "all other returns"; there were no surviving spouse returns with a blindness exemption among those sampled for Statistics of Income.)
NOTE: Detail may not add to totals because of rounding.
Source: *Statistics of Income—1983, Individual Income Tax Returns.*

Also shown is the category "head of household." This term usually refers to divorced or widowed persons residing with dependent children, although other relationships may be included (e.g., never married or residing with a dependent parent). As expected, "head of household" was a lower percentage among blind tax-filers than among all others (4 percent versus 9 percent).

Finally, the category "single" includes persons who had never married *or* whose marriages were terminated by death or divorce, and who did not have resident dependents throughout the year (a few had part-year resident dependents): 36 percent of blind tax-filers were single, compared to 49 percent of all other filers.

These findings differ notably from an earlier (1976) national survey that identified "visually handicapped" persons [16]. That study's definition of visually handicapped is much broader than legal blindness, but is the best that could be found for comparative purposes. In that study, 53 percent of visually handicapped adults aged 18-64 were married, compared to 67 percent of U.S. adults.

Because the tax data include people 65 years and over (who are a higher proportion of blind filers than of "all" tax-filers, and are more likely than those under 65 to be widowed and counted as single), one would expect an even *lower* percentage of the blind tax-filer group to be currently married. The actual finding is probably explained by selection into the tax-filer category on the basis of economic status, associated with marital status. That is, it seems likely that poverty or dependency status is more common (and tax-filing less common) among single blind adults than among single-sighted adults. This hypothesis also assumes that the income difference is smaller when *married* blind and sighted adults are compared.

Age, Marital Status, and Dependents

Further light is shed on family structure by data on tax exemptions for dependents other than spouse. Since both marital status and exemptions for dependents are related to age, the age distribution (whether under 65 years or over) in the blind tax-filer sample needs to be examined. A special tabulation for 1979 provides that information.

Those data can be viewed several ways, because tax returns may include one or both spouses who are aged, and one or both who are blind. Thus, for 1979, there were 98,725 returns with at least one *individual* who was both blind and 65 years or older, but there were 101,880 *returns* claiming both the age and blindness exemptions. The latter include situations where one spouse was either blind or aged, but not both.

Using the "either/or" approach, 60 percent of all 1979 returns which showed a blindness exemption also showed an age exemption. That figure is much higher than for the general population in the same year, of whom 9 percent claimed at least one age exemption.

Figure B shows marital status among blindness-exemption returns, compared to all other returns, according to whether any age exemption applied. Although the age exemption makes a difference in both groups, the effect is in opposite directions and much stronger in the legally-blind group. In that group, the percentage of married persons was *lower* for those *with* an age exemption (45 percent) than for those without (68 percent). Among all other tax-filers, those with an age exemption were *more* likely than those without it to be married (58 percent versus 49 percent).

Figure B.—Returns With and Without a Blindness Exemption Compared With Returns With and Without an Exemption for Age 65 and Over, by Marital Status, 1979

Marital status	Returns with a blindness exemption—		All other returns—	
	with an exemption for age 65 and over	without an exemption for age 65 and over	with an exemption for age 65 and over	without an exemption for age 65 and over
	(1)	(2)	(3)	(4)
Number of returns	101,880	69,450	8,559,775	83,963,197
Percentage of returns by marital status:				
Total	100%	100%	100%	100%
Married [1]	45	68	58	49
Head of household	2	2	1	8
Single [2]	53	30	40	42

[1] Joint returns and returns of married persons filing separately.
[2] Includes returns of persons filing as a "surviving spouse," i.e., widowed within the 2 previous years.

NOTE: Detail may not add to totals because of rounding.
Source: Unpublished tables from a special Statistics of Income study for the American Foundation for the Blind.

Still considering Figure B, but now comparing *within age groups*, it can be seen that the earlier finding of a higher percentage married among blind tax-filers applies only among the younger persons.

Next, the data on dependents are considered. They are classified as: children at home; children away from home; parents; and "others." The 1979 analysis provides the number of *exemptions* in these categories; the figures cannot be translated to the number of *returns* claiming each type of dependent, since multiple categories could be used, with multiple claims in any category.

The number of dependents was proportionately almost twice as large in the general population as in the blindness-exemption group: for every 100 exemptions for self or spouse in the general population, there were 55 dependents claimed, whereas for every 100 self/spouse exemptions in the blindness group, 30 dependents were claimed. The difference may exist partly because fewer blind filers had any dependents, and partly because they had fewer dependents when any were claimed.

Age was a major factor: 88 percent of the dependents were claimed on the 40 percent of blindness-exemption returns that did not claim an age exemption. Among claims for dependents, "children at home" were the overwhelming majority for blind tax-filers (90 percent) as they were for "all" filers (93 percent). Considering age, in the blindness-exemption group: among those *with* an age exemption, 96 percent of dependents were "children at home" and the remainder were "other." Among those with *no* age exemption, 90 percent of dependents were "children at home," 7 percent were "children away," fewer than 1 percent were "parent(s)," and 3 percent were "other." (Data are not available with which to make the same age comparison in the general filing population.)

Occupation

In spite of the vital link between occupational status and participation in the income tax system, tax forms are a weak source for such data. The problems are covered in methodological papers on the Internal Revenue Service (IRS) occupation coding project for 1979 data [17, 18]. The project has yet to be completed for taxpayers as a whole, but IRS was able to provide data for the blindness-exemption group.

For that group, besides the problem of unreliability (including lack of specificity) in the data source, sampling error must be considered due to the small sample size.

Furthermore, a large residual portion of blind taxpayers had entries on their tax returns that indicated they were not currently employed. This group included individuals with such entries as retired, unemployed, disabled, housewife, student, investor, or deceased. Also included in this residual category were taxpayers with no entries for occupation whose sources of income indicated that they were investors (i.e., their income was primarily from investments), retirees (i.e., income primarily from pensions), or housewives (i.e., "secondary" taxpayers on joint returns with no "earned income").

The total residual category accounted for fully 75 percent of the exemptions for blindness for 1979. Age, of course, made a difference: 93 percent of blindness-plus-age exemptions were in the residual occupational grouping (even though 31 percent reported some "earned income"); that compared to 50 percent of blindness-without-age exemptions which were unspecified occupationally (although 93 percent reported some "earned income").

For all these reasons, results of the 1979 analysis are presented without drawing conclusions. In any case, no reasonable comparative data are available with which to assess the results. Figure C shows the occupation distribution for the 25 percent of blindness-exemption returns on which occupation was specified. The two largest categories were non-production laborers (28 percent) and professional or technical workers (18 percent).

Figure C.—Returns with a Blindness Exemption and with Occupation Determinable, by Occupation Category, 1979

Occupation category	Returns with a blindness exemption
Number of returns, total	171,330
Number with occupation category determinable	43,180
Percentage of returns with occupation category determinable:	
Total	100%
Executive, managerial, administrative and support	8
Professional and technical	18
Sales	13
Service	13
Production workers	12
Agriculture, forestry and fishing	8
Other laborers	28

Source: See Figure B. (Classification was based on the *Standard Occupational Classification Manual, 1980*, U.S. Department of Commerce.)

Income

The "bottom line" of income tax return data concerns income. That has two aspects: (1) "reportable" income, or "adjusted gross income" (AGI), and (2). "taxable" income. Figure D shows the distribution of AGI for 1983 for blindness-exemption returns compared with age-exemption returns and with "all" returns [19].

Overall, the differences are small, especially comparing blindness-exemption returns to those with an age exemption. In fact, total returns were slightly *more* likely than either special group to be in the lowest category, perhaps because proportionately fewer of the special groups filed as single persons(19 percent of all returns versus 11 percent of blindness-exemption returns had AGI under $5,000).

In line with expectations, blindness-exemption (and age-exemption) returns were more likely than "all" returns to be in the low-middle categories, and "all" returns were more likely to be in the high-middle categories. In the highest category shown ($100,000 or more), each group had a tiny 1 percent.

Figure D.—Returns with an Exemption for Blindness or for Age 65 and Over Compared with All Other Returns, by Size of Adjusted Gross Income, 1983

Size of adjusted gross income	All returns	Returns with an exemption for [1]—	
		Blindness	Age 65 and over
	(1)	(2)	(3)
Number of returns	96,321,310	293,752	11,231,204
Percentage of returns by size of adjusted gross income:			
Total	100%	100%	100%
Under $5,000 [2]	19	11	12
$5,000 under $10,000	17	26	28
$10,000 under $20,000	26	29	31
$20,000 under $40,000	28	25	20
$40,000 under $100,000	10	8	8
$100,000 or more	1	1	1

[1] The number of returns with *both* an exemption for blindness and for age 65 and over was not tabulated for 1983.
[2] Includes returns with no adjusted gross income.
NOTE: Detail may not add to totals because of rounding.
Source: *Statisics of Income—1983, Individual Income Tax Returns.*

There is inherent interest in the upper end of AGI, and those figures come from more reliable samples (i.e., returns sampled at higher rates). More than 2,000 returns with the blindness exemption reported AGI's of $100,000 or more, among them 36 returns that reported $1 million or more. Those 36 returns accounted for over $62 million in AGI, and reported over $24 million in income tax. That figure pales, of course, before the nearly $10 billion in income taxes reported by over 10,000 other filers in the $1 million-plus AGI category.

Overall, as expected, a lower percentage of blindness-exemption returns compared to "all" returns showed any tax liability (68 percent versus 81 percent). The average tax required from those who were liable was lower than for all taxpayers, but not by much (about $3,200 for blindness-exemption taxpayers compared to about $3,500 for all taxpayers who reported a tax liability). The total amount of income tax reported by 199,000 blindness-exemption taxpayers for 1983 was $647.5 million, just 0.2 percent of the U.S. total.

DISCUSSION

Blind persons who file tax returns are not representative of all who are blind. They consist disproportionately of those who are economically more favored, either because of their own earnings, or by virture of inherited wealth, or by marriage. Because these income sources cannot be disentangled, it is not possible to tell whether national policy designed to improve occupational opportunity for people with disabilities is having an effect in terms of increased contributions by blind persons to tax revenue.

It *is* clear that the income tax of blindness-exemption taxpayers in recent years far outweighed (i.e., was more than double) the dollar-of-tax value of the additional exemption they were allowed. Another intriguing way to look at their contribution to tax revenue is to compare it with the Federal SSI dollars paid *out* in income support for less fortunate blind persons. For 1983, the tax attributable to blindness-exemption filers ($647.5 million) was almost four times as large as the $169.9 million in 1983 Federal "SSI-Blind" payments [15]. (A similar ratio held for other years examined, i.e., 1979-1982.)

What will be the effect of the change in tax law removing the blindness exemption? The Price-Waterhouse analysis referred to earlier shows that there will be an increased tax burden for some, especially if they are also elderly and single with AGI under $22,000 or, if married, with joint income of $25,000 to $30,000.

What no one can assess with even reasonably current data is the realistic burden of added dollar costs of being blind, for those with earned or other reportable income. A study designed to obtain such data was recently begun as a joint effort of the Mississippi State University Research and Training Center on Blindness and Low Vision, and the American Foundation for the Blind [20].

In closing, it is interesting to focus on the intriguing though small group of blind persons who are among the top U.S. income producers. In light of the general movement toward client initiative and control in the rehabilitation process, that group could be a source of useful insights. What are the rehabilitation goals, and specialists' roles, when clients have the wherewithal to buy what they want? Put another way, what would the content and process of rehabilitation be like if, instead of clients' having to establish eligibility for free or greatly subsidized services, they could purchase the mix they desired? The authors suspect that a study of the wealthy few, who as seen from this analysis do exist, would give clues to the broader questions of client control emerging in the field.

DATA SOURCES AND LIMITATIONS

Statistics of Income data are based on a sample of individual income tax returns. Because the number of returns filed is mammoth (over 96.3 million for 1983), it is not feasible, nor for most purposes necessary, to use the total. However, the relatively low number of tax returns claiming blindness exemptions yields a subsample too small for detailed analysis. For information about SOI samples used for the statistics in this article and the magnitude of sampling error, see *Statistics of Income—Individual Income Tax Returns* for 1979 and 1983 [11].

For this report the following were used:

- published and unpublished data from routine IRS tabulations, which include very few items for those with the blindness exemption; and
- a special tabulation of 1979 data by IRS under contract to the American Foundation for the Blind (AFB). Such analyses are costly, requiring AFB to restrain its request. The year 1979 was chosen mainly because IRS undertook the challenging task of attempting to code occupation for that year as a feasibility study, based on information reported on the tax return; also, the sample was larger than for more recent years, when it was reduced due to budget constraints.

Printed instructions to tax-filers stated that if blindness were present on the last day of the tax year, the exemption applied to the entire year. "Completely blind" persons were asked to simply attach a statement to that effect; those who were "partially blind" needed a certified statement from an "eye physician or registered optometrist" submitted each year unless the "examining eye physician" certified that the eye condition would never improve, in which case only a statement referring to this certification had to be filed with later years' returns [21]. The data therefore refer only to tax-filers and their spouses who submitted evidence of their blindness.

It must be emphasized that tax returns cannot be used to estimate the prevalence of legal blindness. For the years studied in this article, the number of blind tax-filers excluded the following categories of legally-blind people, whose numbers may be substantial:

- people who did not file because their income was too low or came entirely from sources that did not have to be counted (notably, veterans' benefits or welfare benefits);
- people claimed as dependents, other than a spouse: dependent children, parents or other relatives of a tax-filer were not separately identified on the tax return as blind.

There were other excluded groups of legally-blind people which, based on speculation, were very small:

- people who did not know that they could qualify or who were unable to obtain the required proof;
- people who filed but chose not to take the blindness exemption. Their reasons may have included concern about negative consequences that outweighed any economic benefit; philosophic objections to the privilege; or sufficient wealth to forego the economic benefit; and finally,
- people who illegally failed to file (not necessarily "willfully," e.g., they may have been too ill).

In contrast to possible exclusions of eligible blind tax-filers, it should be noted that the reverse situation (inclusion of ineligible persons) was also possible, though unlikely in view of the serious consequences for a small benefit.

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[16] See Kirchner, *op. cit.*, for a fuller description of the study.

[17] Crabbe, Patricia, Sailer, Peter, and Kilss, Beth, "Occupation Data from Tax Returns: A Progress Report," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods.*

[18] Sailer, Peter, Orcutt, Harriet, and Clark, Phil, "Coming Soon: Taxpayer Data Classified by Occupation," *Statistical Uses of Administrative Records: Recent Research and Present Prospects, Volume 1,* Internal Revenue Service, U.S. Department of the Treasury, 1984.

