

High-Income Tax Returns for 2003

by Brian Balkovic

The Tax Reform Act of 1976 requires annual publication of data on individual income tax returns reporting income of \$200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable [1]. This article presents detailed data for the 2.5 million high-income returns for 2003, as well as summary data for the period 1977 to 2002. Detailed data for the years 1974 through 2002 have been published previously [2].

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

Number of High-Income Returns

Figure A and Table 1 show that, for 2003, there were 2,536,439 individual income tax returns reporting AGI of \$200,000 or more, and 2,573,133 returns with expanded income of \$200,000 or more. These returns represented 1.945 percent and 1.973 percent, respectively, of all returns for 2003.

From 1977 to 2000, the numbers of returns reporting incomes of \$200,000 or more increased each year, and each year those high-income returns were a larger share of all tax returns. However, for 2001 and 2002, both the number of high-income returns and their percentage of all returns decreased. For

2003, both the numbers of high-income returns and their share of all returns increased slightly, but by all measures were still lower than in 2001.

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

In the top panel of Figure A, the \$200,000 threshold for high-income returns is measured in current-year (nominal) dollars. As a result of inflation, the real (constant) dollar level of the threshold fell over time, and some returns are classified as high-income that would not have been classified as high-income for earlier years. To maintain the comparability of the real threshold over time, the nominal \$200,000 threshold has been adjusted for inflation to 1976 constant dollars for all years, and the number of high-income tax returns has been recomputed in the lower panel of Figure A [6].

When measured in 1976 constant dollars, under the expanded income concept, the total number of high-income returns for 2003 was only 6.2 times the number for 1977, whereas the number of high-income returns for 2003 measured in current-year dollars was 38.1 times as large as for 1977. Since 1977, the percentage of returns with expanded income of \$200,000 or more in current dollars increased every year except 2001 and 2002. The share of high expanded-income returns in 1976 constant dollars decreased from 2000 to 2002 and then showed a slight increase in 2003. For 2003, the share of high-expanded income returns in constant dollars was 0.281 percent, an increase from 0.274 percent, in 2002, but below a peak of 0.381 percent in 2000. Figure B shows the difference between the constant and current dollar shares of high expanded-income returns.

Based on AGI, the number of high-income returns for 2003 measured in current-year dollars was 47.5 times as large as for 1977, whereas, measured in 1976 constant dollars, the number of returns for 2003 was only 7.8 times the number for 1977. For Tax Year 2003, the share of high AGI income re-

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Figure A

All Returns and Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Income Concept, Tax Years 1977-2003

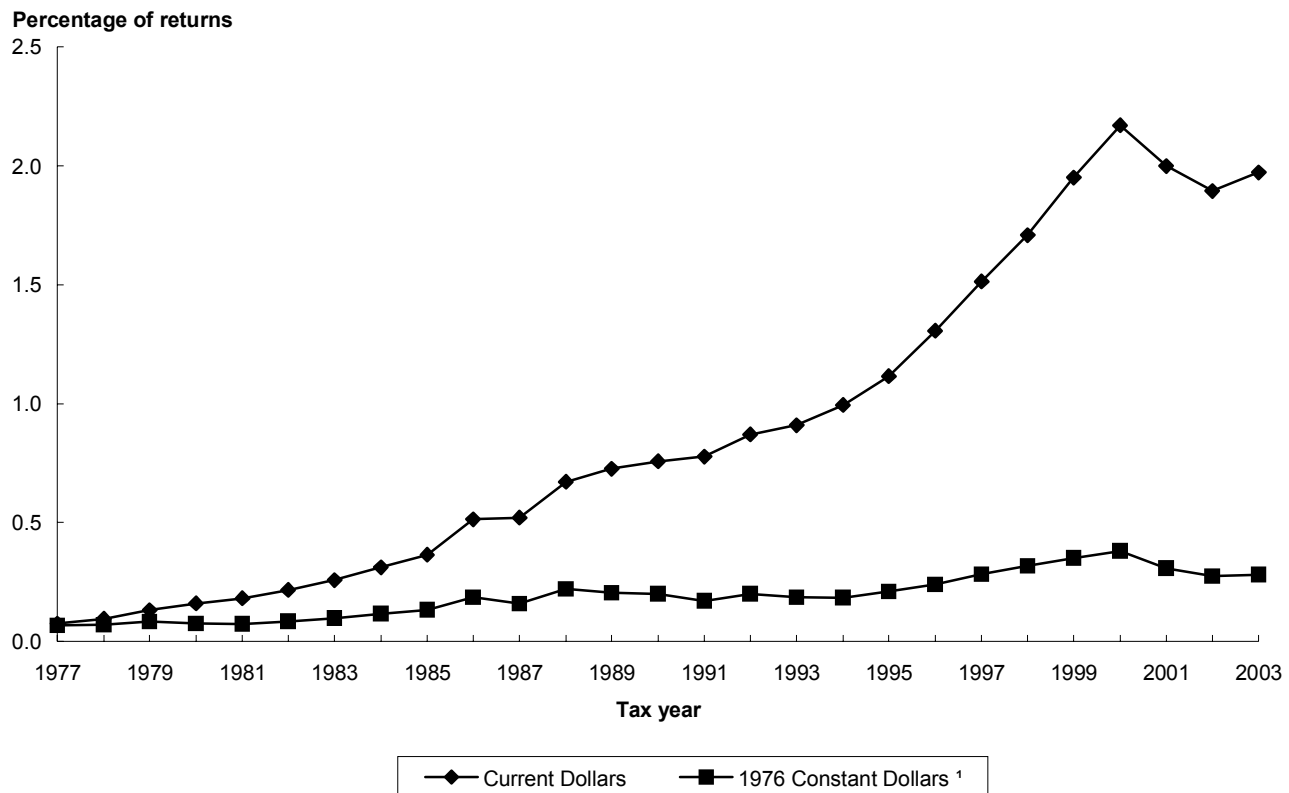
Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	86,634,640	53,403	67,580	0.060	0.076
1978.....	89,771,551	68,506	85,137	0.076	0.095
1979.....	92,694,302	93,731	122,231	0.101	0.132
1980.....	93,902,459	117,250	149,826	0.125	0.160
1981.....	95,396,123	138,136	175,092	0.143	0.182
1982.....	95,337,432	169,367	207,291	0.178	0.217
1983.....	96,321,310	198,608	249,319	0.206	0.259
1984.....	99,438,708	243,760	310,042	0.245	0.312
1985.....	101,660,287	296,507	370,340	0.292	0.364
1986.....	103,045,170	374,363	529,460	0.363	0.514
1987.....	106,996,270	539,967	557,848	0.505	0.521
1988.....	109,708,280	725,345	737,659	0.661	0.672
1989.....	112,135,673	786,063	814,152	0.701	0.726
1990.....	113,717,138	834,957	860,940	0.734	0.757
1991.....	114,730,123	846,707	892,178	0.738	0.778
1992.....	113,604,503	954,747	989,522	0.840	0.871
1993.....	114,601,819	993,326	1,043,213	0.867	0.910
1994.....	115,943,131	1,109,498	1,153,829	0.957	0.995
1995.....	118,218,327	1,272,508	1,319,382	1.076	1.116
1996.....	120,351,208	1,523,407	1,572,114	1.266	1.306
1997.....	122,421,991	1,807,900	1,854,031	1.477	1.514
1998.....	124,770,662	2,085,211	2,132,301	1.671	1.709
1999.....	127,075,145	2,429,942	2,479,556	1.912	1.951
2000.....	129,373,500	2,771,577	2,807,804	2.142	2.170
2001.....	130,255,237	2,567,220	2,605,021	1.971	2.000
2002.....	130,076,443	2,414,128	2,464,515	1.856	1.895
2003.....	130,423,626	2,536,439	2,573,133	1.945	1.973

Tax year	Current dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000 income threshold measured in 1976 constant dollars ¹			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.053	0.068
1978.....	229,174	49,388	62,556	0.055	0.070
1979.....	255,184	55,542	76,479	0.060	0.083
1980.....	289,631	52,512	71,704	0.056	0.076
1981.....	319,508	50,880	71,146	0.053	0.075
1982.....	339,192	59,411	81,297	0.062	0.085
1983.....	350,088	67,310	93,977	0.070	0.098
1984.....	365,202	80,800	116,389	0.081	0.117
1985.....	378,207	95,740	134,715	0.094	0.133
1986.....	385,237	119,550	191,596	0.116	0.186
1987.....	399,297	161,408	169,942	0.151	0.159
1988.....	415,817	235,051	241,201	0.214	0.220
1989.....	435,852	217,685	228,530	0.194	0.204
1990.....	459,400	216,716	228,659	0.191	0.201
1991.....	478,735	183,442	195,743	0.160	0.171
1992.....	493,146	213,783	227,354	0.188	0.200
1993.....	507,909	201,236	212,853	0.176	0.186
1994.....	520,914	204,532	214,673	0.176	0.185
1995.....	535,677	237,770	248,077	0.201	0.210
1996.....	551,494	278,342	288,194	0.231	0.239
1997.....	564,148	335,040	345,869	0.274	0.283
1998.....	572,934	385,183	396,207	0.309	0.318
1999.....	585,589	436,118	446,583	0.343	0.351
2000.....	605,272	482,396	492,589	0.373	0.381
2001.....	622,495	391,901	400,906	0.301	0.308
2002.....	632,337	345,892	356,402	0.266	0.274
2003.....	646,749	356,727	367,012	0.274	0.281

¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

Figure B

Returns with Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current and 1976 Constant Dollars, Tax Years 1977-2003



¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

turns in constant dollars increased to 0.274 percent from 0.266 percent in 2002.

Nontaxable High-Income Returns

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable. The first concept, "U.S. income tax," is total Federal income tax liability (including the "alternative minimum tax" (AMT)), less all credits against income tax. Since the U.S. income tax applies to worldwide income and since a credit (subject to certain limits) is allowed against U.S. income tax for income taxes paid to foreign governments, a return could be classified as nontaxable under this first concept even though income taxes had been paid to a foreign government. The second tax concept, "worldwide income tax," addresses this circumstance by adding to U.S. income

tax the allowed foreign tax credit and foreign taxes paid on excluded foreign-earned income [7, 8].

For 2003, of the 2,536,439 income tax returns with AGI of \$200,000 or more, 2,824 (0.111 percent) showed no U.S. income tax liability; and 2,416 (0.095 percent) showed no worldwide income tax liability (the top panel of Figure C). For 2002, of the 2,414,128 returns with AGI of \$200,000 and over, 2,959 returns (0.123 percent) had no U.S. income tax liability, and 2,551 returns (0.106 percent) had no worldwide income tax liability.

For 2003, of the 2,573,133 tax returns with expanded income of \$200,000 or more, 5,839 (0.227 percent) had no U.S. income tax liability; and 4,934 (0.192 percent) had no worldwide income tax liability. For 2002, of the 2,464,515 returns with expanded income of \$200,000 or more, there were 5,650 (0.229

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Figure C

Nontaxable Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Tax and Income Concept, Tax Years 1977-2003

Tax year	\$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977.....	60	85	37	64	0.112	0.126	0.069	0.095
1978.....	98	105	60	67	0.143	0.123	0.088	0.079
1979.....	70	114	28	64	0.075	0.093	0.030	0.052
1980.....	143	198	56	114	0.122	0.132	0.048	0.076
1981.....	226	304	79	114	0.164	0.174	0.057	0.065
1982.....	262	299	109	153	0.155	0.144	0.064	0.074
1983.....	447	579	321	437	0.225	0.232	0.162	0.175
1984.....	532	325	471	271	0.218	0.105	0.193	0.087
1985.....	612	613	442	454	0.206	0.166	0.149	0.123
1986.....	659	595	437	379	0.176	0.112	0.117	0.072
1987.....	857	472	740	364	0.159	0.085	0.137	0.065
1988.....	822	397	731	309	0.113	0.054	0.101	0.042
1989.....	1,081	779	987	691	0.138	0.096	0.126	0.085
1990.....	1,219	1,183	1,114	1,087	0.146	0.137	0.133	0.126
1991.....	1,253	1,933	1,131	1,740	0.148	0.217	0.134	0.195
1992.....	909	1,896	823	1,799	0.095	0.192	0.086	0.182
1993.....	1,022	2,392	932	1,950	0.103	0.229	0.094	0.187
1994.....	1,137	2,574	1,061	2,161	0.102	0.223	0.096	0.187
1995.....	998	2,676	896	1,746	0.078	0.203	0.070	0.132
1996.....	1,044	1,820	950	1,660	0.069	0.116	0.062	0.106
1997.....	1,189	1,814	1,048	1,562	0.066	0.098	0.058	0.084
1998.....	1,467	2,224	1,283	1,914	0.070	0.104	0.062	0.090
1999.....	1,605	2,525	1,398	2,174	0.067	0.102	0.058	0.088
2000.....	2,328	2,766	2,022	2,320	0.084	0.099	0.073	0.083
2001.....	3,385	4,910	2,875	4,119	0.132	0.188	0.112	0.158
2002.....	2,959	5,650	2,551	4,922	0.123	0.229	0.106	0.200
2003.....	2,824	5,839	2,416	4,934	0.111	0.227	0.095	0.192