[19] In *Statistics of Income—1983, Individual Income Tax Returns*, the data are published in more detailed income-size categories. Adjacent size classes were grouped for this article if they shared a pattern of increase or decrease across the three types of returns being compared. Unfortunately, data were not available with which to make the age comparisons *within* the blindness-exemption group.

[20] The authors may be contacted for additional information about this study.

[21] See U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income tax* and *Tax Guide for Small Business.* (Recorded versions of these publications are available in braille on cassette from the National Library Service for the Blind and Physically Handicapped.)

Selected Statistical Series, 1970–1987

NOTICE

The data on the following pages are the latest and most accurate available at time of publication. However, they are subject to continuous revision as more information becomes available. Data labeled as preliminary should be used with caution.

Table 1.—Individual Income Tax Returns: Selected Income and Tax Items for Selected Years, 1970-1985

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

Item	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
All returns	**74,279,831**	**82,229,332**	**93,902,469**	**96,321,310**	**99,438,708**	**101,660,287**
Form 1040 returns	74,279,831	54,527,726	57,122,592	61,211,264	64,533,502	67,006,425
Form 1040A returns	N/A	27,701,606	36,779,877	19,453,863	18,431,641	18,124,702
Form 1040EZ returns	N/A	N/A	N/A	15,656,183	16,473,565	16,529,160
Adjusted gross income (AGI)	**631,692,540**	**947,784,873**	**1,613,731,497** [1]	**1,942,589,865** [1]	**2,139,904,356** [1]	**2,305,951,483** [1]
Salaries and wages:						
Number of returns	66,965,659	73,520,046	83,802,109	83,120,588	85,925,617	87,198,001
Amount	531,883,892	795,399,462	1,349,842,802	1,644,572,655	1,807,137,587	1,928,200,978
Interest received:						
Number of returns	32,630,355	40,378,240	49,019,575	57,076,334	62,059,703	64,526,434
Amount	22,021,267	43,433,554	102,009,444	153,805,163	176,369,305	182,109,194
Dividends after exclusion:						
Number of returns	7,729,939	8,853,491	10,738,982	13,326,556	14,259,407	15,527,579
Amount	15,806,924	21,892,126	38,761,253	48,556,703	48,640,734	55,046,351
Business or profession net income less loss:						
Number of returns	6,159,985	7,242,542	8,881,119	10,682,124	11,237,218	11,900,341
Amount	30,554,201	39,421,478	55,129,154	60,359,154	70,766,610	78,772,577
Net capital gain less loss:						
Number of returns	7,962,663	7,574,823	9,970,921	10,917,709	12,558,688	11,125,595
Amount	9,006,683	14,071,893	30,029,074	49,407,678	54,519,368	67,694,001
Pensions and annuities in AGI:						
Number of returns	3,249,558	5,088,937	7,373,704	10,120,721	11,551,051	13,133,295
Amount	7,878,808	20,886,871	43,339,736	69,813,961	80,447,934	95,096,003
Rents and royalties net income less loss:						
Number of returns	6,557,498	7,143,812	8,208,132	8,643,803	9,100,525	9,970,604
Amount	3,232,817	5,202,078	4,105,381	-5,387,351	-9,482,800	-12,963,727
Partnerships and S Corporations:						
Number of returns	n.a.	n.a.	n.a.	4,867,695	5,203,592	5,487,671
Amount	12,637,912	12,811,091	10,099,346	-527,556	-2,268,204	-2,526,591
Farm net income less loss:						
Number of returns	3,026,530	2,755,041	2,608,430	2,710,044	2,694,420	2,620,861
Amount	2,788,713	3,563,325	-1,792,466	-9,294,484	-13,095,506	-12,005,483
Total statutory adjustments:						
Number of returns	6,370,552	9,024,255	13,148,919	34,837,711	37,025,796	37,763,418
Amount	7,665,251	15,101,999	28,614,061	81,393,011	89,745,075	95,082,299
Individual Retirement Arrangements:						
Number of returns	N/A	1,211,794	2,564,421	13,613,167	15,232,856	16,205,846
Amount	N/A	1,436,443	3,430,894	32,060,627	35,374,424	38,211,574
Self-employed retirement (Keogh):						
Number of returns	591,655	595,892	568,936	656,038	648,958	675,822
Amount	847,692	1,603,788	2,007,666	2,937,980	4,072,409	5,181,993
Married couple who both work:						
Number of returns	N/A	N/A	N/A	22,557,433	24,126,180	24,835,278
Amount	N/A	N/A	N/A	19,762,365	22,407,621	24,614,983
Exemptions:						
Number of exemptions	204,126,402	212,202,596	227,925,098	234,390,944	240,886,327	244,180,202
Number, age 65 or over	8,904,331	9,937,208	11,847,168	14,819,860	15,890,548	16,748,810
Total deductions:						
Number of returns	73,862,448	81,585,541	88,491,251	90,816,724	94,855,579	r96,848,626
Amount	120,549,755	233,181,778	346,000,155	448,667,194 [2]	499,585,197 [2]	554,733,523 [2]
Itemized deductions:						
Number of returns	35,430,047	26,074,061	28,950,282	35,230,292	38,203,092	39,848,184
Total [3]	88,178,487	122,260,601	218,028,139	309,633,773	358,876,015	405,023,525
Medical and dental expense	10,585,749	11,422,312	14,972,082	18,074,335	21,450,276	22,926,214
Taxes paid	32,014,673	44,141,289	69,404,275	99,750,645	115,245,288	128,084,618
Interest paid	23,929,477	38,885,282	91,187,006	134,691,655	158,176,338	180,094,578
Contributions	12,892,732	15,393,331	25,809,608	37,677,955	42,119,812	r47,962,848
Taxable income:						
Number of returns	59,593,598	65,852,602	88,104,696	90,816,724	94,178,183	96,124,046
Amount	401,154,285	595,492,866	1,279,985,360	1,544,872,497	1,701,365,731	1,820,740,833
Income tax before credits:						
Number of returns	59,596,755	65,854,734	76,135,819	80,610,882	84,440,481	85,994,216
Amount	84,156,695 [4]	132,452,044	256,294,315	279,841,890	306,686,024	332,165,333
Total tax credits [5]	**369,610**	**8,069,846**	**7,215,839**	**8,190,737**	**9,263,308**	**10,248,044**
Child care credit	N/A	N/A	956,439	2,051,462	2,648,834	3,127,702
Credit for the elderly and disabled	167,656	128,968	134,993	116,324	107,002	108,642
Residential energy credit	N/A	N/A	562,141	549,024	645,093	811,675
Foreign tax credit	169,623	381,985	1,341,675	617,749	738,014	782,561
Investment credit	30,554	1,593,150	3,288,415	4,161,453	(6)	(6)
General business credit	N/A	N/A	N/A	N/A	4,183,101 [6]	4,791,132
Income tax after credits	**83,787,323**	**124,382,197**	**249,078,475**	**271,651,153**	**297,422,715**	**321,917,289**
Total income tax: [7]						
Number of returns	59,317,371	61,490,737	73,906,244	78,016,323	81,639,509	82,846,420
Amount	83,909,311	124,526,297	250,341,440	274,181,323	301,923,057	325,710,254

See notes following Table 14.

Table 2.—Individual Income and Tax by State, 1985

[Money amounts are in thousands of dollars, except as indicated]

State	Number of returns	Number of exemptions[1]	Adjusted gross income (AGI)	Salaries and wages		Dividends after exclusion	
				Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total[2]	**102,036,652**	**243,517,639**	**2,289,333,273**	**86,765,245**	**1,907,207,188**	**15,292,589**	**54,501,292**
Alabama	1,502,320	3,791,184	29,792,629	1,319,204	25,496,983	141,097	424,374
Alaska	239,485	551,350	6,709,015	211,776	6,148,812	58,005	67,651
Arizona	1,345,779	3,300,597	29,175,457	1,123,168	23,702,061	203,441	877,853
Arkansas	868,641	2,230,807	15,671,527	725,792	12,786,269	73,360	351,055
California	11,690,766	28,124,384	285,099,616	9,913,297	236,876,713	1,685,053	6,522,933
Colorado	1,429,529	3,293,362	32,669,107	1,227,161	27,937,055	234,331	652,128
Connecticut	1,564,414	3,434,654	42,423,575	1,344,878	35,344,548	326,256	1,301,743
Delaware	284,096	655,601	6,656,455	246,023	5,494,290	57,760	236,395
District of Columbia	323,516	661,718	7,678,038	279,855	5,948,130	45,729	271,449
Florida	5,113,216	12,029,660	110,592,618	4,072,507	79,725,233	917,502	5,032,163
Georgia	2,466,881	5,882,082	53,219,457	2,212,499	46,490,951	257,233	1,041,890
Hawaii	470,745	1,071,202	9,965,599	405,999	8,257,681	72,014	196,822
Idaho	368,102	987,500	6,778,237	303,125	5,677,240	47,184	131,054
Illinois	4,898,447	11,761,660	114,930,358	4,148,726	96,045,032	837,830	2,878,368
Indiana	2,269,312	5,547,605	47,847,966	1,931,536	40,617,917	292,204	850,671
Iowa	1,157,910	2,897,819	21,649,845	906,220	17,452,230	183,728	421,237
Kansas	1,029,151	2,533,827	22,209,614	844,969	18,012,290	156,445	425,694
Kentucky	1,365,573	3,374,903	26,245,224	1,154,294	21,936,121	139,281	476,551
Louisiana	1,651,210	4,243,719	33,775,929	1,442,740	28,741,981	166,503	541,756
Maine	496,958	1,166,453	9,400,931	425,567	7,591,413	67,744	257,524
Maryland	2,071,335	4,686,118	52,204,588	1,812,857	44,035,742	327,920	1,049,781
Massachusetts	2,763,052	5,988,126	67,079,152	2,387,759	55,276,312	477,422	1,783,522
Michigan	3,811,358	8,989,636	90,454,156	3,258,186	77,854,219	701,357	1,862,198
Minnesota	1,807,019	4,299,555	39,845,208	1,517,860	33,926,477	311,976	889,861
Mississippi	912,133	2,414,576	15,706,333	805,026	13,517,940	71,632	193,799
Missouri	2,092,886	5,034,860	44,583,142	1,750,921	36,910,161	301,663	1,050,105
Montana	336,317	834,452	5,699,273	265,605	4,667,357	54,540	135,327
Nebraska	671,906	1,662,387	12,664,338	540,479	10,403,161	100,632	241,774
Nevada	447,300	1,003,986	9,920,535	388,597	8,228,363	50,206	209,420
New Hampshire	482,280	1,089,085	11,269,923	422,565	9,349,827	75,631	279,983
New Jersey	3,761,376	8,690,707	97,712,290	3,261,888	82,048,025	743,235	2,359,141
New Mexico	592,004	1,499,111	11,286,088	508,794	9,485,710	72,833	218,196
New York	7,599,062	17,728,702	191,010,243	6,466,537	153,720,835	1,372,927	5,824,527
North Carolina	2,631,981	6,176,203	52,273,759	2,345,380	44,355,272	295,146	1,007,615
North Dakota	277,534	698,582	5,012,375	214,888	3,876,022	33,758	60,521
Ohio	4,522,356	10,744,854	98,758,980	3,852,617	83,641,629	698,454	2,217,155
Oklahoma	1,270,187	3,182,298	26,729,611	1,058,660	21,983,988	130,699	440,882
Oregon	1,125,636	2,708,919	22,581,647	919,429	18,339,641	169,198	478,738
Pennsylvania	5,080,316	11,831,831	108,639,922	4,232,422	88,472,818	866,319	2,951,883
Rhode Island	437,677	971,493	9,247,446	379,489	7,591,804	64,423	221,750
South Carolina	1,312,269	3,184,507	25,492,279	1,175,198	21,732,727	130,017	531,153
South Dakota	283,464	718,267	4,412,359	219,701	3,557,850	37,734	76,978
Tennessee	1,916,200	4,618,197	37,621,098	1,679,825	32,397,446	177,681	528,567
Texas	6,674,213	16,713,764	152,848,699	5,825,994	130,511,409	750,008	2,925,762
Utah	595,132	1,675,212	12,527,658	515,813	10,847,275	71,495	206,143
Vermont	230,560	532,250	4,520,884	196,614	3,656,318	41,327	157,690
Virginia	2,501,799	5,737,420	59,423,203	2,205,148	50,234,999	382,124	1,166,550
Washington	1,904,811	4,490,053	42,364,707	1,594,751	35,040,732	301,960	871,606
West Virginia	664,164	1,676,134	13,111,266	558,441	10,871,932	77,438	237,743
Wisconsin	2,016,621	4,800,571	41,796,409	1,703,382	35,305,589	320,002	877,747
Wyoming	206,580	518,664	4,451,079	177,089	3,860,341	28,950	95,195
Other areas[3]	501,073	1,077,032	5,593,426	283,994	11,222,317	91,182	390,669

Table 2. (Continued)—Individual Income and Tax by State, 1985

[Money amounts are in thousands of dollars, except as indicated]