Tax year	\$200,000 income threshold measured in 1976 constant dollars ¹							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1977.....	54	75	32	56	0.118	0.127	0.070	0.095
1978.....	62	70	31	39	0.126	0.112	0.063	0.062
1979.....	38	71	15	39	0.068	0.093	0.027	0.051
1980.....	56	71	22	39	0.107	0.099	0.042	0.054
1981.....	53	87	21	55	0.104	0.122	0.041	0.077
1982.....	58	68	27	36	0.098	0.084	0.045	0.044
1983.....	138	135	113	108	0.205	0.144	0.168	0.115
1984.....	170	78	160	66	0.210	0.067	0.198	0.057
1985.....	190	155	137	99	0.198	0.115	0.143	0.073
1986.....	201	189	138	120	0.168	0.099	0.115	0.063
1987.....	312	126	271	85	0.193	0.074	0.168	0.050
1988.....	277	141	251	116	0.118	0.058	0.107	0.048
1989.....	293	128	269	106	0.135	0.056	0.124	0.046
1990.....	339	169	307	137	0.156	0.074	0.142	0.060
1991.....	301	305	273	277	0.164	0.156	0.149	0.142
1992.....	171	288	148	264	0.080	0.127	0.069	0.116
1993.....	180	323	160	300	0.089	0.152	0.080	0.141
1994.....	227	345	209	329	0.113	0.161	0.104	0.153
1995.....	202	281	174	252	0.085	0.113	0.073	0.102
1996.....	236	275	213	254	0.085	0.095	0.077	0.088
1997.....	256	247	222	214	0.076	0.071	0.066	0.062
1998.....	290	289	251	253	0.075	0.073	0.065	0.064
1999.....	351	343	296	293	0.082	0.077	0.069	0.066
2000.....	464	365	390	290	0.096	0.074	0.081	0.059
2001.....	694	648	567	519	0.177	0.162	0.145	0.129
2002.....	520	616	437	530	0.150	0.173	0.126	0.149
2003.....	407	567	339	485	0.114	0.154	0.095	0.132

¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

NOTE: See Figure H for the derivation of U.S. income tax and worldwide income tax.

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percent) with no U.S. income tax liability and 4,922 (0.200 percent) with no worldwide income tax liability.

Thus, whether measured by absence of U.S. income tax or absence of worldwide income tax, or by AGI or expanded income, the proportion of nontaxable high-expanded income returns decreased slightly between 2002 and 2003.

Regardless of the income measure (AGI or expanded income) or the tax concept (U.S. income tax or worldwide income tax) used, the numbers of 2003 nontaxable, high-income returns in 1976 constant dollars were much lower than the numbers in current dollars. The percentages of nontaxable returns, however, are not substantially different regardless of whether measured in constant or current dollars. Of returns with AGI of \$200,000 or more in current dollars, 0.111 percent reported no U.S. income tax for 2003; and 0.095 percent had no

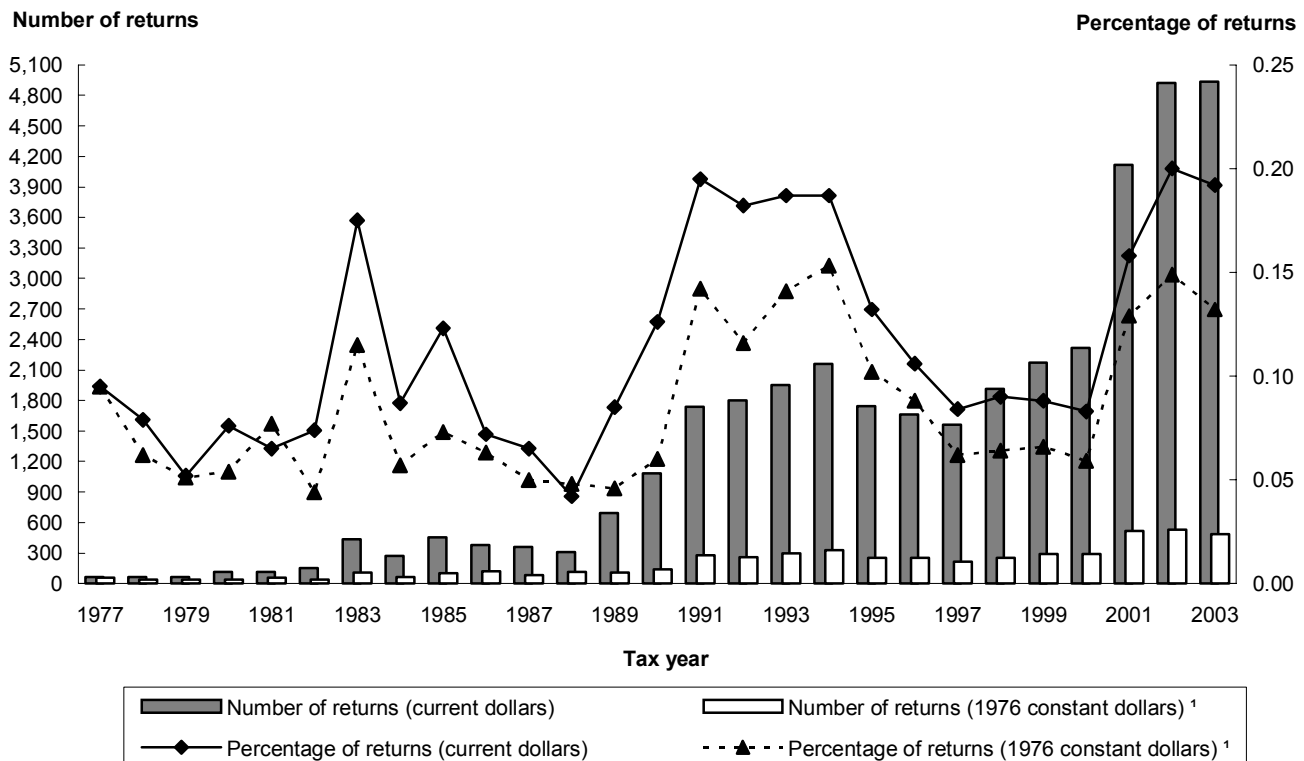
worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.114; the percentage without worldwide income tax liability was 0.095 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.227 percent reported no U.S. income tax for 2003, and 0.192 percent had no worldwide income tax. When looking at these returns using 1976 constant dollars, the percentage without U.S. income tax liability was 0.154; the percentage without worldwide income tax liability was 0.132.

Figure D shows the number of returns with no worldwide income tax and with expanded income of \$200,000 or more and their proportion of all high-expanded income returns for 1977 through 2003. These data are shown in both current-year and 1976

Figure D

Number and Percentage of Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More, Tax Years 1977-2003



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constant dollars. In this figure, the spread between the two percentage lines was small for the late 1970's, showed an increase for the early 1980's, and then narrowed before widening again after 1988. The spread generally narrowed after 1993 but has increased for 2002 and 2003.

Note that, because the number of nontaxable returns with expanded income of \$200,000 or more is based on samples, year-to-year differences in the numbers and percentages of nontaxable returns with expanded income of \$200,000 or more may represent sampling variability, in addition to actual changes in the numbers of such returns. Beginning with Tax Year 1991, nontaxable returns with expanded income of \$200,000 or more were sampled at higher rates for Statistics of Income, which reduced the sampling variability of these returns and therefore provided improved estimates. Thus, the data for returns prior to 1991 are not entirely comparable with data for more recent years.

Detailed Data for 2003

Tables 1 through 12 present data based on income tax returns for 2003, mainly those with income of \$200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- ❑ The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income-size classes (Tables 1 and 2 for 2003 current dollar income classes and Table 1 and 2 for 1976 constant dollar income classes).
- ❑ The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4).
- ❑ The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6).
- ❑ The frequencies with which various deductions and tax credits are the most important

and second most important items in reducing (or eliminating) income tax (Tables 7 and 8).

- ❑ The frequencies with which various itemized deductions, tax credits, and tax preference items occur as certain percentages of income (Tables 9 and 10).
- ❑ The distributions of effective tax rates, i.e., income tax under each definition as a percentage of income, by broad income-size classes (Tables 11 and 12).

Tables 1,3,5,7,9, and 11 use the U.S. income tax concept to classify returns as taxable or nontaxable, whereas Tables 2, 4, 6, 8, 10, and 12 use the world-wide income tax concept.

Size of Income

Tables 1 and 2 show the number of all returns, taxable returns, and nontaxable returns, cross-classified by broad AGI and expanded income-size classes. The tables show that most returns fall in the same broad income-size class under both income concepts, but that the number of nontaxable returns is greater in each income class over \$50,000 when income is measured by economic income rather than by AGI. Table 1 shows that 2,824 returns with no U.S. income tax had an AGI of \$200,000 or more; and 5,839 returns with no U.S. income tax had an expanded income of \$200,000 or more.

Distribution of Tax Levels

Tables 3 and 4 show the distributions of high-income returns by the ratios of "adjusted" taxable income to AGI or expanded income. Taxable income has been adjusted for these tables by subtracting from taxable income the deduction equivalents of tax credits and other items [9]. Thus, the tables show the extent to which AGI or expanded income, respectively, are reduced before taxes are imposed on the remaining income. The tables also illustrate three important facts about high-income tax returns. (The examples in the paragraphs below are drawn from the "expanded income" columns in Table 4.)

- Fact 1: As already described, only a small portion of high-income taxpayers were able to escape all income taxes (0.2 percent).

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- Fact 2: Another group of high-income taxpayers--small, but larger than the nontaxable group--was able to offset a very substantial fraction of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of his or her income. Such taxpayers may be called “nearly nontaxables.” (Around 0.9 percent of high expanded-income taxpayers who reported at least some worldwide tax liability were able to reduce their taxable incomes to less than 25 percent of their expanded incomes.)
- Fact 3: Overall, a large portion of high-income taxpayers were subject to tax on a large share of their income and, consequently, reported very substantial amounts of tax. (66.4 percent of high-expanded income taxpayers had taxable income equal to 80 percent or more of expanded income; and 95.5 percent had taxable income equal to 50 percent or more of expanded income.)

Tables 11 and 12 show the distributions of tax returns in another way: by tax burden. These two tables classify all tax returns by both size of income and effective tax rate, i.e., income tax as a percentage of either adjusted gross income or expanded income. These tables show that, on average, high-income taxpayers did have higher effective tax rates. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. For example, Table 12 shows that, while 3.2 percent of returns with expanded income of \$200,000 or more had either no worldwide income tax or worldwide income tax of less than 10 percent of expanded income, 26.0 percent had effective tax rates of 25 percent or more. In addition, 36.6 percent had effective tax rates between 20 percent and 25 percent.

Characteristics of Tax Returns

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income, the items of tax preference, and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced.

For example, nontaxable returns under the expanded-income concept, were much more likely to have tax-exempt interest than were taxable returns, and, when they did have it, the average amount was much higher. Similarly, nontaxable returns were much less likely to have any income from salaries and wages.

Reasons for Nontaxability

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

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

Due to the AMT exemption of \$58,000 on joint returns (\$40,250 on single and head-of-household returns and \$29,000 on returns of married taxpayers filing separately), a return could have been nontaxable, even though it included some items that produced AMT adjustments or preferences [11]. Further, since the starting point for “alternative minimum taxable income” was taxable income for regular tax purposes, a taxpayer could have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation could occur if taxable income for regular tax purposes was sufficiently negative, due to itemized deductions and personal exemptions exceeding AGI, so that the taxpayer’s AMT adjustments and preferences are less than the sum of the AMT exclusion and the amount by which regular taxable income is below zero. Note that, because of the AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

Tables 7 and 8 classify tax returns by the items that had the largest and second largest effects in

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reducing or eliminating income tax. For returns on which each of the largest effects was identified, the tables show each of the second largest effects [12]. For example, Table 7 shows that on taxable returns with some U.S. income tax and expanded income of \$200,000 or more, the taxes paid deduction was the most important item 52.2 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 60.7 percent of the time, and the charitable contributions deduction was the second most important item 26.9 percent of the time.

Table 8 shows that on returns without any worldwide tax and expanded income of \$200,000 or more, the most important item in eliminating tax, on 64.6 percent of returns, was the exclusion for State and local government interest ("tax-exempt interest"). For these returns, the itemized deduction for taxes paid was the second most important item 24.7 percent of the time, and the deduction for medical and dental expenses was the second most important item 20.3 percent of the time.

The four categories with the largest effect in reducing taxes on high adjusted-gross-income returns with no worldwide income tax were the total miscellaneous deductions (740 returns, or 30.6 percent of the 2,416 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); "all other" tax credits [13] (347 returns, or 14.4 percent); investment interest expense deduction (329 returns, or 13.6 percent); and medical and dental expense deduction (308 returns, or 12.7 percent). These effects are also shown graphically in Figure E.

The four categories with the largest effect in reducing taxes for high expanded-income returns with no worldwide income tax were tax-exempt interest (3,187 returns, or 64.6 percent of the 4,934 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); medical and dental expense deductions (589 returns, or 11.9 percent); "all other" tax credits (348 returns, or 7.1 percent); and Partnership and S corporation net losses (282 returns, or 5.7 percent). These effects are also shown graphically in Figure F.

Figure E

Returns with No Worldwide Income Tax and with Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 2003

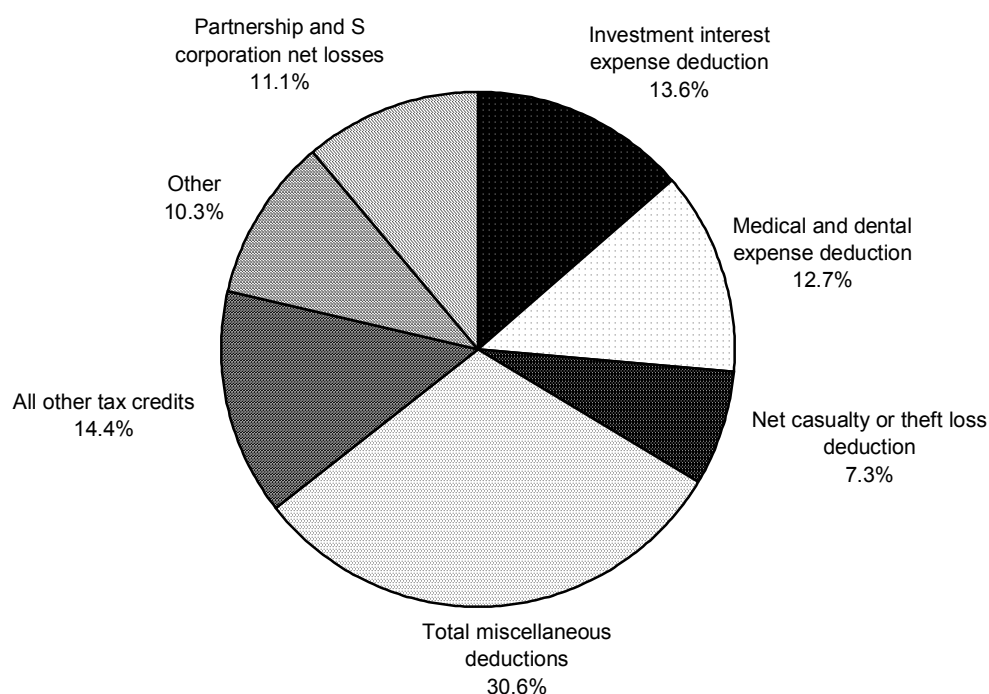
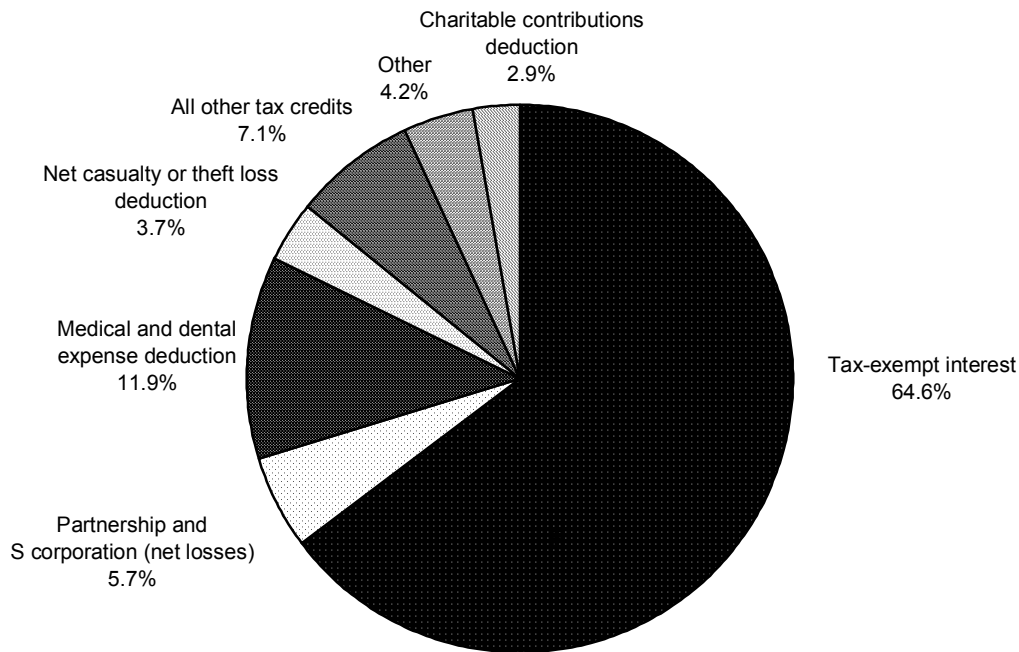


Figure F

Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 2003



NOTE: Percentages do not add to totals because of rounding.

Table 8 also shows the two items that most frequently had the second largest effect in reducing regular tax liability for high expanded-income returns with no worldwide tax. These were the deduction for taxes paid (1,073 returns, or 21.7 percent) and the deduction for medical and dental expense deduction (683 returns, or 13.8 percent).

Tables 9 and 10 present another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables cover only nontaxable returns, i.e., returns showing no income tax liability. Tables 9 and 10 show the number of times that various items reduced income by different percentages of income. The items shown are the various categories of itemized deductions, the deduction equivalents of two different types of tax credits, and total tax preferences excluded from income. For example, for high expanded-income returns with no worldwide income tax (Table 10), the itemized deduction for casualty or theft losses exceeded 100 percent of expanded

income on 124 of the 4,934 returns, but there was no casualty or theft loss deduction on 4,726 returns.

Notes and References

- [1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).
- [2] Lerman, Allen H., "High-Income Tax Returns: 1974 and 1975, A Report on High-Income Taxpayers Emphasizing Tax Returns with Little or No Tax Liability," U.S. Department of Treasury, Office of Tax Analysis, March 1977, and "High-Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns," U.S. Department of Treasury, Office of Tax Analysis, August 1978.

U.S. Department of Treasury, Internal Revenue Service, *Statistics of Income--Individual Income Tax Returns* for 1977 through 1982 and 1985 through 1988. (For 1977 and 1978, only

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the number of nontaxable, high-AGI returns was published.)

Lerman, Allen H., "High-Income Tax Returns, 1983," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 31-61; "High-Income Tax Returns, 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 1-29; "High-Income Tax Returns for 1989," *Statistics of Income Bulletin*, Spring 1993, Volume 12, Number 4, pp. 23-50; "High-Income Tax Returns for 1990," *Statistics of Income Bulletin*, Winter 1993-1994, Volume 13, Number 3, pp. 104-132; "High-Income Tax Returns for 1991," *Statistics of Income Bulletin*, Winter 1994-1995, Volume 14, Number 3, pp. 96-130; and High-Income Tax Returns for 1992, *Statistics of Income Bulletin*, Winter 1995-1996, Volume 15, Number 3, pp. 46-82;

Latzy, John, High-Income Tax Returns for 1993, *Statistics of Income Bulletin*, Winter 1996-1997, Volume 16, Number 3, pp. 64-101; and "High-Income Tax Returns, 1994," *Statistics of Income Bulletin*, Winter 1997-1998, Volume 17, Number 3, pp. 31-69;

Cruciano, Therese, "High-Income Tax Returns for 1995," *Statistics of Income Bulletin*, Summer 1998, Volume 18, Number 1, pp. 69-108; "High-Income Tax Returns for 1996," *Statistics of Income Bulletin*, Winter 1998-1999, Volume 18, Number 3, pp. 7-59.

Parisi, Michael, "High-Income Tax Returns for 1997," *Statistics of Income Bulletin*, Winter 1999-2000, Volume 19, Number 3, pp. 6-58.

Balkovic, Brian, "High-Income Tax Returns for 1998," *Statistics of Income Bulletin*, Winter 2000-2001, Volume 20, Number 3, pp. 5-57; "High-Income Tax Returns for 1999," *Statistics of Income Bulletin*, Spring 2002, Volume 21, Number 4, pp. 7-58; "High-Income Tax Returns for 2000," *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4, pp. 10-62; "High-Income Tax Returns for 2001," *Statistics of Income Bulletin*, Summer 2004, Volume 24, Number 1, pp. 65-117, "High-Income Tax Returns for 2002," *Statistics of Income Bulletin*,

Spring 2005, Volume 24, Number 4, pp. 6-58.

- [3] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded tax preference items, and AGI less investment interest expense not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (98 Stat. at 815) eliminated the requirement to use the last two income concepts.
- [4] The definition of adjustments to AGI to obtain the expanded income given in the text is for the current year. See Appendix A for a discussion of AGI and expanded income and a list of adjustments covering all years since 1977.
- [5] See Notes to Appendix A, Note A4.
- [5A] Tax-exempt interest had to be reported on the individual income tax return starting with Tax Year 1987 and is included in expanded income starting with that year. Beginning with Tax Year 1991, tax-exempt interest was incorporated into the criteria used for sampling returns for Statistics of Income, thus increasing the reliability of the estimates of expanded income.
- [6] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.
- [7] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income--Individual Income Tax Returns* (see footnote 2), the "U.S. income tax" concept was described as "total income tax," and the "worldwide income tax" concept was described as "modified total income tax."
- [8] The inclusion of foreign taxes paid on excluded foreign-earned income, beginning with Tax Year 1990, represents an improvement in the worldwide income tax concept. It does, however, represent a slight break in the year-to-year comparability of data for worldwide income tax.

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However, the number of returns with foreign taxes paid on excluded foreign-earned income is extremely small compared to the number of returns with the foreign tax credit.

- [9] See Appendix B for a description of how the deduction equivalent of credits was computed.
- [10] The deduction for charitable contributions could also fall into this class if it were not limited to 50 percent of AGI.
- [11] The AMT exclusion phases out above certain levels of “alternative minimum taxable income,” based on filing status, but, since taxpayers will have some AMT liability in the phaseout range, the phaseout income is not relevant for nontaxable, high-income returns.
- [12] Tax-exempt interest and the foreign-earned income exclusion were not included in Tables 7 and 8 as possible tax effects before Tax Year 1994. Thus, caution should be exercised in making comparisons between data prior to 1994 and after 1993.
- [13] “All other” tax credits include: child and dependent care credit, credit for the elderly and disabled, child tax credit, education credits, rate reduction credit, retirement savings contribution credit, adoption credit, minimum tax credit, mortgage interest credit, empowerment zone employment credit, New York Liberty Zone credit, nonconventional source fuel credit, qualified electrical vehicle credit, and DC first time home buyer credit.

Appendix A: Income Concepts

Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI), but that was based entirely on items already reported on income tax returns. In order to derive such an income concept, it was necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns identified.

This appendix begins by defining “Haig-Simons income,” a very broad concept of income used by

economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts are listed. The final section defines “expanded income,” a more comprehensive income measure than AGI, based entirely on tax return data.

Haig-Simons Income

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

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

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

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

Transfer payments.--These include payments in cash (such as Social Security benefits, workers’ compensation, unemployment benefits, Aid to Fami-

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lies with Dependent Children (AFDC), and noncash benefits (such as Medicare, Medicaid, and food stamps).

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

Adjusted Gross Income

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

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

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated.

AGI also excludes some expenses not related to earning income, such as contributions to self-employed retirement (Keogh) plans, deductible contributions to Individual Retirement Arrangements (IRA's), the portion of Social Security contributions for self-employed workers that is analogous to the employer share of such contributions for employees, and contributions to medical savings accounts. AGI generally *exceeds* H-S income to the extent that expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible *from* AGI in calculating taxable income, but only if the taxpayer “itemizes” deductions and then, in some cases, only to the extent that the sum of all such items exceeds 2 percent of AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on the job but not reimbursed by the employer; and the employees' travel, meal, and entertainment expenses); and expenses attributable to a taxpayer's (passive) investments (as opposed to active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses.

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

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

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

Expanded Income

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

Investment Interest

In measuring H-S income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments, without limit. Invest-

ment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and capital gains.)