State	Interest		Unemployment compensation in AGI		Itemized deductions		
	Number of returns	Amount	Number of returns	Amount	Number of returns	Total deductions	Average amount (whole dollars)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States, total[2]	**64,128,149**	**180,493,925**	**4,770,065**	**6,418,459**	**40,534,024**	**408,903,939**	**10,088**
Alabama	765,686	1,766,350	79,310	64,937	572,878	4,737,252	8,269
Alaska	152,544	296,556	27,312	57,382	95,202	1,159,801	12,183
Arizona	812,517	2,680,120	44,129	38,593	614,148	6,206,059	10,105
Arkansas	457,588	1,423,928	39,424	40,194	275,331	2,292,970	8,328
California	7,274,117	23,561,347	580,295	766,005	5,170,307	66,832,625	12,926
Colorado	944,278	2,470,841	54,044	77,680	677,930	7,338,311	10,825
Connecticut	1,155,680	2,972,787	79,621	93,480	615,533	6,797,622	11,043
Delaware	176,182	409,542	11,828	13,253	118,135	1,175,103	9,947
District of Columbia	162,552	452,279	5,967	9,431	131,289	1,515,480	11,543
Florida	3,046,944	13,112,891	98,044	120,556	1,771,897	17,890,437	10,097
Georgia	1,233,743	2,963,548	97,915	79,052	917,376	9,290,535	10,127
Hawaii	348,696	746,022	19,411	27,229	196,765	2,035,206	10,343
Idaho	232,635	661,638	24,373	31,852	150,262	1,347,419	8,967
Illinois	3,310,375	9,653,079	240,645	403,718	1,908,007	17,848,162	9,354
Indiana	1,427,858	3,517,614	101,937	97,196	789,482	6,509,967	8,246
Iowa	854,734	2,688,871	58,460	72,259	467,953	3,781,530	8,081
Kansas	685,722	2,149,539	42,514	55,072	426,219	3,801,243	8,919
Kentucky	747,707	1,988,702	75,435	77,211	496,706	3,997,368	8,048
Louisiana	861,464	2,472,406	87,076	152,363	559,869	5,284,920	9,440
Maine	319,111	644,942	22,763	23,489	156,783	1,288,714	8,220
Maryland	1,345,764	3,072,231	74,413	95,339	998,117	10,706,321	10,727
Massachusetts	2,011,104	4,638,850	130,185	209,767	1,119,704	11,023,032	9,845
Michigan	2,571,216	5,729,871	266,502	373,988	1,795,574	15,934,531	8,874
Minnesota	1,316,554	3,211,713	96,234	165,316	893,601	8,747,893	9,789
Mississippi	410,129	1,076,536	37,452	35,953	269,415	2,320,882	8,615
Missouri	1,322,890	3,933,501	86,788	79,957	764,813	6,573,391	8,595
Montana	228,381	701,167	17,584	23,402	125,703	1,024,204	8,148
Nebraska	465,724	1,417,109	21,802	22,699	232,798	2,039,095	8,759
Nevada	243,255	820,044	22,773	28,927	161,275	1,709,237	10,598
New Hampshire	336,489	741,751	18,629	17,021	162,489	1,565,362	9,634
New Jersey	2,563,201	6,796,402	176,136	294,424	1,535,872	16,003,537	10,420
New Mexico	322,119	871,399	16,475	20,574	198,988	1,766,751	8,879
New York	5,253,324	15,745,400	313,802	480,260	3,625,617	40,594,016	11,196
North Carolina	1,412,478	3,087,340	136,899	105,532	1,005,113	8,691,665	8,647
North Dakota	198,108	602,934	12,893	19,894	83,395	676,576	8,113
Ohio	2,927,721	7,077,170	246,591	369,471	1,676,453	15,068,057	8,988
Oklahoma	723,597	2,353,356	45,052	60,190	522,964	5,101,855	9,756
Oregon	748,120	2,118,387	77,439	110,796	505,288	4,651,105	9,205
Pennsylvania	3,503,798	8,402,655	352,966	533,362	1,828,738	15,611,913	8,537
Rhode Island	288,652	694,992	29,238	36,783	159,951	1,430,045	8,941
South Carolina	657,467	1,422,657	64,005	52,435	521,496	4,445,488	8,524
South Dakota	189,136	585,398	6,385	6,100	73,147	589,157	8,054
Tennessee	985,965	2,503,609	81,026	71,307	548,513	4,854,654	8,851
Texas	3,556,367	12,227,548	179,733	264,917	2,199,969	24,198,890	11,000
Utah	383,493	762,914	25,315	35,921	296,108	2,940,028	9,929
Vermont	155,572	343,959	9,972	11,295	79,837	666,430	8,347
Virginia	1,497,741	3,569,717	84,542	75,235	1,038,930	10,807,687	10,403
Washington	1,267,575	3,589,300	127,044	197,792	740,598	6,994,387	9,444
West Virginia	399,037	905,931	49,176	71,478	183,515	1,509,283	8,224
Wisconsin	1,491,953	3,487,406	157,808	225,368	879,580	7,840,849	8,914
Wyoming	134,758	375,422	10,111	13,571	74,729	660,077	8,833
Other areas[3]	246,328	994,254	4,592	8,433	119,662	1,026,817	8,581

Table 2. (Continued)—Individual Income and Tax by State, 1985

[Money amounts are in thousands of dollars, except as indicated]

State	Tax liability: Total tax: Number of returns	Tax liability: Total tax: Amount	Tax liability: Average tax (whole dollars)	Earned income credit: Number of returns	Earned income credit: Amount	Earned income credit: In excess of tax liability: Number of returns	Earned income credit: In excess of tax liability: Amount
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
United States, total[2]	**86,286,765**	**336,638,438**	**3,901**	**6,495,867**	**2,090,876**	**4,736,940**	**1,503,574**
Alabama	1,234,809	3,956,744	3,204	169,035	56,123	127,030	41,325
Alaska	208,425	1,125,183	5,399	8,901	2,641	5,751	1,676
Arizona	1,132,988	3,972,149	3,506	87,339	28,142	65,278	21,077
Arkansas	709,928	2,026,688	2,855	97,389	32,022	70,204	22,537
California	9,873,659	41,509,259	4,204	770,874	253,006	607,882	198,898
Colorado	1,227,267	4,671,671	3,807	68,384	21,799	48,126	15,071
Connecticut	1,380,705	7,236,579	5,241	40,245	12,383	27,578	8,492
Delaware	244,965	963,645	3,934	16,429	5,187	11,731	3,705
District of Columbia	274,150	1,239,060	4,520	26,545	8,578	20,766	6,614
Florida	4,311,934	17,309,605	4,014	361,949	118,082	260,176	83,406
Georgia	2,075,406	7,448,554	3,589	224,228	73,205	165,596	53,159
Hawaii	401,174	1,303,224	3,249	18,857	5,533	11,961	3,530
Idaho	303,646	869,196	2,863	28,404	9,138	19,640	6,077
Illinois	4,141,252	17,976,907	4,341	268,763	85,297	202,017	63,365
Indiana	1,893,474	6,782,894	3,582	131,973	41,893	93,832	29,437
Iowa	962,066	2,953,145	3,070	64,641	20,056	41,104	12,062
Kansas	876,079	3,282,505	3,747	51,232	15,986	34,126	10,433
Kentucky	1,129,516	3,554,275	3,147	123,824	40,205	85,701	27,172
Louisiana	1,334,466	4,939,564	3,702	193,948	62,992	149,596	47,595
Maine	418,586	1,213,017	2,898	30,640	9,674	20,470	6,268
Maryland	1,803,370	7,592,329	4,210	97,083	30,733	69,522	21,805
Massachusetts	2,429,049	10,437,996	4,297	86,330	27,038	59,438	18,496
Michigan	3,231,427	13,182,862	4,080	166,057	52,108	119,770	36,888
Minnesota	1,545,926	5,348,224	3,460	76,397	23,770	49,637	14,598
Mississippi	712,728	1,976,204	2,773	153,503	51,408	121,788	39,699
Missouri	1,763,314	6,552,970	3,716	135,813	43,270	94,744	29,515
Montana	268,490	770,390	2,869	25,146	7,870	17,046	5,106
Nebraska	561,426	1,775,814	3,163	37,986	11,802	24,678	7,251
Nevada	381,875	1,553,510	4,068	23,367	7,427	16,851	5,340
New Hampshire	421,106	1,722,935	4,091	15,860	4,879	10,159	3,128
New Jersey	3,325,880	15,651,270	4,706	163,229	51,501	116,637	37,058
New Mexico	473,230	1,506,950	3,184	59,744	18,893	45,871	14,314
New York	6,608,820	29,145,630	4,410	463,410	149,690	340,176	108,351
North Carolina	2,211,229	6,825,591	3,087	221,929	70,895	153,344	48,431
North Dakota	231,934	703,830	3,035	16,687	5,137	10,295	2,948
Ohio	3,833,072	13,846,667	3,612	231,748	72,976	165,751	51,412
Oklahoma	1,054,424	3,893,491	3,693	98,276	32,230	69,939	22,301
Oregon	940,441	2,941,654	3,128	65,767	21,134	46,902	14,716
Pennsylvania	4,305,413	15,779,964	3,665	251,340	79,105	174,960	54,345
Rhode Island	376,079	1,282,375	3,410	20,266	6,393	14,486	4,543
South Carolina	1,086,126	3,203,622	2,950	127,138	41,666	93,590	30,266
South Dakota	227,224	604,270	2,659	22,757	7,051	14,361	4,139
Tennessee	1,586,484	5,292,230	3,336	181,252	59,134	131,930	42,039
Texas	5,573,454	24,966,454	4,480	547,734	179,357	411,425	133,507
Utah	494,376	1,484,548	3,003	32,128	10,205	22,873	7,118
Vermont	197,844	600,289	3,034	12,481	3,876	8,009	2,404
Virginia	2,163,021	8,503,133	3,931	131,327	41,702	90,630	28,663
Washington	1,621,666	6,151,065	3,793	90,636	28,624	65,046	20,177
West Virginia	551,960	1,744,800	3,161	56,063	17,704	40,093	12,636
Wisconsin	1,697,214	5,492,993	3,236	88,079	27,352	59,559	7,730
Wyoming	173,390	680,184	3,923	11,079	3,489	7,572	2,331
Other areas[3]	300,278	1,090,330	3,631	1,655	515	1,293	420

See notes following Table 14.

Table 3.—Number of Individual Returns, Income, Tax, and Average Tax By Size of Income, Tax Years 1982–1985

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

Size of adjusted gross income	Number of returns for—		Adjusted gross income (AGI)		Taxable income	
	1982	1983	1982	1983	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**95,337,432**	**96,321,310**	**1,852,135,465**	**1,942,589,865**	**1,473,348,899**	**1,544,872,497**
Less than $1,000[3]	3,412,105	3,415,113	−22,324,833	−25,592,802	29,646	75,549
$1,000 under $3,000	7,573,825	7,253,408	15,122,101	14,482,816	6,717,217	6,757,833
$3,000 under $5,000	6,966,104	7,167,924	27,925,256	28,679,137	17,168,389	17,374,119
$5,000 under $7,000	6,682,490	6,734,360	39,885,078	40,321,353	26,709,472	26,472,290
$7,000 under $9,000	7,176,962	6,879,931	57,512,193	55,039,361	40,904,714	39,153,168
$9,000 under $11,000	6,421,665	6,205,165	64,229,520	61,927,394	47,995,843	46,314,016
$11,000 under $13,000	5,651,414	5,724,798	67,793,416	68,522,507	52,526,932	52,529,347
$13,000 under $15,000	5,414,103	5,161,674	75,702,223	72,217,107	59,652,891	57,062,111
$15,000 under $17,000	4,734,479	4,593,795	75,594,637	73,350,227	60,951,455	58,956,588
$17,000 under $19,000	3,964,008	4,291,218	71,295,728	77,093,374	57,689,594	62,209,794
$19,000 under $22,000	5,365,925	5,617,176	109,806,080	115,071,603	88,855,846	93,320,322
$22,000 under $25,000	5,273,703	5,115,957	123,853,268	120,238,524	100,054,304	97,650,110
$25,000 under $30,000	7,621,965	7,357,487	209,572,367	201,763,983	169,726,189	163,111,031
$30,000 under $35,000	5,646,966	6,011,290	182,644,120	194,666,035	146,947,632	156,601,086
$35,000 under $40,000	4,215,650	4,409,645	157,391,914	164,664,066	126,471,828	131,804,272
$40,000 under $50,000	4,716,532	5,147,782	208,952,374	228,225,122	166,018,176	181,289,066
$50,000 under $75,000	3,057,266	3,591,188	179,566,469	211,838,450	141,376,967	166,095,719
$75,000 under $100,000	702,064	822,840	59,748,095	70,011,841	46,720,423	54,345,021
$100,000 under $150,000	432,757	469,391	51,674,638	56,206,333	40,228,978	43,403,109
$150,000 under $200,000	138,082	152,560	23,616,649	26,170,484	18,710,797	20,312,767
$200,000 under $300,000	93,033	108,379	22,323,087	26,016,239	17,807,227	20,642,936
$300,000 under $500,000	47,245	53,960	17,650,665	20,144,746	14,153,358	15,959,347
$500,000 under $1,000,000	20,681	25,469	13,830,843	17,173,250	11,042,159	13,706,293
$1,000,000 or more	8,408	10,800	18,769,578	24,358,715	14,888,860	19,726,601

Size of adjusted gross income	Total income tax[1]		Percentage of returns showing no total income tax		Returns showing total income tax			
					Average tax (whole dollars)		Tax as percentage of AGI	
	1982	1983	1982	1983	1982	1983	1982	1983
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Total	**277,597,301**	**274,181,323**	**19.2**	**19.0**	**3,604**	**3,514**	**15.4**	**14.5**
Less than $1,000[3]	130,288[4]	127,789[4]	99.6	99.7	9,298[4]	13,249[4]	—	—
$1,000 under $3,000	35,182	51,414	95.0	93.4	92	108	5.0	5.7
$3,000 under $5,000	475,448	409,533	41.9	42.0	117	99	2.8	2.4
$5,000 under $7,000	1,473,139	1,310,055	31.4	33.7	321	293	5.4	4.9
$7,000 under $9,000	2,967,854	2,603,057	20.7	21.2	521	480	6.5	6.0
$9,000 under $11,000	4,462,848	3,888,167	6.8	8.3	746	684	7.4	6.8
$11,000 under $13,000	5,566,452	5,012,113	4.0	4.2	1,026	914	8.6	7.6
$13,000 under $15,000	7,002,695	6,066,527	2.3	2.7	1,324	1,208	9.5	8.6
$15,000 under $17,000	7,766,398	6,809,411	1.5	2.4	1,665	1,518	10.4	9.5
$17,000 under $19,000	7,786,372	7,664,811	1.8	1.6	2,001	1,816	11.1	10.1
$19,000 under $22,000	12,725,118	12,163,958	1.2	1.2	2,399	2,192	11.7	10.7
$22,000 under $25,000	15,378,094	13,595,791	1.3	1.3	2,956	2,692	12.6	11.5
$25,000 under $30,000	27,852,640	24,354,551	.6	.8	3,676	3,338	13.4	12.2
$30,000 under $35,000	25,867,035	25,156,554	.5	.6	4,605	4,208	14.2	13.0
$35,000 under $40,000	24,098,091	22,673,889	.5	.8	5,743	5,182	15.4	13.9
$40,000 under $50,000	35,029,801	34,798,186	.6	.4	7,468	6,787	16.9	15.3
$50,000 under $75,000	35,892,383	38,352,897	.5	.4	11,803	10,725	20.1	18.2
$75,000 under $100,000	14,594,818	15,392,973	.4	.3	20,865	18,770	24.5	22.1
$100,000 under $150,000	14,385,740	14,351,743	.2	.4	33,321	30,690	27.9	25.6
$150,000 under $200,000	7,483,155	7,662,455	.5	.3	54,447	50,365	31.8	29.4
$200,000 under $300,000	7,651,434	8,488,945	.2	.2	82,400	78,513	34.3	32.7
$300,000 under $500,000	6,380,687	7,124,258	.1	.2	135,233	132,313	36.2	35.4
$500,000 under $1,000,000	5,222,845	6,463,482	.1	.2	252,751	254,228	37.7	37.7
$1,000,000 or more	7,368,787	9,658,764	.1	.3	877,132	896,655	39.8	39.8

See notes following Table I4.

Table 3. (Continued)—Number of Individual Returns, Income, Tax, and Average Tax By Size of Income, Tax Years 1982-1985

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

Size of adjusted gross income	Number of returns for—		Adjusted gross income (AGI)		Taxable income	
	1984	1985	1984	1985	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**99,438,708**	**101,660,287**	**2,139,904,356[1]**	**2,305,951,483[1]**	**1,701,365,731**	**1,551,794,066**
Less than $1,000[3]	3,329,148	3,292,007	-31,984,443	-36,740,956	63,799	—
$1,000 under $3,000	6,883,760	6,771,487	13,732,880	13,581,245	6,504,129	303,466
$3,000 under $5,000	7,030,537	6,685,481	28,151,199	26,769,868	17,251,761	2,987,242
$5,000 under $7,000	6,584,434	6,570,968	39,617,706	39,356,896	26,095,663	10,747,622
$7,000 under $9,000	6,792,931	6,664,279	54,388,545	53,477,888	38,888,493	20,730,758
$9,000 under $11,000	6,051,873	6,235,044	60,390,249	62,125,340	45,303,739	29,630,730
$11,000 under $13,000	5,877,979	5,582,921	70,439,379	66,863,381	54,708,664	35,890,527
$13,000 under $15,000	5,202,547	5,386,772	72,660,372	75,352,290	57,397,788	44,111,426
$15,000 under $17,000	4,893,833	4,895,393	78,195,614	78,225,269	62,489,602	47,856,258
$17,000 under $19,000	4,561,541	4,542,598	82,012,673	81,675,266	66,307,248	52,466,029
$19,000 under $22,000	5,645,759	6,089,064	115,466,828	124,506,145	93,889,175	82,387,607
$22,000 under $25,000	5,198,716	5,051,210	122,123,861	118,539,622	99,375,159	79,772,382
$25,000 under $30,000	7,635,404	7,457,947	209,274,643	204,399,150	168,006,165	140,799,492
$30,000 under $35,000	6,020,636	6,451,040	195,263,778	209,135,063	155,819,230	145,718,868
$35,000 under $40,000	5,054,470	5,184,620	188,944,011	193,807,899	149,423,027	136,207,640
$40,000 under $50,000	5,963,041	6,701,544	264,922,227	297,914,321	210,324,094	210,917,939
$50,000 under $75,000	4,657,702	5,628,639	275,046,849	333,710,362	214,921,141	240,220,621
$75,000 under $100,000	1,049,444	1,263,409	89,289,787	107,424,625	69,194,901	77,987,215
$100,000 under $150,000	581,498	706,248	69,273,546	84,315,947	53,604,014	61,568,040
$150,000 under $200,000	179,695	203,109	30,767,972	34,884,492	23,865,523	26,201,946
$200,000 under $300,000	132,306	152,523	31,729,787	36,457,244	24,405,339	28,049,119
$300,000 under $500,000	67,405	85,565	25,780,158	32,529,032	19,789,383	24,078,455
$500,000 under $1,000,000	29,215	41,107	19,729,296	27,541,427	15,798,723	21,130,594
$1,000,000 or more	14,834	17,312	34,687,437	40,099,667	27,938,970	32,030,088

Size of adjusted gross income	Total income tax[1]		Percentage of returns showing no total income tax		Returns showing total income tax			
					Average tax (whole dollars)		Tax as percentage of AGI	
	1984	1985	1984	1985	1984	1985	1984	1985
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Total	**301,923,057**	**325,710,254**	**17.9**	**18.5**	**3,698**	**3,931**	**14.4**	**14.4**
Less than $1,000[3]	419,790[4]	185,922[4]	99.2	99.7	16,783[4]	16,964[4]	—	—
$1,000 under $3,000	44,652	41,698	93.8	94.4	104	111	5.4	5.4
$3,000 under $5,000	430,167	347,878	40.8	48.2	103	100	2.5	2.4
$5,000 under $7,000	1,233,034	1,193,043	33.7	33.9	282	275	4.7	4.5
$7,000 under $9,000	2,483,282	2,259,763	21.3	26.3	465	460	5.8	5.7
$9,000 under $11,000	3,617,920	3,480,778	8.2	11.8	651	633	6.5	6.3
$11,000 under $13,000	5,013,506	4,548,843	5.2	5.9	899	865	7.5	7.2
$13,000 under $15,000	5,831,903	5,789,495	3.6	3.9	1,163	1,119	8.3	8.0
$15,000 under $17,000	6,785,324	6,534,361	2.0	2.9	1,415	1,375	8.9	8.6
$17,000 under $19,000	7,775,189	7,482,062	1.8	2.3	1,736	1,686	9.7	9.4
$19,000 under $22,000	11,677,768	12,203,165	1.5	2.0	2,100	2,044	10.3	10.0
$22,000 under $25,000	13,237,769	12,275,304	1.0	1.6	2,573	2,469	11.0	10.5
$25,000 under $30,000	23,793,004	22,916,851	1.2	1.0	3,152	3,103	11.5	11.3
$30,000 under $35,000	23,926,881	25,080,332	.7	.8	4,004	3,919	12.3	12.1
$35,000 under $40,000	24,678,348	24,713,424	.5	.8	4,907	4,803	13.1	12.8
$40,000 under $50,000	38,675,241	41,501,665	.3	.4	6,504	6,215	14.6	14.0
$50,000 under $75,000	47,355,174	56,064,781	.4	.2	10,211	9,984	17.3	16.8
$75,000 under $100,000	18,759,377	21,794,656	.4	.3	17,944	17,297	21.1	20.3
$100,000 under $150,000	17,117,874	19,895,978	.2	.4	29,502	28,296	24.8	23.7
$150,000 under $200,000	8,644,645	9,760,959	.2	.1	48,205	48,128	28.2	28.0
$200,000 under $300,000	10,013,524	11,362,146	.2	.2	75,844	74,658	31.6	31.2
$300,000 under $500,000	8,761,557	10,670,832	.2	.2	130,272	124,947	34.1	32.9
$500,000 under $1,000,000	7,526,585	9,878,188	.2	.2	258,255	240,714	38.2	35.9
$1,000,000 or more	14,120,545	15,728,128	.2	.3	954,091	910,931	40.8	39.3

See notes following Table 14.

Table 4.—Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items for Selected Years, 1970–1985

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

Item	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	**5,769,741**	**7,221,346**	**8,931,712**	**10,703,921** [1]	**11,262,390** [1]	**11,928,573** [1]
Number with net income	n.a.	n.a.	n.a.	7,390,395	8,002,865	8,640,701
Inventory, end of year	**11,060,775**	**15,578,040**	**21,996,236**	**n.a.**	**23,232,929**	**24,969,895**
Business receipts, total	**198,582,172**	**273,954,741**	**411,205,713**	**465,168,637**	**516,036,944**	**540,045,430**
Income from sales and operations	n.a.	272,342,560	407,169,299	455,382,492	507,234,292	528,675,271
Total deductions	**168,044,746**	**234,318,288**	**356,258,495**	**404,808,647**	**445,270,334**	**461,272,852**
Cost of sales and operations	109,148,811	146,261,435	209,889,809	212,631,063	229,905,960	232,294,132
Purchases	88,585,913	117,722,352	168,301,517	n.a.	n.a.	n.a.
Cost of labor	7,704,285	8,791,083	10,922,221	9,870,673	13,008,803	14,504,201
Materials and supplies	6,216,057	9,090,638	12,909,222	n.a.	n.a.	n.a.
Commissions	1,274,016	2,225,830	3,333,345	n.a.	n.a.	n.a.
Net salaries and wages	15,107,047	20,227,859	26,560,821	31,665,698	34,686,204	38,265,691
Car and truck expenses	n.a.	n.a.	13,378,289	14,758,472	17,523,807	17,044,421
Rent paid	4,636,528	6,676,314	9,636,290	11,830,835	14,278,260	15,258,690
Repairs	2,444,607	3,044,175	5,031,573	n.a.	n.a.	n.a.
Taxes paid	3,775,502	5,423,961	7,672,459	n.a.	n.a.	n.a.
Utilities	n.a.	n.a.	4,790,337	n.a.	n.a.	n.a.
Insurance	2,309,608	3,503,812	6,003,126	n.a.	n.a.	n.a.
Interest paid	1,784,276	3,390,845	7,190,257	9,925,746	11,025,276	11,913,982
Depreciation	5,451,525	7,958,143	13,952,703	22,069,530	23,900,034	26,291,389
Pension and profit sharing plans	72,741	125,296	141,463	122,915	258,070	311,323
Net income (less deficit)	**30,537,426**	**36,636,453**	**54,947,219**	**60,359,153**	**70,766,610**	**78,772,578**
Net income	33,735,732	45,624,890	68,010,051	78,618,410	89,849,570	98,775,563
Deficit	3,198,306	5,988,437	13,062,832	18,259,256	19,082,960	20,002,986

See notes following Table 14.

Table 5.—Partnership Returns: Balance Sheet Items and Selected Income Statement for Selected Income Years, 1970–1985

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

Item	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
Total number of active partnerships	**936,133**	**1,073,094**	**1,379,654**	**1,541,539**	**1,643,581**	**1,713,603**
Number with net income	639,795	661,134	774,173	783,968	844,738	875,846
Number with balance sheets	555,741	783,271	1,194,236	1,190,696	1,201,320	1,227,498
Number of partners	**3,697,818**	**4,950,634**	**8,419,899**	**10,589,338**	**12,426,721**	**13,244,824**
Total assets [1]	**116,752,751**	**235,468,301**	**597,503,923**	**886,992,767**	**1,030,848,519**	**1,269,434,302**
Depreciable assets (net)	n.a.	113,124,969	239,139,823	485,402,717	581,643,219	695,878,822
Inventories, end of year	n.a.	11,985,431	33,218,272	n.a.	39,446,014	27,279,234
Land	n.a.	36,731,958	70,241,248	98,427,459	122,036,819	152,179,314
Total liabilities [1]	**n.a.**	**193,875,629**	**488,734,023**	**886,992,774**	**1,030,848,464**	**1,269,434,367**
Accounts payable	n.a.	12,302,055	33,899,048	34,724,772	32,780,197	46,871,755
Short-term debt [2]	n.a.	22,709,476	48,001,839	67,294,519	68,625,844	102,760,363
Long-term debt [3]	n.a.	136,296,764	178,044,406	268,268,458	322,327,016	93,319,855
Nonrecourse loans	n.a.	n.a.	118,910,380	194,828,542	260,167,109	327,558,208
Partners' capital accounts	**n.a.**	**41,592,672**	**108,769,900**	**141,839,683**	**175,475,922**	**200,212,653**
Total receipts [4]	**93,348,080**	**148,417,529**	**291,998,115**	**291,318,703**	**375,192,511**	**367,117,316**
Business receipts	90,208,834	142,505,781	271,108,832	243,248,370	318,342,380	302,733,374
Interest received	942,304	2,477,173	10,869,323	15,006,055	16,651,205	20,558,966
Total deductions [4]	**83,557,684**	**140,679,959**	**283,749,460**	**r293,928,744**	**378,692,535**	**376,000,991**
Cost of sales and operations	46,040,874	64,672,843	113,885,668	125,330,745	180,857,822	146,315,315
Purchases	31,820,581	42,608,734	70,439,607	n.a.	100,358,781	91,925,923
Cost of labor	4,146,927	4,585,836	7,015,547	n.a.	7,826,231	8,845,106
Salaries and wages [4]	8,129,233	12,489,039	22,336,337	24,733,780	28,522,626	33,884,204
Taxes paid	3,159,258	5,770,918	9,553,145	5,909,545	6,673,186	7,745,756
Interest paid [4]	4,470,206	12,097,100	28,362,385	22,364,264	25,437,588	28,674,933
Depreciation [4,5]	4,578,820	10,108,834	21,576,189	37,340,062	46,939,395	53,650,790
Net income (less deficit)	**9,790,396**	**7,737,570**	**8,248,655**	**−2,610,041**	**−3,500,024**	**−8,883,674**
Net income	14,419,124	22,431,931	45,061,756	60,308,114	69,696,922	77,044,693
Deficit	4,628,728	14,694,361	36,813,100	62,918,155	73,196,946	85,928,367

See notes following Table 14.

Table 6.—Number of Business Income Tax Returns, by Size of Business, for Selected Years 1970-1985

[All figures are estimates based on samples—number of businesses are in thousands]

Size of business	Number of businesses reporting					
	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
CORPORATIONS						
Receipt size[1]						
Under $25,000[2]	451.9	468.9	557.0	629.2	686.1	n.a.
$25,000 - $49,999	170.7	186.4	207.7	212.9	212.5	n.a.
$50,000 - $99,999	219.8	260.7	322.7	330.0	338.7	n.a.
$100,000 - $249,999			558.4	597.8	615.2	n.a.
$250,000 - $499,999	516.9	673.9	367.3	444.9	468.4	n.a.
$500,000 - $999,999	141.1	184.2	279.8	315.9	344.8	n.a.
$1,000,000 or more	165.0	249.5	417.7	468.3	505.0	n.a.
Asset size						
Under $100,000[3]	961.0	1,177.7	1,514.6	1,665.5	1,773.7	n.a.
$100,000 - $1 million	599.1	704.6	968.9	1,074.7	1,119.8	n.a.
$1 million - $10 million	87.0	116.4	191.8	218.3	232.9	n.a.
$10 million - $25 million	9.8	12.2	16.6	18.8	20.8	n.a.
$25 million - $50 million	3.9	5.6	7.8	8.9	10.1	n.a.
$50 million - $100 million	2.1	3.1	4.8	5.7	6.0	n.a.
$100 million - $250 million	1.4	2.1	3.2	3.6	3.8	n.a.
$250 million and over	1.2	1.9	2.9	3.4	3.7	n.a.
PARTNERSHIPS						
Receipt size[1]						
Under $25,000[2]	501.7	549.7	638.0	r781.1[4]	r820.4[4]	840.1[4]
$25,000 - $49,999	125.2	141.0	181.8	r176.5	r197.3	195.5
$50,000 - $99,999	119.6	133.7	183.6	r204.2	r200.5	199.5
$100,000 - $199,999	97.2	114.0	155.2	r146.6	r162.8	190.1
$200,000 - $499,999	65.2	90.6	135.6	r135.1	r149.9	165.5
$500,000 - $999,999	17.0	25.5	48.1	r54.3	r60.6	66.9
$1,000,000 or more	10.3	18.6	37.4	r43.7	r52.1	56.0
Asset size[5]						
Under $25,000	635.7	611.0	541.9	r711.1	773.8	794.1
$25,000 - $49,999	80.8	105.9	156.3	115.5	118.6	132.7
$50,000 - $99,999	73.5	106.8	180.2	164.6	170.5	165.8
$100,000 - $249,999	74.7	116.0	219.1	207.0	208.5	210.9
$250,000 - $499,999	33.8	56.9	117.9	131.2	129.0	142.8
$500,000 - $999,999	19.3	35.3	72.1	86.3	93.8	100.0
$1,000,000 or more	18.3	41.2	92.2	125.8	149.4	167.2
NONFARM SOLE PROPRIETORSHIPS						
Receipt size						
Under $2,500[2]	1,894.3	2,299.9	2,783.1	2,908.5	2,988.9	3,067.5
$2,500 under $5,000	815.1	959.4	1,158.6	1,313.9	1,324.4	1,444.6
$5,000 under $10,000	891.5	1,041.7	1,262.9	1,452.3	1,482.4	1,633.6
$10,000 under $25,000	1,137.4	1,325.7	1,711.8	1,916.6	2,036.4	2,104.6
$25,000 under $50,000	746.4	849.5	1,079.1	1,187.0	1,261.3	1,393.9
$50,000 under $100,000	562.0	644.5	835.6	919.3	1,061.3	1,094.1
$100,000 under 200,000	297.4	380.9	795.8	888.7	984.4	1,060.2
$200,000 under $500,000	122.3	209.2				
$500,000 under $1,000,000	20.8	35.3	73.9	82.9	86.1	89.3
$1,000,000 or more	6.6	13.5	29.2	34.9	36.8	40.7

See notes following Table 14.