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

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

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

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-2003

Adjusted gross income (AGI)

- PLUS:
- o Excluded capital gains (tax years prior to 1987)
 - o Tax-exempt interest (1987 and later tax years)
 - o Nontaxable Social Security benefits (1987 and later tax years)
 - o Tax preferences for alternative minimum tax purposes [A5]
 - o Foreign-earned income exclusion (1990 and later tax years)
- MINUS:
- o Unreimbursed employee business expenses [A6]
 - o Nondeductible rental losses (Tax Year 1987)
 - o Moving expense deduction (Tax Years 1987 through 1993) [A7]
 - o Investment interest expense deduction to the extent it does not exceed investment income
 - o Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)

EQUALS: Expanded income

NOTE: Footnotes to Figure G are included with the footnotes to Appendix A.

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investment interest expense. Other investment expenses could not be separated from the remainder of miscellaneous deductions. Hence, they have not been used in the adjustment for investment expenses.

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

Notes to Appendix A

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

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

[A3] See Notes and References, footnote 4.

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

Beginning in 1987, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest incomes

from State and local government bonds. Since 1987, tax-exempt interest has been included in expanded income.

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

The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. All current-year moving expenses beginning with Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment.

Due to subtracting nonlimited miscellaneous deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is not strictly comparable to expanded income for 1988. Nor is the expanded income concept for 1990 strictly comparable to expanded income for 1989 because of the addition of the foreign-earned income exclusion. Specific details on the definition of expanded income for any given year are available in the reports and publications enumerated in footnote 2, under Notes and References.

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

Appendix B: Tax Concepts

This appendix provides a brief summary of the U.S. taxation of worldwide income and the foreign tax credit. The two tax concepts used in this article are then defined. The following section explains the computation of the deduction equivalent of credits

and other items. A final section discusses the possible implications of the use of unaudited tax return data for this article.

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

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

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

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

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

obtained by considering all income taxes--U.S. as well as foreign. Thus, a second tax concept, worldwide income tax, has been used in addition to the traditional U.S. income tax.

Two Tax Concepts

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

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

In order to compare the importance of various exclusions, deductions, tax credits, and special tax

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 2003

Tax at regular rates (tax generated)

PLUS: Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)

PLUS: Alternative minimum tax (Form 6251)

EQUALS: Income tax before credits

MINUS: Tax credits

EQUALS: U.S. income tax

PLUS: Foreign tax credit

PLUS: Foreign taxes paid on excluded foreign-earned income (Form 1116)

EQUALS: Worldwide income tax

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

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

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

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

Unaudited Data

Tax return data used for Statistics of Income have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). Certain obvious arithmetic errors have been corrected, and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data

do not reflect any changes that may have been or could be made as a result of IRS audits. While this is true of data throughout the entire Statistics of Income program, it is particularly relevant for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

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

Notes to Appendix B

- [B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article include such excluded income in expanded income. Foreign taxes paid on such income are reflected in worldwide income tax, as discussed later.
- [B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset precredit U.S. income tax liability with foreign tax credits.
- [B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate *or* understate worldwide taxes on current-year income.

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Table 1.--Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2003

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	130,423,626	92,093,453	26,915,091	8,878,643	2,536,439
Under \$50,000 ¹	91,306,994	90,541,268	758,349	5,510	1,868
\$50,000 under \$100,000.....	27,767,147	1,520,951	25,902,840	342,307	1,049
\$100,000 under \$200,000.....	8,776,352	28,510	248,452	8,446,520	52,870
\$200,000 or more.....	2,573,133	2,725	5,450	84,306	2,480,652
Returns with U.S. income tax					
Total.....	91,109,363	53,202,940	26,511,044	8,861,764	2,533,615
Under \$50,000 ¹	52,525,990	51,810,301	710,724	3,951	1,015
\$50,000 under \$100,000.....	27,271,833	1,375,449	25,555,497	339,948	939
\$100,000 under \$200,000.....	8,744,245	16,224	240,640	8,434,696	52,685
\$200,000 or more.....	2,567,295	965	4,183	83,170	2,478,976
Returns without U.S. income tax					
Total.....	39,314,263	38,890,513	404,047	16,879	2,824
Under \$50,000 ¹	38,781,004	38,730,967	47,625	1,559	853
\$50,000 under \$100,000.....	495,314	145,501	347,343	2,359	110
\$100,000 under \$200,000.....	32,107	12,285	7,812	11,825	185
\$200,000 or more.....	5,839	1,759	1,267	1,136	1,676

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

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

Table 2.--Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2003

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	130,423,626	92,093,453	26,915,091	8,878,643	2,536,439
Under \$50,000 ¹	91,306,994	90,541,268	758,349	5,510	1,868
\$50,000 under \$100,000.....	27,767,147	1,520,951	25,902,840	342,307	1,049
\$100,000 under \$200,000.....	8,776,352	28,510	248,452	8,446,520	52,870
\$200,000 or more.....	2,573,133	2,725	5,450	84,306	2,480,652
Returns with worldwide income tax					
Total.....	91,292,616	53,353,945	26,539,509	8,865,139	2,534,023
Under \$50,000 ¹	52,664,654	51,946,633	713,054	3,951	1,017
\$50,000 under \$100,000.....	27,304,578	1,385,182	25,578,499	339,952	945
\$100,000 under \$200,000.....	8,755,184	21,099	243,547	8,437,831	52,707
\$200,000 or more.....	2,568,199	1,030	4,408	83,406	2,479,354
Returns without worldwide income tax					
Total.....	39,131,010	38,739,508	375,582	13,503	2,416
Under \$50,000 ¹	38,642,340	38,594,635	45,295	1,559	851
\$50,000 under \$100,000.....	462,568	135,768	324,341	2,355	104
\$100,000 under \$200,000.....	21,168	7,411	4,905	8,689	163
\$200,000 or more.....	4,934	1,694	1,042	900	1,298

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

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

High-Income Tax Returns for 2003

Table 3.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept, Tax Year 2003

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	2,536,439	100.0	100.0	2,573,133	100.0	100.0
Returns without U.S. income tax.....	2,824	0.1	0.1	5,839	0.2	0.2
Returns with U.S. income tax:						
Total.....	2,533,615	99.9	--	2,567,295	99.8	--
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent.....	1,687	0.1	0.1	3,342	0.1	0.1
5 under 10 percent.....	1,521	0.1	0.1	9,239	0.4	0.5
10 under 15 percent.....	5,927	0.2	0.4	17,749	0.7	1.2
15 under 20 percent.....	8,986	0.4	0.7	8,400	0.3	1.5
20 under 25 percent.....	6,819	0.3	1.0	10,177	0.4	1.9
25 under 30 percent.....	7,887	0.3	1.3	13,358	0.5	2.4
30 under 35 percent.....	6,142	0.2	1.5	13,830	0.5	3.0
35 under 40 percent.....	13,227	0.5	2.1	20,488	0.8	3.8
40 under 45 percent.....	20,933	0.8	2.9	25,525	1.0	4.7
45 under 50 percent.....	28,178	1.1	4.0	31,251	1.2	6.0
50 under 60 percent.....	99,950	3.9	7.9	112,091	4.4	10.3
60 under 70 percent.....	176,055	6.9	14.9	184,453	7.2	17.5
70 under 80 percent.....	473,231	18.7	33.5	454,698	17.7	35.2
80 percent or more.....	1,683,072	66.4	99.9	1,662,694	64.8	99.8

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

Table 4.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept, Tax Year 2003

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	2,536,439	100.0	100.0	2,573,133	100.0	100.0
Returns without worldwide income tax.....	2,416	0.1	0.1	4,934	0.2	0.2
Returns with worldwide income tax:						
Total.....	2,534,023	99.9	--	2,568,199	99.8	--
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent.....	1,874	0.1	0.1	3,346	0.1	0.1
5 under 10 percent.....	1,015	(¹)	0.1	3,535	0.1	0.3
10 under 15 percent.....	1,570	0.1	0.2	5,046	0.2	0.5
15 under 20 percent.....	2,116	0.1	0.3	5,472	0.2	0.7
20 under 25 percent.....	4,366	0.2	0.4	6,991	0.3	0.9
25 under 30 percent.....	5,727	0.2	0.7	11,856	0.5	1.4
30 under 35 percent.....	5,740	0.2	0.9	10,637	0.4	1.8
35 under 40 percent.....	11,555	0.5	1.3	16,581	0.6	2.5
40 under 45 percent.....	18,535	0.7	2.1	24,109	0.9	3.4
45 under 50 percent.....	25,720	1.0	3.1	28,805	1.1	4.5
50 under 60 percent.....	95,382	3.8	6.8	111,239	4.3	8.8
60 under 70 percent.....	171,849	6.8	13.6	181,503	7.1	15.9
70 under 80 percent.....	467,029	18.4	32.0	454,470	17.7	33.6
80 percent or more.....	1,721,545	67.9	99.9	1,704,609	66.4	99.8

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 2003

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Salaries and wages.....	2,195,992	666,901,414	2,194,475	666,614,448	1,517	286,965
Business or profession:						
Net income.....	513,789	59,814,508	513,352	59,776,223	437	38,285
Net loss.....	165,932	4,023,073	165,589	3,971,004	343	52,068
Farm:						
Net income.....	14,907	907,423	14,872	902,848	35	4,575
Net loss.....	55,319	2,705,550	55,211	2,687,738	108	17,812
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	904,986	252,593,894	904,401	252,496,886	585	97,009
Net loss.....	274,689	21,127,237	273,758	20,452,072	931	675,166
Sales of capital assets:						
Net gain.....	926,517	243,661,085	925,270	242,896,786	1,247	764,300
Net loss.....	1,029,326	2,708,329	1,028,330	2,705,536	995	2,793
Sales of property other than capital assets:						
Net gain.....	114,500	3,044,475	114,280	3,036,608	220	7,867
Net loss.....	176,899	2,292,904	176,550	2,270,532	349	22,373
Taxable interest received.....	2,425,363	41,874,173	2,422,879	41,282,645	2,484	591,529
Tax-exempt interest.....	747,676	25,187,088	746,617	25,046,726	1,059	140,362
Dividends.....	2,040,018	51,943,194	2,037,917	51,591,704	2,100	351,490
Dividends (post May 5th).....	1,776,185	41,005,579	1,774,419	40,858,248	1,766	147,331
Pensions and annuities in adjusted gross income.....	465,454	18,155,238	464,897	18,132,481	557	22,758
Rent:						
Net income.....	363,894	17,934,530	363,486	17,899,110	407	35,420
Net loss, total (deductible and nondeductible).....	303,725	4,928,692	303,326	4,909,684	399	19,008
Nondeductible rental loss.....	190,654	2,461,828	190,408	2,453,650	246	8,177
Royalty:						
Net income.....	134,101	5,347,826	133,834	5,336,233	267	11,593
Net loss.....	3,623	41,552	3,615	41,461	8	91
Estate or trust:						
Net income.....	68,056	9,271,615	67,924	9,262,680	132	8,935
Net loss.....	9,062	529,276	9,004	515,098	58	14,178
State income tax refunds.....	1,245,658	6,283,380	1,244,846	6,255,418	812	27,963
Alimony received.....	5,435	882,084	5,430	881,710	5	374
Social Security benefits in adjusted gross income.....	372,150	6,857,715	371,409	6,845,098	741	12,617
Social Security benefits (nontaxable).....	372,156	1,238,635	371,415	1,236,409	741	2,227
Unemployment compensation.....	58,368	381,634	58,305	381,207	63	427
Other income.....	337,761	10,178,798	337,254	10,152,535	507	26,263
Other loss.....	32,761	1,447,358	32,696	1,443,499	65	3,860
Foreign-earned income exclusion.....	25,648	1,927,320	25,529	1,917,715	119	9,605
Total income.....	2,536,439	1,371,301,551	2,533,615	1,369,338,487	2,824	1,963,064
Statutory adjustments, total.....	1,091,837	18,750,323	1,090,943	18,738,252	893	12,071
Payments to Individual Retirement Arrangements.....	97,263	514,159	97,194	513,840	69	319
Payments to self-employed retirement (Keogh) plans....	307,886	8,610,102	307,812	8,608,166	74	1,936
Moving expenses adjustment.....	31,679	213,252	31,671	213,189	8	63
Adjusted gross income.....	2,536,439	1,352,551,228	2,533,615	1,350,600,235	2,824	1,950,994
Investment interest expense deduction.....	465,958	9,113,538	464,729	8,376,738	1,228	736,799
Total tax preferences excluded from adjusted gross income.....	756,284	27,033,204	755,240	26,887,883	1,044	145,321
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	17,418	1,868,757	17,389	1,863,273	29	5,485
Passive activity loss (alternative minimum tax adjustment).....	380,960	156,814	380,446	160,568	514	3,754
Expanded income.....	2,536,328	1,363,989,507	2,533,614	1,363,219,146	2,714	770,361