Table 7.—Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items for Selected Years, 1970–1984

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

Items	1970	1975	1980	1982	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	**1,665,477**	**2,023,647**	**2,710,538**	**2,925,933**	**2,999,071**	**3,170,743**
Number with net income	1,008,337	1,226,208	1,596,632	1,608,363	1,676,288	1,777,770
Consolidated returns [1]	19,871	38,307	57,890	73,029	73,645	80,256
S Corporation returns [1,2]	257,475	358,413	545,389	564,219	648,267	701,339
DISC returns [1,3]	N/A	6,431	8,665	9,663	9,898	12,480
Total assets	**2,634,706,564**	**4,286,556,273**	**7,617,238,403**	**r9,354,138,695**	**10,201,084,144**	**11,106,701,948**
Cash	176,924,573	290,426,439	528,914,747	r540,079,588	590,386,817	595,773,262
Notes and accounts receivable	614,667,367	1,051,542,806	1,984,601,790	2,420,475,398	2,677,367,962	2,896,980,896
Less: Allowance for bad debts	20,030,327	31,032,998	50,057,307	46,645,987	51,162,613	54,341,671
Inventories	190,401,642	317,718,545	534,806,547	581,241,455	599,445,162	664,243,060
Investments in Government obligations	196,625,390	316,131,699	472,059,737	605,513,662	685,146,228	725,695,801
Other current assets	73,058,482	145,101,716	310,177,160	436,507,859	433,594,597	513,743,712
Loans to stockholders	4,774,082	9,355,636	29,873,250	38,304,326	47,836,294	58,430,009
Mortgage and real estate loans	327,593,354	548 054,483	894,323,489	r940,604,903	982,415,018	1,126,962,114
Other investments	401,389,022	626,266,074	1,213,986,210	1,604,730,616	1,798,295,351	1,972,830,815
Depreciable assets	868,908,018	1,276,564,500	2,107,027,914	2,583,060,326	2,730,371,698	2,913,301,626
Less: Accumulated depreciation	334,646,086	483,798,526	767,841,763	942,704,683	1,024,756,282	1,116,171,771
Depletable assets	18,517,264	38,511,396	71,901,490	r94,149,731	107,958,232	114,808,431
Less: Accumulated depletion	6,774,796	14,501,561	19,569,556	29,442,570	32,682,172	36,340,299
Land	46,626,157	66,819,206	92,931,935	110,318,941	119,350,378	128,269,064
Intangible assets (amortizable)	12,818,168	12,823,183	45,480,694	81,178,989	87,852,590	117,467,829
Less: Accumulated amortization	5,984,184	4,491,990	18,393,037	24,869,273	25,062,592	36,190,604
Other assets	69,838,438	121,065,665	187,015,106	r361,635,417	474,727,482	521,126,077
Total liabilities	**2,634,706,564**	**4,286,556,273**	**7,617,238,403**	**r9,354,138,695**	**10,201,084,144**	**11,106,701,948**
Accounts payable	148,812,597	263,417,584	542,172,368	678,630,282	671,495,438	741,372,874
Mortgages, notes, and bonds payable in less than 1 year	170,884,261	272,123,551	504,802,288	667,060,956	759,536,076	866,546,604
Other current liabilities	892,218,397	1,577,425,991	2,706,796,360	r3,220,099,515	3,513,512,199	3,760,174,725
Loans from stockholders	24,573,814	38,143,936	85,718,510	117,424,462	131,025,956	145,250,514
Mortgages, notes, and bonds payable in 1 year or more	362,700,303	586,703,526	986,663,932	1,224,277,725	1,323,209,421	1,494,350,573
Other liabilities	283,106,029	451,676,880	846,696,691	r977,072,770	1,156,873,507	1,214,879,371
Capital stock	201,213,719	251,715,862	417,153,783	658,259,634	787,278,549	839,344,197
Paid-in or capital surplus	196,642,421	298,534,854	532,039,407	782,269,156	873,620,667	1,066,288,359
Retained earnings, appropriated	16,657,051	29,955,676	41,461,644	54,727,615	52,538,370	51,100,507
Retained earnings, unappropriated	349,225,750	537,631,026	1,027,902,049	1,173,094,293	1,221,793,087	1,256,771,201
Less: Cost of treasury stock	11,327,778	20,772,613	74,168,627	198,777,714	289,799,122	329,376,924
Total receipts	**1,750,776,503**	**3,198,627,860**	**6,361,284,012**	**7,024,097,766**	**7,135,494,059**	**7,800,711,226**
Business receipts	1,620,886,576	2,961,729,640	5,731,616,337	6,156,994,009	6,334,602,711	6,948,481,893
Interest on State and local Government obligations	3,775,917	6,711,606	12,620,876	14,124,877	16,667,263	16,613,501
Other interest	67,794,508	136,587,304	354,243,674	515,628,874	496,648,009 [4]	r566,537,974
Dividends received from domestic corporations	5,238,421	8,818,282	18,654,800	18,155,559	19,696,776	21,185,391
Dividends received from foreign corporations	3,466,515	5,467,726	14,563,353	13,950,908	13,892,070	15,373,474
Rents	13,938,502	21,765,130	41,371,141	69,614,109	69,580,411	75,834,113
Royalties	2,586,387	5,167,141	12,450,250	13,437,404	13,876,095	14,535,929
Net short-term capital gain reduced by net long-term capital loss	190,439	301,601	2,013,510	2,882,207	5,048,854	3,233,999
Net long-term capital gain reduced by net short-term capital loss	5,481,580	8,364,523	24,910,957	26,318,184	33,924,549	38,518,792
Net gain, noncapital assets	5,315,562	7,757,287	20,117,615	20,992,023	26,134,711	26,506,096
Other receipts	22,102,096	35,957,620	128,721,498	171,999,616	105,422,613	133,948,728

Table 7. (Continued)—Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items for Selected Years, 1970-1984

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

Items	1970	1975	1980	1982	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
Total deductions	**1,682,778,847**	**3,052,674,597**	**6,125,365,155**	**r6,869,226,020**	**6,945,457,358**	**7,628,772,066**
Cost of sales and operations	1,146,263,273	2,129,928,467	4,204,905,905	4,270,850,310	4,308,238,989	4,692,505,746
Compensation of officers	32,846,381	57,832,552	108,973,751	129,481,025	141,193,212	157,028,565
Repairs	13,986,819	23,422,171	42,407,967	72,524,061	74,652,495	76,367,591
Bad debts	6,479,814	13,781,147	18,769,771	r26,639,271	30,543,184	33,803,267
Rent paid on business property	23,842,355	40,769,829	71,990,832	94,917,540	104,717,965	119,476,469
Taxes paid	49,523,243	81,530,302	163,003,622	165,888,353	173,420,116	191,748,629
Interest paid	62,055,010	129,307,921	344,612,542	515,032,667	475,060,444	535,814,101
Contributions or gifts	797,029	1,202,130	2,358,554	2,906,476	3,626,605	4,057,112
Amortization	745,005	717,398	1,374,658	r3,774,896	4,309,952	5,170,089
Depreciation	52,941,266	86,295,664	157,345,828	213,179,160	241,491,819	264,882,261
Depletion	5,623,339	5,341,489	8,871,993	7,021,176	7,574,216	8,051,260
Advertising	18,089,097	26,605,786	52,266,004	64,987,632	72,393,870	82,023,440
Pension, profit-sharing, stock bonus, and annuity plans	12,225,912	26,526,129	51,529,310	54,232,011	54,355,062	52,555,188
Employee benefit programs	7,398,283	15,690,563	40,179,104	51,838,884	59,115,141	64,547,638
Net loss, noncapital assets	1,289,305	1,804,079	5,903,104	10,367,020	7,615,697	9,647,008
Other deductions	248,672,716	411,918,970	850,872,216	1,185,585,538	1,187,148,601	1,331,088,812
Total receipts less total deductions	**67,997,656**	**145,953,263**	**235,918,858**	**154,768,854**	**190,036,702**	**231,939,061**
Constructive taxable income from related foreign corporations	1,679,875	3,395,169	15,708,560	13,628,716	14,944,490	17,575,037
Net income (less deficit)	**65,901,614**	**142,636,826**	**239,006,542**	**r154,272,693**	**188,313,928**	**232,900,596**
Net income	83,710,924	169,483,336	296,787,201	r274,291,492	296,932,146	349,179,415
Deficit	17,809,310	26,846,510	57,780,659	120,018,799	108,618,218	116,278,819
Income subject to tax	**72,374,437**	**146,589,287**	**246,598,486**	**205,175,407**	**218,686,396**	**257,054,060**
Income tax, total	**33,293,018** [5]	**66,144,308**	**105,142,436**	**86,766,154**	**92,218,567**	**107,968,407**
Regular and alternative tax	32,949,937	65,769,822	103,831,172	85,077,493	90,461,858	106,013,271
Tax from recomputing prior-year investment credit	77,832	217,138	867,571	1,181,074	1,175,071	1,382,945
Tax from recomputing prior-year work incentive (WIN) credit	N/A	608	4,873	N/A	N/A	N/A
Additional tax for tax preferences	265,249	156,740	438,820	478,457	561,505	544,863
Foreign tax credit	4,548,986	19,987,724	r24,879,737	r18,932,390	19,951,165	21,075,296
U.S. possessions tax credit	N/A	N/A	1,565,681	2,026,980	1,583,007	1,978,578
Investment credit	865,954	6,459,746	15,102,812	17,342,890	16,145,173	(6)
Work incentive (WIN) credit	N/A	5,321	36,483	29,020	N/A	N/A
Jobs credit	N/A	N/A	601,444	r321,863	449,224	(6)
Nonconventional source fuel credit	N/A	N/A	2	6,787	33,012	69,695
Alcohol fuel credit	N/A	N/A	4	600	7,178	(6)
Research activities credit	N/A	N/A	N/A	839,220	1,277,474	1,589,048
Employees stock ownership credit	N/A	N/A	N/A	14,450	909,880	(6)
Orphan drug credit	N/A	N/A	N/A	N/A	*236	*105
General business credit	N/A	N/A	N/A	N/A	N/A	19,265,475 [6]
Distributions to stockholders:						
Cash and property except in own stock	32,012,677	45,224,392	97,378,617	r131,499,537	128,298,545	144,871,643
Corporation's own stock	1,922,810	2,066,559	3,525,549	3,642,024	4,810,283	5,889,191

See notes following Table 14.