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept--continued						
Exemption amount.....	1,415,805	8,460,389	1,414,322	8,452,503	1,483	7,886
Itemized deductions:						
Total per adjusted gross income concept.....	2,371,147	170,047,637	2,368,462	168,038,749	2,685	2,008,888
Charitable contributions deduction.....	2,286,149	47,152,518	2,283,891	46,957,097	2,258	195,421
Interest paid deduction:						
Total per adjusted gross income concept.....	2,020,971	45,960,684	2,018,912	45,148,027	2,059	812,657
Total home mortgage interest.....	1,919,297	36,458,421	1,917,548	36,383,148	1,749	75,273
Medical and dental expense deduction.....	40,215	1,057,500	39,757	969,872	458	87,628
Net casualty or theft loss deduction.....	2,471	210,428	2,278	99,927	193	110,501
Taxes paid deduction.....	2,364,488	89,496,317	2,362,017	89,353,843	2,471	142,474
Net limited miscellaneous deductions per adjusted gross income concept.....	385,961	7,803,831	384,979	7,707,155	982	96,675
Non-limited miscellaneous deductions.....	78,794	5,237,798	78,032	4,638,899	762	598,899
Excess of exemptions and deductions over adjusted gross income.....	3,286	905,518	1,422	537,996	1,864	367,522
Taxable income.....	2,533,078	1,173,472,613	2,532,192	1,173,171,970	886	300,644
Tax at regular rates.....	2,533,083	312,283,874	2,532,200	312,219,373	883	64,502
Alternative minimum tax (Form 6251).....	1,285,476	7,189,155	1,285,460	7,188,971	16	184
Income tax before credits.....	2,534,500	319,488,594	2,533,615	319,423,968	885	64,626
Tax credits:						
Total.....	930,534	6,099,624	929,649	6,034,998	885	64,626
Child care credit.....	170,397	90,176	170,364	90,160	33	16
Minimum tax credit.....	57,013	695,669	56,373	648,250	640	47,419
Foreign tax credit.....	729,002	4,787,920	728,594	4,772,402	407	15,518
General business credit.....	48,522	355,120	48,434	353,982	88	1,138
U.S. income tax.....	2,533,615	313,394,542	2,533,615	313,394,542	--	--
Taxable income which would yield:						
Income tax before credits.....	2,534,500	1,073,314,537	2,533,615	1,073,085,400	885	229,136
Income tax after credits.....	2,533,615	1,055,265,080	2,533,615	1,055,265,080	--	--
U.S. income tax.....	2,533,615	1,055,280,999	2,533,615	1,055,280,999	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,536,439	1,352,551,228	2,533,615	1,350,600,235	2,824	1,950,994
plus: Total tax preferences excluded from adjusted gross income ²	756,284	27,033,204	755,240	26,887,883	1,044	145,321
Social Security benefits (nontaxable).....	372,156	1,238,635	371,415	1,236,409	741	2,227
Foreign-earned income exclusion.....	25,648	1,927,320	25,529	1,917,715	119	9,605
minus: Investment interest expense deduction.....	465,958	9,113,538	464,729	8,376,738	1,228	736,799
Non-limited miscellaneous deductions.....	78,794	5,237,798	78,032	4,638,899	762	598,899
Unreimbursed employee business expenses.....	495,409	4,409,545	495,227	4,407,459	182	2,086
Equals: Expanded income.....	2,536,328	1,363,989,507	2,533,614	1,363,219,146	2,714	770,361

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003-- Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept						
Salaries and wages.....	2,194,824	665,155,727	2,192,641	664,827,344	2,182	328,383
Business or profession:						
Net income.....	519,491	60,302,887	518,875	60,262,137	616	40,749
Net loss.....	162,094	4,048,619	161,568	3,981,766	526	66,853
Farm:						
Net income.....	15,581	909,083	15,548	905,050	33	4,033
Net loss.....	57,462	2,733,493	57,280	2,701,092	182	32,400
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	919,028	252,800,502	917,963	252,707,744	1,065	92,758
Net loss.....	281,094	21,120,428	279,252	20,542,125	1,842	578,303
Sales of capital assets:						
Net gain.....	953,400	244,282,746	951,319	243,609,576	2,081	673,171
Net loss.....	1,050,129	2,774,813	1,046,830	2,765,244	3,299	9,569
Sales of property other than capital assets:						
Net gain.....	115,090	3,026,781	114,734	3,018,060	356	8,721
Net loss.....	181,996	2,297,954	181,398	2,277,695	598	20,259
Taxable interest received.....	2,464,853	42,315,365	2,459,218	41,872,585	5,635	442,780
Tax-exempt interest.....	807,461	32,212,945	802,757	30,746,645	4,704	1,466,299
Dividends.....	2,090,221	53,977,873	2,084,895	53,625,314	5,326	352,559
Dividends (post May 5th).....	1,822,770	42,727,546	1,818,068	42,496,264	4,703	231,282
Pensions and annuities in adjusted gross income.....	494,486	19,048,117	493,254	19,013,310	1,231	34,807
Rent:						
Net income.....	373,174	18,112,061	372,513	18,078,222	661	33,839
Net loss, total (deductible and nondeductible).....	303,300	4,903,588	302,633	4,880,939	667	22,649
Nondeductible rental loss.....	189,631	2,451,409	189,326	2,441,322	305	10,087
Royalty:						
Net income.....	141,118	5,483,392	140,524	5,466,157	594	17,235
Net loss.....	3,630	41,565	3,616	41,461	14	104
Estate or trust:						
Net income.....	70,742	9,394,149	70,357	9,383,825	385	10,324
Net loss.....	9,930	536,486	9,822	516,235	108	20,250
State income tax refunds.....	1,261,314	6,345,088	1,259,890	6,312,084	1,424	33,005
Alimony received.....	5,435	882,028	5,427	881,667	8	361
Social Security benefits in adjusted gross income.....	416,633	7,681,145	414,245	7,641,038	2,388	40,107
Social Security benefits (nontaxable).....	416,640	1,384,106	414,251	1,377,004	2,389	7,102
Unemployment compensation.....	57,711	382,181	57,643	381,669	68	513
Other income.....	343,555	10,173,818	342,644	10,148,353	910	25,465
Other loss.....	41,969	1,727,458	41,783	1,721,532	186	5,925
Foreign-earned income exclusion.....	41,123	3,055,740	40,728	3,013,278	395	42,463
Total income.....	2,573,132	1,372,550,883	2,567,295	1,371,213,311	5,838	1,337,572
Statutory adjustments, total.....	1,099,310	18,900,603	1,097,917	18,882,131	1,392	18,472
Payments to Individual Retirement Arrangements.....	100,039	529,366	99,909	528,762	130	604
Payments to self-employed retirement (Keogh) plans.....	311,691	8,695,193	311,580	8,692,378	111	2,815
Moving expenses adjustment.....	32,552	214,274	32,534	214,115	18	159
Adjusted gross income.....	2,573,132	1,353,650,279	2,567,295	1,352,331,180	5,838	1,319,099
Investment interest expense deduction.....	471,002	8,382,790	469,390	7,948,880	1,611	433,910
Total tax preferences excluded from adjusted gross income.....	821,704	34,875,796	817,013	33,401,102	4,691	1,474,695
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	25,403	2,685,585	25,357	2,676,572	46	9,013
Passive activity loss (alternative minimum tax adjustment).....	391,812	156,806	390,826	160,870	985	4,064
Expanded income.....	2,573,133	1,377,978,830	2,567,295	1,375,591,196	5,839	2,387,634

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept--continued						
Exemption amount.....	1,454,103	8,634,095	1,449,009	8,600,602	5,094	33,493
Itemized deductions:						
Total per adjusted gross income concept.....	2,389,502	167,930,018	2,384,445	166,502,681	5,057	1,427,337
Total per expanded income concept.....	2,389,122	181,191,158	2,384,065	180,187,807	5,057	1,003,351
Charitable contributions deduction.....	2,304,976	47,741,469	2,300,373	47,517,690	4,603	223,779
Interest paid deduction:						
Total per adjusted gross income concept.....	2,010,930	45,017,360	2,007,920	44,492,154	3,010	525,206
Total per expanded income concept.....	1,909,850	36,634,570	1,907,464	36,543,274	2,386	91,296
Total home mortgage interest.....	1,905,631	36,253,381	1,903,256	36,162,572	2,375	90,809
Medical and dental expense deduction.....	48,009	1,306,391	45,495	1,096,691	2,514	209,700
Net casualty or theft loss deduction.....	2,148	197,407	1,936	84,494	212	112,913
Taxes paid deduction.....	2,382,310	89,967,286	2,377,424	89,752,876	4,886	214,411
Net limited miscellaneous deductions per adjusted gross income concept.....	376,378	7,740,975	372,976	7,588,388	3,402	152,588
Non-limited miscellaneous deductions.....	65,694	2,750,738	65,547	2,736,865	147	13,872
Excess of exemptions and deductions over adjusted gross income.....	7,028	1,092,243	2,698	616,511	4,329	475,732
Taxable income.....	2,566,099	1,176,537,645	2,564,596	1,176,210,146	1,503	327,499
Tax at regular rates.....	2,566,122	312,700,526	2,564,607	312,631,243	1,515	69,284
Alternative minimum tax (Form 6251).....	1,291,223	7,423,332	1,291,111	7,423,077	112	255
Income tax before credits.....	2,568,859	320,139,391	2,567,295	320,069,912	1,564	69,479
Tax credits:						
Total.....	973,915	6,417,666	972,351	6,348,186	1,564	69,479
Child care credit.....	167,676	88,368	167,609	88,337	67	31
Minimum tax credit.....	60,792	699,094	60,030	651,575	761	47,519
Foreign tax credit.....	773,793	5,096,370	772,889	5,076,359	903	20,011
General business credit.....	49,642	359,340	49,536	358,178	106	1,161
U.S. income tax.....	2,567,295	313,727,297	2,567,295	313,727,297	--	--
Taxable income which would yield:						
Income tax before credits.....	2,568,859	1,076,342,722	2,567,295	1,076,088,217	1,564	254,506
Income tax after credits.....	2,567,295	1,057,016,826	2,567,295	1,057,016,826	--	--
U.S. income tax.....	2,567,295	1,057,032,746	2,567,295	1,057,032,746	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,573,132	1,353,650,279	2,567,295	1,352,331,180	5,838	1,319,099
plus: Total tax preferences excluded from adjusted gross income ²	821,704	34,875,796	817,013	33,401,102	4,691	1,474,695
Social Security benefits (nontaxable).....	416,640	1,384,106	414,251	1,377,004	2,389	7,102
Foreign-earned income exclusion.....	41,123	3,055,740	40,728	3,013,278	395	42,463
minus: Investment interest expense deduction.....	471,002	8,382,790	469,390	7,948,880	1,611	433,910
Non-limited miscellaneous deductions.....	65,694	2,750,738	65,547	2,736,865	147	13,872
Unreimbursed employee business expenses.....	464,460	3,846,191	464,154	3,844,627	306	1,564
Equals: Expanded income.....	2,573,133	1,377,978,830	2,567,295	1,375,591,196	5,839	2,387,634

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

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

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

High-Income Tax Returns for 2003

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Salaries and wages.....	2,195,992	666,901,414	2,194,797	666,700,463	1,195	200,951
Business or profession:						
Net income.....	513,789	59,814,508	513,402	59,780,387	387	34,120
Net loss.....	165,932	4,023,073	165,625	3,975,552	307	47,521
Farm:						
Net income.....	14,907	907,423	14,874	902,874	33	4,549
Net loss.....	55,319	2,705,550	55,215	2,687,945	104	17,605
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	904,986	252,593,894	904,494	252,512,162	492	81,732
Net loss.....	274,689	21,127,237	273,866	20,495,214	823	632,024
Sales of capital assets:						
Net gain.....	926,517	243,661,085	925,492	242,989,601	1,025	671,484
Net loss.....	1,029,326	2,708,329	1,028,444	2,705,863	882	2,466
Sales of property other than capital assets:						
Net gain.....	114,500	3,044,475	114,308	3,038,749	192	5,726
Net loss.....	176,899	2,292,904	176,600	2,274,713	299	18,192
Taxable interest received.....	2,425,363	41,874,173	2,423,263	41,304,185	2,100	569,988
Tax-exempt interest.....	747,676	25,187,088	746,788	25,056,410	888	130,678
Dividends.....	2,040,018	51,943,194	2,038,265	51,618,572	1,753	324,622
Dividends (post May 5th).....	1,776,185	41,005,579	1,774,721	40,879,941	1,464	125,638
Pensions and annuities in adjusted gross income.....	465,454	18,155,238	464,959	18,135,011	495	20,227
Rent:						
Net income.....	363,894	17,934,530	363,540	17,909,555	354	24,975
Net loss, total (deductible and nondeductible).....	303,725	4,928,692	303,375	4,912,817	350	15,876
Nondeductible rental loss.....	190,654	2,461,828	190,434	2,454,219	220	7,609
Royalty:						
Net income.....	134,101	5,347,826	133,862	5,337,816	239	10,010
Net loss.....	3,623	41,552	3,615	41,461	8	91
Estate or trust:						
Net income.....	68,056	9,271,615	67,936	9,264,751	120	6,864
Net loss.....	9,062	529,276	9,013	515,653	49	13,623
State income tax refunds.....	1,245,658	6,283,380	1,244,955	6,259,138	703	24,242
Alimony received.....	5,435	882,084	5,432	881,755	3	329
Social Security benefits in adjusted gross income.....	372,150	6,857,715	371,460	6,846,040	690	11,675
Social Security benefits (nontaxable).....	372,156	1,238,635	371,466	1,236,575	690	2,060
Unemployment compensation.....	58,368	381,634	58,314	381,287	54	347
Other income.....	337,761	10,178,798	337,328	10,154,712	433	24,086
Other loss.....	32,761	1,447,358	32,734	1,444,787	27	2,571
Foreign-earned income exclusion.....	25,648	1,927,320	25,640	1,926,781	8	539
Total income.....	2,536,439	1,371,301,551	2,534,023	1,369,547,061	2,416	1,754,490
Statutory adjustments, total.....	1,091,837	18,750,323	1,091,067	18,740,378	770	9,945
Payments to Individual Retirement Arrangements.....	97,263	514,159	97,210	513,900	53	259
Payments to self-employed retirement (Keogh) plans.....	307,886	8,610,102	307,825	8,608,532	61	1,570
Moving expenses adjustment.....	31,679	213,252	31,672	213,190	7	63
Adjusted gross income.....	2,536,439	1,352,551,228	2,534,023	1,350,806,684	2,416	1,744,545
Investment interest expense deduction.....	465,958	9,113,538	464,890	8,391,737	1,068	721,801
Total tax preferences excluded from adjusted gross income.....	756,284	27,033,204	755,404	26,898,662	880	134,542
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	17,418	1,868,757	17,399	1,864,760	19	3,998
Passive activity loss (alternative minimum tax adjustment).....	380,960	156,814	380,543	159,367	417	2,553
Expanded income.....	2,536,328	1,363,989,507	2,534,022	1,363,428,200	2,306	561,307