Table 8.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970–1984

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

Industrial division and items	1970	1975	1980	1982[1]	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
AGRICULTURE, FORESTRY AND FISHING						
Number of returns, total	37,283	56,280	80,883	91,320	92,125	98,361
Number with net income	19,843	33,328	43,827	47,858	47,636	r50,037
Total assets	11,909,403	21,177,941	40,738,977	50,409,537	50,292,891	50,699,926
Net worth	4,012,068	6,844,949	11,460,935	14,119,922	13,559,332	14,310,555
Total receipts	14,277,707	28,118,514	52,089,915	65,356,911	59,208,642	66,645,119
Business receipts	13,591,763	26,624,149	48,850,056	60,643,550	55,114,507	62,093,338
Interest received	69,742	171,732	476,654	758,699	r677,378	723,118
Total deductions	14,209,713	27,369,286	51,418,280	65,442,003	59,386,796	66,436,289
Cost of sales and operations	10,555,539	19,738,447	35,798,332	43,222,379	38,308,491	42,991,472
Interest paid	356,225	797,420	2,184,441	3,048,844	2,866,689	2,952,198
Net income (less deficit)	65,295	746,908	673,158	−86,418	−196,528	202,522
Net income	493,400	1,493,168	2,464,381	2,528,479	2,499,829	2,874,899
Deficit	428,105	746,260	1,791,222	2,614,897	2,696,357	2,672,377
Income tax before credits	113,115	351,059	533,768	490,228	430,119	509,081
Total income tax after credits[2]	107,023	294,584	422,356	375,422	313,537	373,115
Distributions to stockholders except in own stock	65,824	244,524	304,733	409,070	172,301	417,177
MINING						
Number of returns, total	14,465	14,242	25,576	36,676	37,066	40,564
Number with net income	7,303	8,297	12,698	15,950	15,526	18,177
Total assets	23,972,812	64,505,341	126,947,880	192,380,473	194,417,434	209,036,474
Net worth	13,381,821	32,765,690	54,068,148	79,876,480	85,602,456	94,335,000
Total receipts	17,747,750	65,909,994	176,672,390	203,098,557	132,419,750	123,496,633
Business receipts	16,699,586	63,670,496	167,397,918	191,152,749	122,510,903	111,030,063
Interest received	176,728	522,757	1,301,266	2,695,216	r2,529,873	3,089,562
Total deductions	15,927,348	42,348,765	169,051,624	203,045,736	134,305,739	124,627,966
Cost of sales and operations	9,955,600	30,171,612	116,989,880	151,521,066	85,540,564	74,213,000
Interest paid	388,032	1,166,182	3,440,080	7,623,777	6,763,864	7,077,300
Net income (less deficit)	1,834,315	23,574,833	7,750,561	543,578	−1,586,098	−353,185
Net income	2,399,507	24,347,893	10,133,685	8,429,100	5,929,343	6,991,815
Deficit	565,192	773,060	2,383,124	7,885,522	7,515,441	7,344,999
Income tax before credits	1,031,550	11,361,037	3,947,569	3,203,406	2,100,692	2,381,154
Total income tax after credits[2]	342,928	1,051,138	1,674,566	1,282,044	722,353	1,014,361
Distributions to stockholders except in own stock	1,177,550	1,015,895	4,757,780	3,926,230	2,710,318	3,057,411
CONSTRUCTION						
Number of returns, total	138,905	191,219	272,432	282,345	283,519	306,906
Number with net income	82,078	108,852	150,368	138,783	150,138	173,351
Total assets	42,719,792	76,691,947	132,939,026	153,085,046	161,365,795	195,272,738
Net worth	11,819,604	19,029,077	32,826,174	38,934,496	41,540,682	50,338,974
Total receipts	90,610,644	146,955,117	267,205,356	281,747,868	290,798,843	338,575,635
Business receipts	88,945,385	143,412,715	260,387,692	271,633,721	280,896,210	326,752,784
Interest received	219,698	614,583	2,073,650	3,137,599	r2,762,556	3,540,430
Total deductions	89,070,022	144,717,309	262,116,275	279,555,128	288,574,577	335,696,154
Cost of sales and operations	73,434,969	116,845,554	208,064,925	212,698,363	221,189,268	257,057,538
Interest paid	711,496	1,973,244	4,278,502	5,455,056	4,861,075	5,990,178
Net income (less deficit)	1,538,418	2,236,262	5,271,209	2,323,952	2,265,564	2,906,704
Net income	2,548,013	4,514,864	8,911,143	8,106,061	7,990,419	9,147,150
Deficit	1,009,595	2,278,602	3,639,934	5,782,109	5,724,855	6,240,445
Income tax before credits	776,979	1,320,196	2,521,507	2,069,718	1,859,927	1,767,756
Total income tax after credits[2]	756,637	1,131,960	1,973,659	1,578,330	1,393,042	1,296,301
Distributions to stockholders except in own stock	299,204	464,553	793,764	916,690	846,579	738,873
MANUFACTURING						
Number of returns, total	197,807	217,354	242,550	259,106	261,927	272,050
Number with net income	120,814	136,839	153,640	146,415	152,304	162,584
Total assets	612,912,516	944,581,970	1,709,471,700	2,060,710,683	2,232,987,922	2,417,631,605
Net worth	308,923,293	442,587,674	749,186,774	896,871,144	953,108,742	1,025,028,491
Total receipts	722,952,890	1,296,359,650	2,404,323,844	2,488,331,915	2,552,830,718	2,768,247,655
Business receipts	700,090,661	1,258,338,650	2,301,056,550	2,357,973,059	2,418,344,305	2,608,971,901
Interest received	4,748,499	8,691,092	28,315,784	38,134,480	r37,958,034	42,749,996
Total deductions	692,455,462	1,230,689,496	2,290,593,808	2,423,254,936	2,469,257,725	2,661,153,853
Cost of sales and operations	495,879,549	925,111,030	1,707,143,900	1,660,537,002	1,678,378,729	1,796,313,155
Interest paid	12,570,242	22,055,903	54,177,356	79,322,435	73,973,082	85,039,616
Net income (less deficit)	31,846,078	68,406,627	125,667,815	75,791,264	95,330,965	121,215,254
Net income	37,925,489	74,466,554	141,547,510	108,170,744	124,417,490	147,852,003
Deficit	6,079,411	6,059,927	15,879,695	32,379,481	29,086,525	26,636,749
Income tax before credits	16,744,905	32,306,739	59,577,413	45,015,096	50,950,876	58,542,710
Total income tax after credits[2]	13,242,226	21,024,964	32,729,629	26,631,933	24,960,640	30,429,379
Distributions to stockholders except in own stock	14,616,282	19,973,061	37,306,509	43,912,134	43,295,901	45,630,537

Table 8. (Continued)—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1984

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

Industrial division and items	1970	1975	1980	1982[1]	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
TRANSPORTATION AND PUBLIC UTILITIES						
Number of returns, total	67,398	80,701	111,324	115,470	122,567	128,184
Number with net income	38,204	45,360	62,232	59,793	61,588	65,405
Total assets	287,740,207	443,236,797	758,364,400	919,861,069	998,870,785	1,084,873,718
Net worth	121,205,022	176,444,407	290,655,693	352,880,625	394,284,132	423,937,357
Total receipts	135,495,271	243,480,637	523,807,396	632,294,442	657,421,487	725,631,232
Business receipts	131,463,171	234,689,427	507,372,820	606,039,657	627,836,585	693,105,168
Interest received	930,266	1,520,913	5,760,072	9,138,892	r9,491,678	11,250,353
Total deductions	127,931,131	233,409,166	503,954,285	614,397,320	638,194,372	697,240,089
Cost of sales and operations	77,743,359	143,932,463	336,868,172	338,796,961	339,191,696	373,236,459
Interest paid	7,364,200	13,761,062	27,638,591	36,839,460	36,787,550	40,178,514
Net income (less deficit)	7,543,718	10,099,571	20,046,155	18,335,959	19,492,314	28,851,644
Net income	9,471,595	12,088,189	24,917,293	27,378,633	28,040,349	37,897,899
Deficit	1,927,877	1,988,618	4,871,138	9,042,673	8,548,036	9,041,255
Income tax before credits	4,342,334	5,107,158	10,532,722	11,356,073	11,621,625	15,579,597
Total income tax after credits[2]	4,036,650	2,836,470	5,322,655	4,925,936	5,429,973	8,532,848
Distributions to stockholders except in own stock	5,837,565	8,900,353	17,329,807	21,438,500	24,540,824	27,505,378
WHOLESALE AND RETAIL TRADE						
Number of returns, total	518,062	614,632	799,628	839,547	851,785	896,524
Number with net income	339,987	399,668	487,300	468,108	492,057	516,750
Total assets	192,181,800	323,496,726	646,901,005	753,351,132	804,242,963	899,032,645
Net worth	77,002,132	122,649,734	222,289,687	251,417,098	265,222,391	289,338,722
Total receipts	522,547,923	969,938,872	1,955,523,778	2,017,701,364	2,119,444,862	2,307,612,139
Business receipts	511,316,883	951,463,550	1,919,347,689	1,972,305,356	2,071,264,407	2,250,774,641
Interest received	1,291,906	3,857,318	10,503,989	14,373,589	r15,049,512	18,406,334
Total deductions	512,910,193	947,511,780	1,919,454,218	1,989,739,286	2,084,482,953	2,265,843,128
Cost of sales and operations	392,391,856	745,299,204	1,538,128,634	1,556,263,179	1,626,952,423	1,759,718,001
Interest paid	4,309,663	8,587,173	25,645,855	30,429,310	27,598,584	33,204,502
Net income (less deficit)	9,671,044	22,489,430	38,309,671	28,442,678	35,292,870	42,010,706
Net income	12,395,411	27,681,721	49,426,500	45,747,936	50,844,081	58,584,558
Deficit	2,724,367	5,192,291	11,116,829	17,305,258	15,551,210	16,573,852
Income tax before credits	4,476,047	8,103,316	13,515,653	11,372,087	12,910,870	15,082,817
Total income tax after credits[2]	4,237,181	7,348,619	10,552,250	9,422,188	10,653,391	12,414,978
Distributions to stockholders except in own stock	2,068,501	5,029,897	10,343,087	12,069,015	12,722,120	13,057,047
FINANCE, INSURANCE, AND REAL ESTATE						
Number of returns, total	406,235	411,846	493,426	461,630	479,656	497,366
Number with net income	248,586	243,409	273,853	252,689	269,267	274,171
Total assets	1,401,153,520	2,321,965,956	4,022,206,073	4,987,466,401	5,487,225,439	5,938,984,929
Net worth	196,480,448	269,770,527	530,541,317	766,939,210	816,806,465	901,658,317
Total receipts	177,321,173	315,795,981	697,460,846	949,867,877	902,822,472	1,033,146,416
Business receipts	92,091,887	157,126,715	256,892,475	337,493,098	362,627,365	431,157,290
Interest received	63,694,046	127,040,303	315,146,115	456,333,537	r439,937,980	497,044,327
Total deductions	161,630,060	297,963,817	652,637,787	915,164,762	856,678,689	985,687,308
Cost of sales and operations	48,434,362	84,614,209	129,644,330	169,435,694	172,818,057	213,655,427
Interest paid	34,548,509	77,677,659	219,167,684	340,960,344	310,356,963	r347,164,947
Net income (less deficit)	12,214,079	11,663,330	33,122,792	21,804,088	31,714,771	32,677,046
Net income	15,081,939	18,825,003	46,040,390	57,745,075	601,135,503	66,225,666
Deficit	2,867,860	7,161,673	12,917,599	35,940,986	28,398,732	33,548,620
Income tax before credits	4,404,449	5,558,647	9,680,755	7,643,631	8,540,701	9,619,055
Total income tax after credits[2]	4,150,009	4,673,705	7,699,628	5,497,808	5,696,723	6,730,460
Distributions to stockholders except in own stock	7,387,211	8,729,977	24,692,146	46,504,963	41,592,101	51,315,346
SERVICES						
Number of returns, total	281,218	435,672	671,338	819,706	848,394	899,370
Number with net income	150,525	249,641	408,716	472,799	481,888	508,336
Total assets	61,875,140	90,534,067	178,163,737	237,876,895	269,797,251	307,895,160
Net worth	19,529,062	26,855,374	52,865,513	67,785,385	74,710,659	84,773,772
Total receipts	69,572,626	131,377,364	279,883,187	380,767,394	416,462,427	490,332,811
Business receipts	66,459,515	125,747,462	266,088,619	355,090,610	392,064,594	458,038,533
Interest received	435,070	875,506	3,269,412	5,120,807	r4,880,958	6,277,591
Total deductions	68,384,452	127,996,443	271,792,974	373,717,841	410,486,562	484,990,160
Cost of sales and operations	37,733,747	63,724,869	129,352,692	135,273,962	143,277,759	170,889,613
Interest paid	1,802,802	3,279,438	8,033,612	11,265,412	11,798,141	14,068,343
Net income (less deficit)	1,198,703	3,396,744	8,193,903	7,199,258	6,002,928	5,464,130
Net income	3,384,869	6,025,592	13,246,601	16,061,222	16,959,225	19,373,912
Deficit	2,186,166	2,628,848	5,052,698	8,861,964	10,956,298	13,909,782
Income tax before credits	1,058,264	1,625,093	3,497,265	3,885,618	3,779,735	4,458,267
Total income tax after credits[2]	1,003,130	1,323,637	2,617,889	2,613,020	2,673,706	3,175,178
Distributions to stockholders except in own stock	558,452	855,402	1,841,945	3,269,285	2,407,362	3,126,700

See notes following Table 14.

Table 9.—Crude Oil Windfall Profit Tax Before and After Adjustments, by Quarter, 1980–1986

[Money amounts are in millions of dollars]

Quarter ending	Tax before adjustments	Total adjustments[1]	Tax after adjustments[2]
	(1)	(2)	(3)
Total[3]	**84,209**	**-5,994**	**78,215**
March 1980[4]	788	—	788
June 1980	2,842	-21	2,821
September 1980	3,413	-88	3,325
December 1980	3,918	-927	2,991
March 1981	6,953	+242	7,195
June 1981	7,253	-107	7,146
September 1981	6,344	-251	6,093
December 1981	6,007	-497	5,510
March 1982	5,222	-221	5,001
June 1982	4,283	-295	3,988
September 1982	4,404	-445	3,959
December 1982	4,440	-634	3,806
March 1983	3,320	-193	3,127
June 1983	2,951	-203	2,748
September 1983	2,822	-300	2,522
December 1983	2,736	-465	2,271
March 1984	2,622	-228	2,394
June 1984	2,468	-218	2,250
September 1984	2,447	-200	2,247
December 1984	2,236	-256	1,980
March 1985	1,850	-117	1,733
June 1985	1,653	-132	1,521
September 1985	1,442	-146	1,296
December 1985	1,254	-209	1,045
March 1986	541	-83	458

See notes following Table 14.

Table 10.—Gross Internal Revenue Collections: Amount Collected by Quarter and Fiscal Year, 1983-1987

[Money amounts are in millions of dollars]

Quarter and fiscal year	Amount collected by type of return: Total	Individual income taxes [1]	Corporation income taxes [2]	Excise taxes [3]	Employment taxes [4]	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1983, TOTAL	**627,247**	**349,628**	**61,780**	**35,766**	**173,848**	**6,226**
October 1982 - December 1982	132,205	70,312	13,404	8,498	38,404	1,588
January 1983 - March 1983	150,019	86,853	11,494	8,222	41,930	1,519
April 1983 - June 1983	194,431	111,721	22,027	8,947	50,219	1,516
July 1983 - September 1983	150,591	80,742	14,855	10,097	43,294	1,602
FISCAL YEAR 1984, TOTAL	**680,475**	**362,892**	**74,179**	**38,017**	**199,210**	**6,177**
October 1983 - December 1983	141,849	73,379	16,208	9,654	41,132	1,476
January 1984 - March 1984	164,681	89,316	14,337	8,862	50,545	1,622
April 1984 - June 1984	208,814	114,525	25,990	9,680	57,061	1,558
July 1984 - September 1984	165,131	85,672	17,644	9,822	50,472	1,521
FISCAL YEAR 1985, TOTAL	**742,871**	**396,659**	**77,413**	**37,005**	**225,214**	**6,580**
October 1984 - December 1984	155,919	79,775	17,546	9,732	47,286	1,580
January 1985 - March 1985	176,324	89,325	17,350	8,650	59,352	1,647
April 1985 - June 1985	233,946	136,141	24,843	9,013	62,313	1,636
July 1985 - September 1985	176,682	91,418	17,674	9,610	56,263	1,717
FISCAL YEAR 1986, TOTAL	**782,252**	**416,568**	**80,442**	**33,672**	**244,375**	**7,195**
October 1985 - December 1985	167,836	86,608	18,854	9,321	51,354	1,699
January 1986 - March 1986	186,178	97,804	16,243	8,175	62,309	1,647
April 1986 - June 1986	240,680	134,129	25,703	8,191	70,687	1,970
July 1986 - September 1986	187,558	98,027	19,642	7,985	60,025	1,879
FISCAL YEAR 1987						
October 1986 - December 1986	180,580	92,346	22,466	8,281	55,615	1,872
January 1987 - March 1987	209,032	105,483	22,649	7,925	71,156	1,819
April 1987 - June 1987	285,477	164,008	29,748	8,493	81,139	2,089

See notes following Table 14.