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept--continued						
Exemption amount.....	1,415,805	8,460,389	1,414,514	8,453,582	1,291	6,807
Itemized deductions:						
Total per adjusted gross income concept.....	2,371,147	170,047,637	2,368,763	168,098,840	2,384	1,948,797
Charitable contributions deduction.....	2,286,149	47,152,518	2,284,171	46,976,990	1,978	175,528
Interest paid deduction:						
Total per adjusted gross income concept.....	2,020,971	45,960,684	2,019,173	45,169,581	1,798	791,103
Total home mortgage interest.....	1,919,297	36,458,421	1,917,771	36,389,575	1,526	68,845
Medical and dental expense deduction.....	40,215	1,057,500	39,774	971,122	441	86,378
Net casualty or theft loss deduction.....	2,471	210,428	2,280	100,356	191	110,072
Taxes paid deduction.....	2,364,488	89,496,317	2,362,310	89,367,601	2,178	128,716
Net limited miscellaneous deductions per adjusted gross income concept.....	385,961	7,803,831	385,103	7,711,512	858	92,319
Non-limited miscellaneous deductions.....	78,794	5,237,798	78,044	4,641,157	750	596,640
Excess of exemptions and deductions over adjusted gross income.....	3,286	905,518	1,424	538,207	1,862	367,311
Taxable income.....	2,533,078	1,173,472,613	2,532,598	1,173,316,646	480	155,967
Tax at regular rates.....	2,533,083	312,283,874	2,532,607	312,252,742	476	31,133
Alternative minimum tax (Form 6251).....	1,285,476	7,189,155	1,285,471	7,189,134	5	21
Income tax before credits.....	2,534,500	319,488,594	2,534,022	319,457,440	478	31,154
Tax credits:						
Total.....	283,634	1,311,704	283,156	1,280,550	478	31,154
Child care credit.....	170,397	90,176	170,375	90,166	22	10
Minimum tax credit.....	57,013	695,669	56,581	665,367	432	30,302
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	48,522	355,120	48,461	354,529	61	590
Worldwide income tax.....	2,534,023	318,741,436	2,534,023	318,741,436	--	--
Foreign taxes paid.....	729,162	5,346,894	729,162	5,346,894	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	17,159	558,974	17,159	558,974	--	--
Taxable income which would yield:						
Income tax before credits.....	2,534,500	1,073,314,537	2,534,022	1,073,200,805	478	113,732
Income tax after credits.....	2,534,023	1,070,996,488	2,534,023	1,070,996,488	--	--
Worldwide income tax.....	2,534,023	1,071,012,408	2,534,023	1,071,012,408	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,536,439	1,352,551,228	2,534,023	1,350,806,684	2,416	1,744,545
plus: Total tax preferences excluded from adjusted gross income ²	756,284	27,033,204	755,404	26,898,662	880	134,542
Social Security benefits (nontaxable).....	372,156	1,238,635	371,466	1,236,575	690	2,060
Foreign-earned income exclusion.....	25,648	1,927,320	25,640	1,926,781	8	539
minus: Investment interest expense deduction.....	465,958	9,113,538	464,890	8,391,737	1,068	721,801
Non-limited miscellaneous deductions.....	78,794	5,237,798	78,044	4,641,157	750	596,640
Unreimbursed employee business expenses.....	495,409	4,409,545	495,252	4,407,607	157	1,938
Equals: Expanded income.....	2,536,328	1,363,989,507	2,534,022	1,363,428,200	2,306	561,307

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept						
Salaries and wages.....	2,194,824	665,155,727	2,193,287	664,971,488	1,537	184,239
Business or profession:						
Net income.....	519,491	60,302,887	518,987	60,269,170	504	33,717
Net loss.....	162,094	4,048,619	161,636	3,987,645	458	60,973
Farm:						
Net income.....	15,581	909,083	15,549	905,074	32	4,009
Net loss.....	57,462	2,733,493	57,290	2,701,609	172	31,884
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	919,028	252,800,502	918,123	252,724,620	905	75,882
Net loss.....	281,094	21,120,428	279,428	20,585,386	1,666	535,042
Sales of capital assets:						
Net gain.....	953,400	244,282,746	951,630	243,700,617	1,770	582,129
Net loss.....	1,050,129	2,774,813	1,047,199	2,766,306	2,929	8,507
Sales of property other than capital assets:						
Net gain.....	115,090	3,026,781	114,773	3,020,276	317	6,505
Net loss.....	181,996	2,297,954	181,471	2,282,212	525	15,743
Taxable interest received.....	2,464,853	42,315,365	2,460,030	41,899,261	4,822	416,103
Tax-exempt interest.....	807,461	32,212,945	803,184	30,810,053	4,277	1,402,892
Dividends.....	2,090,221	53,977,873	2,085,630	53,661,109	4,590	316,764
Dividends (post May 5th).....	1,822,770	42,727,546	1,818,678	42,524,579	4,092	202,967
Pensions and annuities in adjusted gross income.....	494,486	19,048,117	493,372	19,017,015	1,113	31,102
Rent:						
Net income.....	373,174	18,112,061	372,611	18,089,411	563	22,650
Net loss, total (deductible and nondeductible).....	303,300	4,903,588	302,740	4,884,828	560	18,760
Nondeductible rental loss.....	189,631	2,451,409	189,369	2,442,079	262	9,330
Royalty:						
Net income.....	141,118	5,483,392	140,582	5,468,090	536	15,302
Net loss.....	3,630	41,565	3,616	41,461	14	104
Estate or trust:						
Net income.....	70,742	9,394,149	70,390	9,386,024	352	8,125
Net loss.....	9,930	536,486	9,837	516,849	93	19,637
State income tax refunds.....	1,261,314	6,345,088	1,260,093	6,315,890	1,221	29,198
Alimony received.....	5,435	882,028	5,429	881,711	6	317
Social Security benefits in adjusted gross income.....	416,633	7,681,145	414,380	7,643,363	2,253	37,782
Social Security benefits (nontaxable).....	416,640	1,384,106	414,386	1,377,414	2,254	6,692
Unemployment compensation.....	57,711	382,181	57,659	381,824	52	357
Other income.....	343,555	10,173,818	342,767	10,151,248	787	22,570
Other loss.....	41,969	1,727,458	41,897	1,724,120	72	3,338
Foreign-earned income exclusion.....	41,123	3,055,740	41,102	3,053,494	21	2,247
Total income.....	2,573,132	1,372,550,883	2,568,199	1,371,465,361	4,933	1,085,522
Statutory adjustments, total.....	1,099,310	18,900,603	1,098,153	18,885,342	1,157	15,261
Payments to Individual Retirement Arrangements.....	100,039	529,366	99,953	528,952	86	414
Payments to self-employed retirement (Keogh) plans.....	311,691	8,695,193	311,601	8,692,849	90	2,345
Moving expenses adjustment.....	32,552	214,274	32,541	214,145	11	130
Adjusted gross income.....	2,573,132	1,353,650,279	2,568,199	1,352,580,019	4,933	1,070,261
Investment interest expense deduction.....	471,002	8,382,790	469,617	7,959,497	1,385	423,294
Total tax preferences excluded from adjusted gross income.....	821,704	34,875,796	817,434	33,465,651	4,269	1,410,145
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	25,403	2,685,585	25,370	2,678,123	33	7,462
Passive activity loss (alternative minimum tax adjustment).....	391,812	156,806	390,993	159,668	819	2,862
Expanded income.....	2,573,133	1,377,978,830	2,568,199	1,375,933,125	4,934	2,045,704

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2003--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept--continued						
Exemption amount.....	1,454,103	8,634,095	1,449,699	8,606,133	4,404	27,962
Itemized deductions:						
Total per adjusted gross income concept.....	2,389,502	167,930,018	2,385,068	166,573,028	4,434	1,356,991
Total per expanded income concept.....	2,389,122	181,191,158	2,384,688	180,249,398	4,434	941,760
Charitable contributions deduction.....	2,304,976	47,741,469	2,300,919	47,540,946	4,057	200,523
Interest paid deduction:						
Total per adjusted gross income concept.....	2,010,930	45,017,360	2,008,383	44,512,251	2,547	505,109
Total per expanded income concept.....	1,909,850	36,634,570	1,907,842	36,552,754	2,008	81,815
Total home mortgage interest.....	1,905,631	36,253,381	1,903,633	36,171,963	1,998	81,417
Medical and dental expense deduction.....	48,009	1,306,391	45,636	1,101,033	2,373	205,358
Net casualty or theft loss deduction.....	2,148	197,407	1,940	84,941	208	112,465
Taxes paid deduction.....	2,382,310	89,967,286	2,378,015	89,770,591	4,295	196,695
Net limited miscellaneous deductions per adjusted gross income concept.....	376,378	7,740,975	373,305	7,594,882	3,073	146,093
Non-limited miscellaneous deductions.....	65,694	2,750,738	65,566	2,738,153	128	12,585
Excess of exemptions and deductions over adjusted gross income.....	7,028	1,092,243	2,702	616,619	4,325	475,624
Taxable income.....	2,566,099	1,176,537,645	2,565,496	1,176,380,957	603	156,688
Tax at regular rates.....	2,566,122	312,700,526	2,565,510	312,669,392	612	31,134
Alternative minimum tax (Form 6251).....	1,291,223	7,423,332	1,291,170	7,423,271	53	61
Income tax before credits.....	2,568,859	320,139,391	2,568,198	320,108,196	661	31,196
Tax credits:						
Total.....	287,587	1,321,296	286,925	1,290,100	661	31,196
Child care credit.....	167,676	88,368	167,654	88,357	22	11
Minimum tax credit.....	60,792	699,094	60,315	668,851	476	30,243
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	49,642	359,340	49,575	358,737	67	603
Worldwide income tax.....	2,568,199	319,584,435	2,568,199	319,584,435	--	--
Foreign taxes paid.....	773,953	5,857,138	773,953	5,857,138	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	25,685	760,768	25,685	760,768	--	--
Taxable income which would yield:						
Income tax before credits.....	2,568,859	1,076,342,722	2,568,198	1,076,228,116	661	114,607
Income tax after credits.....	2,568,199	1,074,634,107	2,568,199	1,074,634,107	--	--
Worldwide income tax.....	2,568,199	1,074,650,026	2,568,199	1,074,650,026	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,573,132	1,353,650,279	2,568,199	1,352,580,019	4,933	1,070,261
plus: Total tax preferences excluded from adjusted gross income ²	821,704	34,875,796	817,434	33,465,651	4,269	1,410,145
Social Security benefits (nontaxable).....	416,640	1,384,106	414,386	1,377,414	2,254	6,692
Foreign-earned income exclusion.....	41,123	3,055,740	41,102	3,053,494	21	2,247
minus: Investment interest expense deduction.....	471,002	8,382,790	469,617	7,959,497	1,385	423,294
Non-limited miscellaneous deductions.....	65,694	2,750,738	65,566	2,738,153	128	12,585
Unreimbursed employee business expenses.....	464,460	3,846,191	464,211	3,844,808	249	1,382
Equals: Expanded income.....	2,573,133	1,377,978,830	2,568,199	1,375,933,125	4,934	2,045,704

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

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

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

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,427,312	100.0	540,273	22.3	30,276	1.2	1,372,919	56.6
Interest paid deduction.....	901,432	37.1	--	--	4,266	14.1	802,371	58.4
Investment interest expense deduction ¹	40,708	1.7	6,237	1.2	--	--	23,056	1.7
Taxes paid deduction.....	726,886	29.9	461,456	85.4	15,834	52.3	--	--
Charitable contributions deduction.....	507,352	20.9	52,676	9.7	4,534	15.0	424,841	30.9
Medical and dental expense deduction.....	8,505	0.4	427	0.1	164	0.5	5,487	0.4
Net casualty or theft loss deduction.....	207	(²)	--	--	--	--	42	(²)
Total miscellaneous deductions.....	86,690	3.6	15,232	2.8	2,195	7.3	55,225	4.0
Foreign tax credit.....	26,891	1.1	412	0.1	392	1.3	16,568	1.2
General business credit.....	5,758	0.2	681	0.1	125	0.4	3,456	0.3
All other tax credits.....	13,095	0.5	503	0.1	273	0.9	7,417	0.5
Partnership and S corporation net losses.....	36,932	1.5	2,632	0.5	2,483	8.2	23,680	1.7
No second largest item.....	72,857	3.0	16	(²)	10	(²)	10,775	0.8
Returns with expanded income of \$200,000 or more								
Total.....	2,507,991	100.0	528,024	21.1	--	--	1,309,143	52.2
Interest paid deduction.....	890,746	35.5	--	--	--	--	794,007	60.7
Tax-exempt interest ³	116,878	4.7	3,516	0.7	--	--	75,145	5.7
Taxes paid deduction.....	753,906	30.1	464,932	88.1	--	--	--	--
Charitable contributions deduction.....	448,807	17.9	52,830	10.0	--	--	351,574	26.9
Medical and dental expense deduction.....	9,890	0.4	619	0.1	--	--	4,245	0.3
Net casualty or theft loss deduction.....	50	(²)	--	--	--	--	42	(²)
Total miscellaneous deductions.....	29,750	1.2	1,903	0.4	--	--	10,238	0.8
Foreign tax credit.....	45,354	1.8	448	0.1	--	--	12,124	0.9
General business credit.....	5,199	0.2	686	0.1	--	--	2,601	0.2
All other tax credits.....	11,328	0.5	502	0.1	--	--	6,459	0.5
Partnership and S corporation net losses.....	38,889	1.6	2,379	0.5	--	--	20,822	1.6
Foreign-earned income exclusion ³	24,444	1.0	--	--	--	--	113	(²)
AMT tax preference ³	1,524	0.1	**	**	--	--	684	0.1
Nontaxable Social Security benefits ³	51,160	2.0	209	(²)	--	--	21,604	1.7
No second largest item.....	80,066	3.2	**	**	--	--	9,485	0.7

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	215,385	8.9	11,463	0.5	1,068	(²)	65,816	2.7
Interest paid deduction.....	49,337	22.9	404	3.5	156	14.6	15,534	23.6
Investment interest expense deduction ¹	4,171	1.9	65	0.6	--	--	1,350	2.1
Taxes paid deduction.....	143,171	66.5	7,807	68.1	400	37.4	36,752	55.8
Charitable contributions deduction.....	--	--	2,038	17.8	164	15.4	8,726	13.3
Medical and dental expense deduction.....	1,046	0.5	--	--	--	--	1,255	1.9
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	9,684	4.5	878	7.7	349	32.6	--	--
Foreign tax credit.....	938	0.4	109	0.9	--	--	746	1.1
General business credit.....	758	0.4	3	(²)	--	--	48	0.1
All other tax credits.....	765	0.4	148	1.3	--	--	21	(²)
Partnership and S corporation net losses.....	4,741	2.2	12	0.1	--	--	1,188	1.8
No second largest item.....	773	0.4	--	--	--	--	195	0.3
Returns with expanded income of \$200,000 or more								
Total.....	202,606	8.1	10,313	0.4	720	(²)	10,063	0.4
Interest paid deduction.....	51,468	25.4	404	3.9	156	21.7	1,139	11.3
Tax-exempt interest ³	15,016	7.4	3,033	29.4	40	5.5	2,010	20.0
Taxes paid deduction.....	122,073	60.3	4,260	41.3	360	50.0	4,524	45.0
Charitable contributions deduction.....	--	--	1,070	10.4	164	22.8	1,394	13.8
Medical and dental expense deduction.....	892	0.4	--	--	--	--	326	3.2
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	4,734	2.3	407	3.9	--	--	--	--
Foreign tax credit.....	567	0.3	50	0.5	--	--	261	2.6
General business credit.....	367	0.2	3	(²)	--	--	40	0.4
All other tax credits.....	428	0.2	148	1.4	--	--	9	(²)
Partnership and S corporation net losses.....	4,309	2.1	8	0.1	--	--	319	3.2
Foreign-earned income exclusion ³	89	(²)	--	--	--	--	--	--
AMT tax preference ³	226	0.1	8	0.1	--	--	--	--
Nontaxable Social Security benefits ³	1,971	1.0	921	8.9	--	--	40	0.4
No second largest item.....	466	0.2	--	--	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign tax credit		General business credit		All other tax credits		Partnership and S corporation net losses	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	80,018	3.3	7,020	0.3	20,932	0.9	82,141	3.4
Interest paid deduction.....	8,576	10.7	1,492	21.3	4,372	20.9	14,925	18.2
Investment interest expense deduction ¹	1,295	1.6	182	2.6	538	2.6	3,814	4.6
Taxes paid deduction.....	17,340	21.7	2,836	40.4	6,312	30.2	34,979	42.6
Charitable contributions deduction.....	2,296	2.9	1,142	16.3	939	4.5	9,997	12.2
Medical and dental expense deduction.....	43	0.1	--	--	8	(²)	74	0.1
Net casualty or theft loss deduction.....	157	0.2	--	--	--	--	8	(²)
Total miscellaneous deductions.....	1,098	1.4	7	0.1	32	0.2	1,988	2.4
Foreign tax credit.....	--	--	392	5.6	2,727	13.0	4,606	5.6
General business credit.....	109	0.1	--	--	264	1.3	314	0.4
All other tax credits.....	2,725	3.4	136	1.9	--	--	1,106	1.3
Partnership and S corporation net losses.....	1,639	2.0	150	2.1	407	1.9	--	--
No second largest item.....	44,742	55.9	683	9.7	5,333	25.5	10,329	12.6
Returns with expanded income of \$200,000 or more								
Total.....	63,168	2.5	6,402	0.3	19,590	0.8	77,808	3.1
Interest paid deduction.....	4,369	6.9	1,311	20.5	4,173	21.3	15,974	20.5
Tax-exempt interest ³	2,427	3.8	526	8.2	799	4.1	6,499	8.4
Taxes paid deduction.....	13,733	21.7	2,646	41.3	6,315	32.2	31,769	40.8
Charitable contributions deduction.....	479	0.8	1,106	17.3	886	4.5	9,689	12.5
Medical and dental expense deduction.....	42	0.1	--	--	8	(²)	20	(²)
Net casualty or theft loss deduction.....	--	--	--	--	--	--	8	(²)
Total miscellaneous deductions.....	434	0.7	**	**	26	0.1	1,057	1.4
Foreign tax credit.....	--	--	100	1.6	1,660	8.5	2,158	2.8
General business credit.....	76	0.1	--	--	221	1.1	370	0.5
All other tax credits.....	185	0.3	133	2.1	--	--	1,136	1.5
Partnership and S corporation net losses.....	328	0.5	101	1.6	318	1.6	--	--
Foreign-earned income exclusion ³	24,153	38.2	**	**	9	(²)	60	0.1
AMT tax preference ³	77	0.1	**	**	298	1.5	132	0.2
Nontaxable Social Security benefits ³	2,016	3.2	70	1.1	367	1.9	3,400	4.4
No second largest item.....	14,849	23.5	410	6.4	4,509	23.0	5,537	7.1

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign-earned income exclusion ^a		Tax-exempt interest ^a		AMT tax preference ^a		Nontaxable Social Security benefits ^a	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	--	--	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--	--	--
Charitable contributions deduction.....	--	--	--	--	--	--	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	--	--
All other tax credits.....	--	--	--	--	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	14,887	0.6	199,466	8.0	16,803	0.7	48,997	2.0
Interest paid deduction.....	2,539	17.1	9,642	4.8	4,448	26.5	1,114	2.3
Tax-exempt interest ^a	1,054	7.1	--	--	302	1.8	6,513	13.3
Taxes paid deduction.....	1,234	8.3	89,198	44.7	8,782	52.3	4,078	8.3
Charitable contributions deduction.....	325	2.2	27,883	14.0	1,052	6.3	359	0.7
Medical and dental expense deduction.....	--	--	3,587	1.8	--	--	150	0.3
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	10,949	5.5	**	**	--	--
Foreign tax credit.....	9,076	61.0	12,893	6.5	32	0.2	5,983	12.2
General business credit.....	**	**	790	0.4	**	**	41	0.1
All other tax credits.....	46	0.3	1,554	0.8	169	1.0	562	1.1
Partnership and S corporation net losses.....	370	2.5	8,083	4.1	416	2.5	1,447	3.0
Foreign-earned income exclusion ^a	--	--	11	(²)	**	**	--	--
AMT tax preference ^a	--	--	91	(²)	--	--	--	--
Nontaxable Social Security benefits ^a	--	--	20,390	10.2	201	1.2	--	--
No second largest item.....	242	1.6	14,394	7.2	1,401	8.3	28,748	58.7