Table 11.—Internal Revenue Refunds: Amount Refunded By Quarter and Fiscal Year, 1983-1987

[Money amounts are in millions of dollars]

Quarter and fiscal year	Amount refunded by type of return: Total	Individual income taxes [1]	Corporation income taxes [2]	Excise taxes [3]	Employment taxes [4]	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1983, TOTAL	**89,761**	**61,198**	**26,012**	**493**	**1,849**	**208**
October 1982 - December 1982	9,411	1,875	7,030	58	397	52
January 1983 - March 1983	23,928	16,548	6,838	108	372	62
April 1983 - June 1983	46,715	38,341	7,421	194	721	38
July 1983 - September 1983	9,705	4,434	4,723	133	359	56
FISCAL YEAR 1984, TOTAL	**85,872**	**64,629**	**17,889**	**657**	**2,486**	**211**
October 1983 - December 1983	7,201	2,064	4,548	195	325	69
January 1984 - March 1984	25,285	19,613	4,850	129	646	47
April 1984 - June 1984	44,859	38,161	5,452	230	968	47
July 1984 - September 1984	8,527	4,790	3,039	103	547	48
FISCAL YEAR 1985, TOTAL	**86,322**	**66,908**	**16,725**	**892**	**1,606**	**191**
October 1984 - December 1984	6,729	2,246	4,177	122	138	46
January 1985 - March 1985	17,664	12,808	4,286	91	439	40
April 1985 - June 1985	52,376	46,370	4,701	556	702	47
July 1985 - September 1985	9,551	5,484	3,561	123	326	57
FISCAL YEAR 1986, TOTAL	**94,424**	**73,078**	**18,297**	**962**	**1,800**	**287**
October 1985 - December 1985	7,948	3,003	4,268	128	488	61
January 1986 - March 1986	25,895	19,950	4,997	320	577	51
April 1986 - June 1986	50,200	44,375	5,058	232	435	100
July 1986 - September 1986	10,381	5,750	3,974	282	300	75
FISCAL YEAR 1987						
October 1986 - December 1986	8,668	3,406	4,789	111	312	50
January 1987 - March 1987	r28,422	r22,198	r5,296	r479	r393	r56
April 1987 - June 1987	49,528	42,858	5,948	332	333	57

See notes following Table 14.

Table 12.—Classes of Excise Taxes by Selected Fiscal Years, 1970–1987

[Money amounts are in thousands of dollars]

Selected class of tax	Taxes collected by fiscal year					
	1970	1975	1980	1984	1985	1986
	(1)	(2)	(3)	(4)	(5)	(6)
ALCOHOL TAXES, TOTAL	**4,746,382**	**5,350,858**	**5,704,768**	**5,402,467**	**5,398,100**	**5,647,485**
Distilled spirits	3,501,538	3,865,162	3,945,377	3,566,482	3,520,697	3,731,368
Wine	163,337	177,113	211,538	319,920	305,966	415,196
Beer	1,081,507	1,308,583	1,547,853	1,516,064	1,571,436	1,500,921
TOBACCO TAXES, TOTAL	**2,094,212**	**2,315,090**	**2,446,416**	**4,663,610**	**4,483,193**	**4,607,845**
Cigarettes	2,036,101	2,261,116	2,402,857	4,623,288	4,448,916	4,566,338
Cigars	56,834	51,226	39,500	30,372	24,294	30,418
MANUFACTURERS EXCISE TAXES, TOTAL	**6,683,061**	**5,516,611**	**6,487,421**	**r10,107,930**	**10,020,574**	**9,927,742**
Gasoline and lubricating oil	3,517,586	4,071,465	4,326,549	9,020,413	9,062,630	8,857,380
Tires, tubes and tread rubber[1]	614,795	697,660	682,624	423,315	242,923	285,728
Motor vehicles, bodies, parts[2]	1,753,327	662,556	1,088,696	−14,777	N/A	N/A
Recreational products	53,427	84,946	136,521	132,448	166,666	174,898
Black Lung taxes	N/A	N/A	251,288	525,422	548,356	561,158
SPECIAL FUELS, AND RETAILERS TAXES, TOTAL[3]	**257,820**	**404,187**	**560,144**	**r2,579,747**	**3,802,608**	**3,783,295**
Diesel and special motor fuels	257,712	370,489	512,718	1,571,437	2,430,165	2,613,980
Trucks and buses	N/A	N/A	N/A	932,645	1,289,750	1,091,356
MISCELLANEOUS EXCISE TAXES, TOTAL	**2,084,730**	**3,306,077**	**6,359,198**	**r13,319,322**	**11,044,833**	**15,131,146**
Telephone and teletype[4]	1,469,562	2,023,744	1,117,834	2,034,965	2,307,607	2,339,153
Air transportation	250,802	850,567	1,748,837	2,456,712	2,589,818	2,707,534
Highway use tax	135,086	207,663	263,272	175,054	456,143	566,675
Foreign insurance[5]	8,614	19,458	74,630	56,037	73,494	139,720
Exempt organization net investment income	N/A	63,828	65,280	146,806	136,153	217,191
Crude oil windfall profit	N/A	N/A	3,051,719	8,120,274	5,073,159	8,866,967
Environmental taxes (Superfund)[6]	N/A	N/A	N/A	275,389	272,957	68,538

Selected class of tax	Fiscal year quarter ending					
	Mar. 1986	June 1986	Sept. 1986	Dec. 1986	Mar. 1987	June 1987
	(7)	(8)	(9)	(10)	(11)	(12)
ALCOHOL TAXES, TOTAL	**1,567,328**	**r1,547,677**	**1,393,027**	**1,394,412**	**1,615,688**	**1,446,495**
Distilled spirits	1,048,523	1,012,792	891,958	n.a.	n.a.	n.a.
Wine	138,732	88,688	110,298	n.a.	n.a.	n.a.
Beer	380,073	468,224	390,772	n.a.	n.a.	n.a.
TOBACCO TAXES, TOTAL	**1,246,160**	**1,165,802**	**1,379,276**	**1,045,588**	**1,183,710**	**1,207,283**
Cigarettes	1,237,089	1,154,727	1,364,104	1,031,001	1,170,327	1,186,882
Cigars	7,315	8,844	10,608	9,063	7,268	13,102
MANUFACTURERS EXCISE TAXES, TOTAL	**2,525,371**	**2,850,438**	**2,403,640**	**2,606,798**	**2,531,445**	**2,480,742**
Gasoline and lubricating oil	2,275,074	2,605,913	2,086,087	2,341,860	2,214,271	2,222,664
Tires, tubes and tread rubber[1]	74,557	60,246	74,874	76,947	77,586	66,151
Recreational products	41,697	42,455	43,890	43,018	40,224	53,374
Black Lung taxes	134,042	141,825	150,211	144,974	143,564	138,552
SPECIAL FUELS AND RETAILERS TAXES, TOTAL[3]	**979,041**	**906,929**	**965,381**	**915,477**	**937,409**	**882,798**
Diesel and special motor fuels	650,678	666,448	654,053	672,119	646,030	637,857
Trucks and buses, chassis, bodies, etc.	309,123	222,441	291,177	222,455	271,891	224,059
MISCELLANEOUS EXCISE TAXES, TOTAL	**4,622,109**	**3,565,175**	**2,386,588**	**1,838,554**	**1,367,972**	**2,077,536**
Telephone and teletype[4]	633,066	590,082	559,726	679,150	583,799	679,331
Air transportation	665,993	623,037	700,839	770,929	747,811	639,949
Highway use tax	135,774	99,743	277,711	59,958	126,163	91,726
Foreign insurance[5]	29,059	64,354	25,389	25,523	34,321	31,321
Exempt organization net investment income	55,476	71,659	63,984	22,318	43,256	121,962
Crude oil windfall profit	3,062,418	2,035,442	689,680	223,634	−230,799	250,915

See notes following Table 14.

Table 13.—Selected Returns and Forms Filed or to be Filed During Selected Calendar Years, 1970-1987

Type of return or form	Number Filed In Calendar Year						
	1970	1975	1980	1984	1985	1986	1987 (Projected)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Individual income	77,281,384	84,026,785	93,196,076	96,651,754	99,704,246	101,952,850	104,145,699
Form 1040	77,143,251	61,450,279	55,360,030	61,185,893	64,010,068	66,359,095	69,086,500
Nonbusiness	68,129,351	51,377,153	43,957,141	47,411,432	49,873,300	51,733,688	54,009,945
Business	9,013,900	10,073,126	11,402,889	13,774,461	14,136,768	14,625,407	15,076,555
Schedule C	6,351,304	7,438,968	8,944,298	11,326,739	11,767,348	12,329,218	12,965,837
Schedule F	2,662,596	2,634,158	2,458,591	2,447,722	2,369,420	2,296,189	2,110,718
Form 1040A	N/A	22,462,776	37,692,282	19,590,110	18,779,084	18,408,426	18,008,724
Form 1040EZ	N/A	N/A	N/A	15,720,860	16,739,767	16,983,394	16,843,776
Other [1]	138,133	113,730	143,764	154,891	175,327	201,935	206,699
Corporation income	1,758,600	2,132,758	2,675,704	3,166,715	3,437,249	3,700,851	3,841,594
Forms 1120, L, and M	1,487,244	1,762,920	2,115,542	2,453,162	2,432,265	2,523,240	2,630,976
Form 1120A	N/A	N/A	N/A	N/A	199,665	285,134	297,308
Form 1120S	248,936	367,219	528,070	653,640	736,945	811,987	826,254
Other [2]	1,414	2,619	32,092	59,913	68,374	80,490	87,026
Partnership, Form 1065	991,904	1,132,839	1,401,567	1,675,605	1,755,339	1,831,600	1,887,165
Fiduciary, Forms 1041 and 1041S	1,149,445 [3]	1,558,570	1,876,392	2,012,954	2,124,969	2,276,245	2,344,660
Estate Tax, Forms 706 and 706NA	141,156	225,827	147,303	81,334	80,768	67,591	56,352
Gift Tax, Form 709	146,338	273,184	214,789	88,991	97,720	101,322	106,503
Exempt Organization	387,469	403,809	442,607	399,987	454,097	488,046	501,065
Form 990	377,030 [4]	346,627	362,632	319,859	365,506	375,834	386,454
Form 990-PF	N/A	29,637	33,137	29,107	32,005	40,931	40,493
Form 990-T	5,046	19,683	23,455	25,115	26,181	32,731	34,516
Forms 990C, 4720, and 5227	5,393	7,862	23,383	25,906	30,405	38,312	39,602

See notes on following Table 14.

Table 14.—Taxpayers Receiving Assistance, Paid and Unpaid, by Tax Year of Return, 1983-86

[Some estimates based on samples—all amounts are in thousands]

Type of assistance	Tax Year			
	1983	1984	1985	1986
	(1)	(2)	(3)	(4)
Returns with paid preparer signature: [1]				
All returns	43,258	45,220	46,685	48,049
1040EZ	694	728	740	655
1040A	5,144	4,470	4,389	4,135
1040, total	37,421	40,022	41,556	43,259
1040 Business, total	9,563	10,081	10,658	11,087
Nonfarm	7,764	8,288	8,924	9,385
Farm	1,800	1,793	1,734	1,702
1040 Nonbusiness, total	27,858	29,941	30,898	32,172
With itemized deductions	16,475	17,866	18,996	18,732
Without itemized deductions	11,383	12,075	11,902	12,627
Assistance provided by IRS: [2]				
Telephone inquiries	42,212	41,904	38,195	23,093
Recorded telephone information	3,406	8,307	7,850	7,991
Office walk-ins, information	8,963	8,144	8,114	5,077
Written inquiries	163	160	241	99
Special programs:				
Community classes and seminars (taxpayers assisted)	313	400	374	707
Volunteer Income Tax Assistance (VITA) (returns prepared)	285	295	302	248
Tax Counseling for the Elderly (returns prepared)	185	199	333	203

See notes on following page.

General notations

N/A - Not applicable

n.a. - Not available

p - Preliminary

r - Revised

* - See Appendix, General Description of Statistics of Income, Sample Procedures and Data Limitations.

Table 1

[1] Includes unemployment compensation starting with 1979 and certain social security income starting with 1984.

[2] Includes total itemized deductions, charitable contributions for nonitemizers, and zero bracket amount on nonitemized deduction returns.

[3] Includes deductions not shown separately below.

[4] Includes surcharge of $2,018,078,000.

[5] Includes credits not shown separately below.

[6] Investment credit was included in the more-inclusive general business tax credit introduced beginning with 1984.

[7] Includes income tax after credits and the additional tax for tax preferences, i.e., minimum tax and alternative minimum tax.

SOURCE: *Statistics of Income—Individual Income Tax Returns,* appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 2

[1] Includes exemptions for age and blindness.

[2] Totals in Table 2 do not agree with Tables 1 and 3 because they were obtained from a different source. For purposes of Table 2:

a. Number of returns by State include, in addition to Forms 1040, 1040A and 1040EZ filed by U.S. citizens and residents, Forms 1040NR filed by nonresident aliens, as well as self-employment tax returns used in Puerto Rico and certain U.S. territories and possessions.

b. "Total tax" liability includes total income tax plus tax from recomputing prior-year investment credit, tax applicable to Individual Retirement Arrangements (IRA's), self-employment tax, social security tax on tip income, and certain other income-related taxes. Total tax is before reduction by earned income credit (see also footnote (c), below).

c. Earned income credit, available to certain low-income workers, could result in a refund (1) if there was no "total tax" (as defined in footnote 2(b), above), in which case the full amount was refundable, or (2) if the credit exceeded "total tax," in which case the excess was refundable. The difference between columns 19 and 21 is the refundable portion.

Total tax (column 16) minus earned income credit (column 21) is the amount most comparable to total tax in Tables 1 and 3. The total tax which results from this subtraction differs from Tables 1 and 3 because it includes additional taxes (see footnote 2(b), above) and because earned income credit used to offset tax (column 21) also includes amounts offset against these additional taxes.

[3] Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by servicemen and women stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. Government employees.

NOTE: This table presents aggregates of all returns filed and processed through the Individual Master File (IMF) system during Calendar Year 1986. Data have not been edited for Statistics of Income purposes.

SOURCE: Internal Revenue Service, Tax Processing Systems Division, IMF Returns Systems Branch.

Table 3

[1] Includes income tax after credits and the additional tax for tax preferences, i.e., minimum tax, and alternative minimum tax.

[2] Social security income was included in adjusted gross income for Tax Years 1984 and 1985.

[3] Includes returns with adjusted gross deficit.

[4] For many taxpayers in this size class includes additional tax for tax preferences not included in "taxable income."

SOURCE: *Statistics of Income—Individual Income Tax Returns,* appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 4

[1] Includes breakeven businesses.

SOURCE: *Statistics of Income—Sole Proprietorship Returns,* appropriate years, and *SOI Bulletin,* Summer issues. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 5

[1] Total assets, total liabilities and partners' capital account are somewhat understated because not all partnership returns included a complete balance sheet.

[2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year.

[3] Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more. In addition, for Tax Year 1975, long-term debt included nonrecourse loans.

[4] See footnote 4 Table 6, for changes in the comparability of the statistics for receipts and deductions starting with 1981. Also, statistics for interest received are combined with dividends beginning with 1982.

[5] Beginning with 1981, represents the more all-inclusive amounts reported in depreciation computation schedules rather than the amounts reported as the depreciation deduction (plus depreciation identified in cost of sales and operations schedules).

SOURCE: *Statistics of Income—Partnership Returns,* appropriate years, and *SOI Bulletin,* Summer issues. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 6

[1] Size classes are based on the sum of business receipts, i.e., gross amounts from sales and operations, and gross rents for industries except finance, insurance and real estate. For the latter industries, positive net rental income was added to total receipts, which is the sum of business receipts and investment income. For partnerships, see also footnote 4, below.

[2] Includes returns with no receipts as defined in footnote 1.

[3] Includes corporations with zero assets and liabilities.

[4] Beginning with 1981, "total receipts" in Table 5 includes, in part, only the net income or loss from farming and rentals. Previously, "total receipts" included the gross receipts from farming and rentals and, if rental receipts were the principal source of total receipts, they were treated as "business receipts" for the statistics. To help minimize the break in comparability caused by this change in statistical treatment of farm and rental income, an effort was made starting with 1981 to include rental (though not farm) gross receipts in the receipts used for the size distribution in Table 6.

In Table 5, since only the net income or loss from farming and rentals was included starting with 1981, the deductions reported in computing these net incomes are excluded from the deduction statistics. For previous years, these deductions are reflected in the deduction statistics.

[5] Prior to 1979, partnerships that had liquidated were assumed to have zero assets and liabilities, even if their balance sheets showed otherwise, and were included in the "under $25,000" asset size class. Beginning with 1980, balance sheet data reported for liquidated partnerships were tabulated as reported and were included in the appropriate asset size classes.

SOURCE: *Statistics of Income—Corporation Income Tax Returns,* appropriate years, *Statistics of Income—Partnership Returns,* appropriate years, *Statistics of Income—Sole Proprietorship Returns,* appropriate years, and *SOI Bulletin,* Summer issues. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 7

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

[1] Included in "Number of returns, total" and "Number with net income."

[2] Corporations with no more than 10 shareholders (35 beginning with 1983), most of them individuals, electing to be taxed at the shareholder level.

[3] Domestic International Sales Corporations were taxed through parent corporations when profits were distributed or deemed distributed to them.

[4] Includes dividends reported in combination with interest on Form 1120-S by S Corporations, i.e., corporations that elect to be taxed through shareholders. Based on prior years, when Form 1120-S required each to be reported separately, nearly all of the combined amount represents interest.

[5] Includes a surcharge of $784,437,000.

[6] General business credit includes alcohol fuel, investment, jobs, and employee stock ownership play (ESOP) credit which were shown separately in previous years.

NOTES: Net long-term capital gain reduced by net short-term capital loss includes amounts from Forms 1120S, which are not included in computed total receipts nor net income for Tax Year 1984. Therefore, the components of total receipts do not equal the computed total receipts. Also, detail may not add to totals because of rounding.

SOURCE: *Statistics of Income—Corporation Income Tax Returns,* appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 8

[1] Revisions shown in Table 7 for total assets, total liabilities, net income (less deficit), net income, total income tax after credits and distributions to stockholders except in own stock, were not tabulated by industry.

[2] Includes additional tax for tax preferences (minimum tax), tax from recomputing prior-year investment credit and Personal Holding Company tax.

SOURCE: *Statistics of Income—Corporation Income Tax Returns,* appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 9

[1] Adjustments were for a under- or over-withholding of tax from previous quarters that the depositing or withholding agent (usually the first purchaser of the oil after extraction) corrected by adjusting amounts withheld in succeeding quarters or, more frequently, because of application of the net income limitation. (Windfall profit subject to tax was limited in that it could not exceed 90 percent of the net income attributable to a barrel of oil.)

[2] Quarterly totals for tax liability after adjustments from Forms 6047 differ from the quarterly totals of tax collected (Table 12) because of the time elapsed between the close of the quarter to which the tax liability data relate and the quarter in which the Forms 6047 were actually processed through the IRS Business Master File system and the tax collected. Therefore, collection data for a specific quarter may include data for more than one quarter and, correspondingly, exclude data for the same reason. As a result, the data in Tables 9 and 12 are not directly comparable.

[3] Crude Oil Windfall Profit Tax Act of 1980 provided for a gradual 33-month phaseout of the tax, beginning in January 1988, if $227.3 billion in tax (after certain income tax adjustments not reflected in columns 2 and 3) was realized by that time; otherwise the phaseout was to begin no later than January 1991.

[4] Windfall profit excise tax was first applicable to domestic crude oil extracted after February 1980. Therefore, data for the quarter ended March 1980 are for the month of March only.

SOURCE: Internal Revenue Service, Statistics of Income Division. For quarters ending March 1980 through December 1985, see the *SOI Bulletin*, quarterly issues, Fall 1981 through Fall 1986. Tax law changes affect the comparability of the data over the time periods shown. See specific issues of the *SOI Bulletin* for a description of these law changes and of the samples on which the statistics were based.

Tables 10 and 11

[1] Individual income tax collected includes that portion which was designated for the presidential election campaign fund by taxpayers on their returns. Also included is the fidiciary income tax collected (from estates and trusts). Fidiciary income tax collected was $4.5 billion in 1986, $4.1 billion in 1985, $2.9 billion in 1984, and $2.7 billion in 1983. Presidential election campaign designations amounted to $35.9 million in 1986, $34.8 million in 1985 and 1984, and $35.5 million in 1983.

[2] Corporation income tax collected includes various taxes applicable to tax-exempt organizations, including the tax on "unrelated business income." Total taxes collected from tax-exempt organizations were $153.0 million (1986), $69.8 million (1985), $50.0 million (1984), and $45.1 million (1983).

[3] Excise taxes are imposed on selected products, serv-

ices and activities, such as those on alcohol and tobacco products and the windfall profit tax on domestically-produced crude oil.

[4] Employment taxes include payroll taxes levied on salaries and wages, such as social security, railroad retirement and unemployment taxes; plus the self-employment tax imposed on "self-employment income."

NOTES: Collections (or refunds) are those made during the time periods indicated, regardless of the year or other period during which the tax liability was incurred (or to which the refund applied).

Collections represent the gross amounts before refunds and include amounts paid with the return; prior to filing the return (as applicable, income tax withheld by employers and estimated tax payments); and subsequent to filing the return (chiefly the result of initial return processing or of examination and enforcement activities). Collections also include interest and penalties.

Refunds result chiefly from tax overpayments determined at time of filing a return. Included are amounts subsequently determined as due the taxpayer as a result of an amended return or a claim for refund (including those produced by "net operating loss" and other carryback adjustments from future taxable years); or as a result of initial return processing or of examination and other activities. Individual income tax refunds are net of offsets under laws which require IRS to act as collection agent for delinquent payments owed various U.S. agencies under specific programs. All refund data include interest paid by IRS.

Detail may not add to totals because of rounding.

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Accounting Branch.

Table 12

[1] Effective January 1, 1984, taxes on tubes and tread rubber were repealed, and dealers holding taxable tires were assessed a one-time floor stock tax.

[2] Effective January 7, 1983, the excise taxes on parts and accessories for trucks and buses, which are included in this classification, were repealed. Beginning with the quarter ending December 1983, motor vehicles are excluded.

[3] Special fuels, total, includes diesel and special motor fuels which were classified as miscellaneous excise taxes in 1970. Beginning with the quarter ending December 1983, motor vehicles are included.

[4] Effective January 1, 1983, the excise tax increased from 1 percent to 3 percent.

[5] The negative amounts are due to refunds of this tax under the United States - United Kingdom Income Tax Treaty, which provides for an exemption from the tax retroactive to January 1, 1975. Also, a similar United States - France treaty provides for an exemption retroactive to January 1, 1979.

NOTES: For 1970 and 1975, the fiscal year was defined as July of the previous calendar year through June of the year noted. For 1980–86, the fiscal year was defined as October of the previous calendar year through September of the year noted.

Additional detail is published in the *Annual Report of the Commissioner and Chief Counsel, Internal Revenue Service.*

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch.

Table 13

[1] Includes Forms 1040C, 1040NR, 1040PR, and 1040SS.

[2] Includes Forms 1120F, 1120 POL, and 1120H.

[3] Includes Form 1041A.

[4] Includes Form 990A.

SOURCE: Internal Revenue Service, Research Division, Projections and Forecasting Group.

Table 14

[1] Estimates of returns with paid assistance for 1985 and earlier years are based on the full-year sample of returns used for *Statistics of Income—Individual Income Tax Returns.*

1986 projections are based on converting 1986 Taxpayer Usage Study sample (TPUS) to the equivalent of the Statistics of Income (SOI) sample. This was done because the TPUS sample represents returns filed through April, while the SOI sample represents all individual income tax returns filed for a calendar year. For additional information about the TPUS sample, see the Summer 1987 issue of the *SOI Bulletin.*

[2] Data on IRS Taxpayer Service Programs are collected on a fiscal-year basis. In general, assistance rendered in a given fiscal year may be related to returns due on April 15th during the fiscal year and are for the tax year ending with the previous December. Therefore, data in

Table 14, which are presented on a tax year basis, are actually for a fiscal year, e.g., data shown as for Tax Year 1985 are actually for Fiscal Year 1986.

NOTE: Data on IRS assistance represent taxpayer contacts. Some taxpayers make more than one contact. The number of taxpayers assisted (in contrast to the number of contacts made) is not known.

SOURCE: Data on paid preparers obtained from Statistics of Income and Taxpayer Usage Study samples. Data on IRS assistance were compiled by the Taxpayer Service Division.

Appendix*

General Description of Statistics of Income Sample Procedures and Data Limitations

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see the References at the end of this Appendix). More technical information is available, upon request, by writing to the Director, Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. The samples are based on such criteria as: industry, presence or absence of a return form schedule, accounting period, State from which filed and various income factors or other measures of economic size (such as total assets in the case of corporations).

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the allowable total cost or predetermined size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master File based on the taxpayer identification number (TIN) which is either the social security number (SSN) or the employer identification number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise it is counted (for estimation purposes) but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TIN's designed from one year's sample are for the most part selected for the next year's, so that a very high proportion of the returns selected in the current sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from 1 year to the next.

METHOD OF ESTIMATION

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. Weights are, in general, computed by dividing the count of returns filed for a given stratum by the count of sample returns for that same stratum. "Weights" are used to adjust for the various sampling rates used—the lower the rate, the larger the weight.

The data on each return in a stratum are then multiplied by that weight. To produce the tabulated estimates, these weighted data are summed to produce the published statistical totals.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among

*Compiled by Bettye Jamerson, Coordination and Publications Staff, under the direction of Robert Wilson, Team Leader. Major contributions were made by Paul McMahon, Corporation Statistics Branch, Operations Section.

the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68 percent confidence interval estimate:

150,000	(sample estimate)
× 0.02	(coefficient of variation)
= 3,000	(standard error of estimate)
150,000	(sample estimate)
+ or − 3,000	(standard error)
= 147,000–153,000	(68% confidence interval)

Based on these data, the interval estimate is from 147 to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95 percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning confidence intervals, including the approximation of CV's for combined sample estimates, may be obtained on request by writing the Director, Statistics of Income Division.

Generally in the SOI Bulletin only conservative upper limit CV's are provided for frequency estimates. These do, however, provide a rough guide to the order of magnitude of the sampling error.

NONSAMPLING ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors, and effects of an early cutoff of sampling. More extensive information on nonsampling error is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during statistical "editing" in order both to improve data consistency from return to return and to achieve definitions of the data items that are more in keeping with the needs of major users. In some cases not all of the data are available from the tax return as originally filed. Sometimes the missing data can be obtained through field followup. More often though, they are obtained through imputation methods. As examples, other information in the return or in accompanying schedules may be sufficient to enable an estimate to be made; prior-year data for the same taxpayer may be used for the same purpose; or data from another return for the same year that has similar characteristics may be substituted. Research to improve methods of imputing data that are missing from returns continues to be an ongoing process [1].

Quality of the basic data abstracted from the returns is subjected to a number of quality control steps including 100-percent key verification. The data are then subjected to many tests based on the structure of the tax law and the improbability of various data combinations. Records failing these tests are then subjected to further review and any necessary corrections are made. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically-processed returns as a further check.

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing and estimating.

TABULAR CONVENTIONS

Estimates of frequencies and money amounts that are considered unreliable due to the small sample size on which they are based are noted by an asterisk (*) to the left of the data item(s) in the tabulations. The presence of an asterisk indicates that the sample rate is less than 100 percent of the population and there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100-percent rate.

Whenever a weighed frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses [3]. These combinations and deletions are indicated by a double asterisk (**).

NOTES

[1] For an example of the recent SOI Division research, see Hinkins, S., "Matrix Sampling and the Effects of Using Hot Deck Imputation," in 1984 Proceedings: American Statistical Association, Section on Survey Research Methods p. 245. Other research efforts are included in Statistical Uses of Administrative Records: Recent Research and Present Prospects, Volume 1, pages 179–184, Internal Revenue Service, March 1984.

[2] Quality control activities for all SOI studies will be published in a series of forthcoming reports. These reports will provide detailed information relating to quality in all phases of SOI processing.

[3] In the case of geographic statistics, steps to avoid disclosure are taken when a weighted frequency is less than 10.

REFERENCES

For information about the samples used for specific SOI programs see:

Individual Income Tax Returns, 1983, (see especially pages 4–7).

Statistics of Income—1982, Corporation Income Tax Returns (see especially pages 9–15).

Statistics of Income—1978-82, Partnership Returns (see especially pages 237–244).

Statistics of Income—1979-83, Compendium of Studies of International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see information about the samples used at the end of each chapter)

SOI Bulletin (see each issue).

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