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,824	100.0	71	2.5	348	12.3	52	1.8
Interest paid deduction.....	546	19.3	--	--	56	16.1	6	11.5
Investment interest expense deduction ¹	234	8.3	4	5.6	--	--	8	15.4
Taxes paid deduction.....	677	24.0	32	45.1	61	17.5	--	--
Charitable contributions deduction.....	477	16.9	23	32.4	88	25.3	11	21.2
Medical and dental expense deduction.....	47	1.7	3	4.2	5	1.4	3	5.8
Net casualty or theft loss deduction.....	9	0.3	--	--	--	--	--	--
Total miscellaneous deductions.....	215	7.6	5	7.0	27	7.8	5	9.6
Foreign tax credit.....	18	0.6	--	--	**	**	**	**
General business credit.....	14	0.5	**	**	--	--	**	**
All other tax credits.....	58	2.1	**	**	**	**	13	25.0
Partnership and S corporation net losses.....	294	10.4	6	8.5	111	31.9	6	11.5
No second largest item.....	235	8.3	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	5,839	100.0	69	1.2	--	--	76	1.3
Interest paid deduction.....	637	10.9	--	--	--	--	6	7.9
Tax-exempt interest ³	646	11.1	7	10.1	--	--	34	44.7
Taxes paid deduction.....	1,183	20.3	31	44.9	--	--	--	--
Charitable contributions deduction.....	755	12.9	24	34.8	--	--	8	10.5
Medical and dental expense deduction.....	704	12.1	**	**	--	--	3	3.9
Net casualty or theft loss deduction.....	13	0.2	--	--	--	--	--	--
Total miscellaneous deductions.....	572	9.8	**	**	--	--	6	7.9
Foreign tax credit.....	172	2.9	--	--	--	--	**	**
General business credit.....	18	0.3	**	**	--	--	**	**
All other tax credits.....	115	2.0	**	**	--	--	9	11.8
Partnership and S corporation net losses.....	594	10.2	7	10.1	--	--	6	7.9
Foreign-earned income exclusion ³	201	3.4	**	**	--	--	4	5.3
AMT tax preference ³	13	0.2	--	--	--	--	--	--
Nontaxable Social Security benefits ³	88	1.5	--	--	--	--	--	--
No second largest item.....	127	2.2	--	--	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	154	5.5	313	11.1	179	6.3	748	26.5
Interest paid deduction.....	33	21.4	24	7.7	121	67.6	118	15.8
Investment interest expense deduction ¹	41	26.6	**	**	**	**	23	3.1
Taxes paid deduction.....	11	7.1	67	21.4	**	**	280	37.4
Charitable contributions deduction.....	--	--	99	31.6	29	16.2	92	12.3
Medical and dental expense deduction.....	25	16.2	--	--	**	**	5	0.7
Net casualty or theft loss deduction.....	**	**	--	--	--	--	9	1.2
Total miscellaneous deductions.....	14	9.1	112	35.8	15	8.4	--	--
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	**	**	--	--	--	--	7	0.9
All other tax credits.....	16	10.4	**	**	--	--	4	0.5
Partnership and S corporation net losses.....	14	9.1	7	2.2	11	6.1	96	12.8
No second largest item.....	--	--	4	1.3	3	1.7	114	15.2
Returns with expanded income of \$200,000 or more								
Total.....	164	2.8	602	10.3	184	3.2	64	1.1
Interest paid deduction.....	30	18.3	21	3.5	60	32.6	5	7.8
Tax-exempt interest ³	27	16.5	345	57.3	20	10.9	18	28.1
Taxes paid deduction.....	28	17.1	45	7.5	56	30.4	6	9.4
Charitable contributions deduction.....	--	--	98	16.3	22	12.0	21	32.8
Medical and dental expense deduction.....	18	11.0	--	--	3	1.6	5	7.8
Net casualty or theft loss deduction.....	**	**	--	--	--	--	--	--
Total miscellaneous deductions.....	22	13.4	77	12.8	9	4.9	--	--
Foreign tax credit.....	**	**	--	--	--	--	--	--
General business credit.....	7	4.3	--	--	--	--	--	--
All other tax credits.....	17	10.4	**	**	--	--	--	--
Partnership and S corporation net losses.....	15	9.1	**	**	14	7.6	9	14.1
Foreign-earned income exclusion ³	--	--	--	--	**	**	--	--
AMT tax preference ³	--	--	--	--	--	--	--	--
Nontaxable Social Security benefits ³	--	--	16	2.7	**	**	--	--
No second largest item.....	--	--	--	--	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign tax credit		General business credit		All other tax credits		Partnership and S corporation net losses	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	129	4.6	11	0.4	517	18.3	302	10.7
Interest paid deduction.....	22	17.1	6	54.5	145	28.0	15	5.0
Investment interest expense deduction ¹	4	3.1	**	**	46	8.9	108	35.8
Taxes paid deduction.....	6	4.7	**	**	182	35.2	38	12.6
Charitable contributions deduction.....	9	7.0	--	--	56	10.8	70	23.2
Medical and dental expense deduction.....	--	--	--	--	**	**	6	2.0
Net casualty or theft loss deduction.....	--	--	--	--	--	--	**	**
Total miscellaneous deductions.....	**	**	--	--	**	**	38	12.6
Foreign tax credit.....	--	--	--	--	11	2.1	7	2.3
General business credit.....	--	--	--	--	7	1.4	**	**
All other tax credits.....	**	**	5	45.5	--	--	20	6.6
Partnership and S corporation net losses.....	4	3.1	--	--	40	7.7	--	--
No second largest item.....	84	65.1	--	--	30	5.8	--	--
Returns with expanded income of \$200,000 or more								
Total.....	213	3.6	11	0.2	507	8.7	319	5.5
Interest paid deduction.....	**	**	**	**	156	30.8	9	2.8
Tax-exempt interest ³	--	--	**	**	41	8.1	154	48.3
Taxes paid deduction.....	21	9.9	8	72.7	143	28.2	36	11.3
Charitable contributions deduction.....	**	**	**	**	55	10.8	65	20.4
Medical and dental expense deduction.....	--	--	--	--	**	**	9	2.8
Net casualty or theft loss deduction.....	--	--	--	--	--	--	**	**
Total miscellaneous deductions.....	**	**	--	--	7	1.4	18	5.6
Foreign tax credit.....	--	--	--	--	20	3.9	3	0.9
General business credit.....	--	--	--	--	**	**	5	1.6
All other tax credits.....	**	**	3	27.3	--	--	20	6.3
Partnership and S corporation net losses.....	3	1.4	--	--	36	7.1	--	--
Foreign-earned income exclusion ³	189	88.7	--	--	4	0.8	--	--
AMT tax preference ³	--	--	--	--	**	**	**	**
Nontaxable Social Security benefits ³	**	**	--	--	6	1.2	--	--
No second largest item.....	**	**	--	--	39	7.7	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign-earned income exclusion ³		Tax-exempt interest ³		AMT tax preference ³		Nontaxable Social Security benefits ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	--	--	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--	--	--
Charitable contributions deduction.....	--	--	--	--	--	--	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	--	--
All other tax credits.....	--	--	--	--	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	189	3.2	3,436	58.9	4	0.1	--	--
Interest paid deduction.....	24	12.7	326	9.5	--	--	--	--
Tax-exempt interest ³	**	**	--	--	--	--	--	--
Taxes paid deduction.....	6	3.2	803	23.4	--	--	--	--
Charitable contributions deduction.....	**	**	462	13.4	--	--	--	--
Medical and dental expense deduction.....	3	1.6	663	19.3	--	--	--	--
Net casualty or theft loss deduction.....	--	--	13	0.4	--	--	--	--
Total miscellaneous deductions.....	--	--	433	12.6	--	--	--	--
Foreign tax credit.....	146	77.2	3	(²)	--	--	--	--
General business credit.....	--	--	6	0.2	--	--	--	--
All other tax credits.....	**	**	62	1.8	4	100.0	--	--
Partnership and S corporation net losses.....	**	**	504	14.7	--	--	--	--
Foreign-earned income exclusion ³	--	--	4	0.1	--	--	--	--
AMT tax preference ³	10	5.3	3	(²)	--	--	--	--
Nontaxable Social Security benefits ³	--	--	66	1.9	--	--	--	--
No second largest item.....	--	--	88	2.6	--	--	--	--

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

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

² Less than 0.05 percent.

³ Tax-exempt interest, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals because of rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,382,892	100.0	548,872	23.0	31,593	1.3	1,390,271	58.3
Interest paid deduction.....	905,190	38.0	--	--	4,412	14.0	812,848	58.5
Investment interest expense deduction ¹	41,535	1.7	6,497	1.2	--	--	24,518	1.8
Taxes paid deduction.....	722,242	30.3	468,608	85.4	16,604	52.6	--	--
Charitable contributions deduction.....	521,467	21.9	53,299	9.7	4,767	15.1	439,927	31.6
Medical and dental expense deduction.....	8,489	0.4	427	0.1	164	0.5	5,503	0.4
Net casualty or theft loss deduction.....	50	(²)	--	--	--	--	42	(²)
Total miscellaneous deductions.....	87,951	3.7	15,248	2.8	2,492	7.9	56,864	4.1
General business credit.....	5,925	0.2	681	0.1	140	0.4	3,668	0.3
All other tax credits.....	11,239	0.5	910	0.2	279	0.9	7,676	0.6
Partnership and S corporation net losses.....	36,283	1.5	2,684	0.5	2,566	8.1	24,305	1.7
No second largest item.....	42,522	1.8	518	0.1	170	0.5	14,920	1.1
Returns with expanded income of \$200,000 or more								
Total.....	2,494,029	100.0	532,398	21.3	--	--	1,322,887	53.0
Interest paid deduction.....	902,737	36.2	--	--	--	--	803,091	60.7
Tax-exempt interest ³	120,672	4.8	3,525	0.7	--	--	77,093	5.8
Taxes paid deduction.....	751,103	30.1	469,375	88.2	--	--	--	--
Charitable contributions deduction.....	461,076	18.5	53,082	10.0	--	--	360,465	27.2
Medical and dental expense deduction.....	9,888	0.4	619	0.1	--	--	4,253	0.3
Net casualty or theft loss deduction.....	207	(²)	--	--	--	--	42	(²)
Total miscellaneous deductions.....	30,237	1.2	1,910	0.4	--	--	10,740	0.8
General business credit.....	5,302	0.2	686	0.1	--	--	2,712	0.2
All other tax credits.....	14,677	0.6	503	0.1	--	--	6,661	0.5
Partnership and S corporation net losses.....	40,483	1.6	2,422	0.5	--	--	21,641	1.6
Foreign-earned income exclusion ³	837	(²)	43	(²)	--	--	338	(²)
AMT tax preference ³	2,177	0.1	**	**	--	--	694	0.1
Nontaxable Social Security benefits ³	51,997	2.1	233	(²)	--	--	22,497	1.7
No second largest item.....	102,637	4.1	**	**	--	--	12,660	1.0

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	217,715	9.1	11,511	0.5	1,227	0.1	66,923	2.8
Interest paid deduction.....	49,851	22.9	405	3.5	313	25.6	15,624	23.3
Investment interest expense deduction ¹	4,271	2.0	65	0.6	--	--	1,381	2.1
Taxes paid deduction.....	145,157	66.7	7,900	68.6	400	32.6	38,126	57.0
Charitable contributions deduction.....	--	--	2,038	17.7	164	13.4	9,040	13.5
Medical and dental expense deduction.....	1,048	0.5	--	--	--	--	1,265	1.9
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	9,958	4.6	931	8.1	350	28.5	--	--
General business credit.....	773	0.4	3	(²)	--	--	48	0.1
All other tax credits.....	863	0.4	150	1.3	--	--	23	(²)
Partnership and S corporation net losses.....	4,765	2.2	12	0.1	--	--	1,212	1.8
No second largest item.....	1,028	0.5	8	0.1	--	--	204	0.3
Returns with expanded income of \$200,000 or more								
Total.....	203,109	8.1	10,368	0.4	722	(²)	10,500	0.4
Interest paid deduction.....	51,637	25.4	404	3.9	157	21.7	1,143	10.9
Tax-exempt interest ³	15,172	7.5	3,093	29.8	41	5.7	2,172	20.7
Taxes paid deduction.....	122,518	60.3	4,303	41.5	360	49.8	4,869	46.4
Charitable contributions deduction.....	--	--	1,070	10.3	164	22.7	1,417	13.5
Medical and dental expense deduction.....	893	0.4	--	--	--	--	335	3.2
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	4,841	2.4	408	3.9	--	--	--	--
General business credit.....	380	0.2	**	**	--	--	43	0.4
All other tax credits.....	526	0.3	150	1.4	--	--	4	(²)
Partnership and S corporation net losses.....	4,324	2.1	16	0.1	--	--	342	3.2
Foreign-earned income exclusion ³	136	0.1	--	--	--	--	**	**
AMT tax preference ³	227	0.1	**	**	--	--	**	**
Nontaxable Social Security benefits ³	1,972	1.0	921	8.9	--	--	172	1.6
No second largest item.....	483	0.2	--	--	--	--	4	(²)

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	General business credit		All other tax credits		Partnership and S corporation net losses		Foreign-earned income exclusion ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	7,132	0.3	23,829	1.0	83,819	3.5	--	--
Interest paid deduction.....	1,524	21.4	5,210	21.9	15,002	17.9	--	--
Investment interest expense deduction ¹	183	2.6	611	2.6	4,010	4.8	--	--
Taxes paid deduction.....	3,059	42.9	6,884	28.9	35,504	42.4	--	--
Charitable contributions deduction.....	1,149	16.1	975	4.1	10,107	12.1	--	--
Medical and dental expense deduction.....	--	--	8	(²)	74	0.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	8	(²)	--	--
Total miscellaneous deductions.....	8	0.1	36	0.2	2,064	2.5	--	--
General business credit.....	--	--	279	1.2	333	0.4	--	--
All other tax credits.....	136	1.9	--	--	1,201	1.4	--	--
Partnership and S corporation net losses.....	156	2.2	583	2.4	--	--	--	--
No second largest item.....	917	12.9	9,243	38.8	15,515	18.5	--	--
Returns with expanded income of \$200,000 or more								
Total.....	6,481	0.3	19,945	0.8	78,175	3.1	39,404	1.6
Interest paid deduction.....	1,337	20.6	4,268	21.4	15,999	20.5	9,339	23.7
Tax-exempt interest ³	542	8.4	850	4.3	6,780	8.7	4,158	10.6
Taxes paid deduction.....	2,694	41.6	6,381	32.0	32,148	41.1	3,574	9.1
Charitable contributions deduction.....	1,112	17.2	909	4.6	9,790	12.5	3,621	9.2
Medical and dental expense deduction.....	--	--	8	(²)	20	(²)	3	(²)
Net casualty or theft loss deduction.....	--	--	--	--	8	(²)	157	0.4
Total miscellaneous deductions.....	--	--	30	0.2	1,065	1.4	202	0.5
General business credit.....	--	--	225	1.1	377	0.5	3	(²)
All other tax credits.....	133	2.1	--	--	1,167	1.5	3,061	7.8
Partnership and S corporation net losses.....	93	1.4	331	1.7	--	--	1,162	2.9
Foreign-earned income exclusion ³	--	--	70	0.3	117	0.1	--	--
AMT tax preference ³	7	(²)	305	1.5	132	0.2	17	(²)
Nontaxable Social Security benefits ³	564	8.7	380	1.9	3,832	4.9	10	(²)
No second largest item.....	--	--	6,187	31.0	6,742	8.6	14,098	35.8

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued					
	Tax-exempt interest ^a		AMT tax preference ^a		Nontaxable Social Security benefits ^a	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--
Charitable contributions deduction.....	--	--	--	--	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	202,141	8.1	16,883	0.7	51,015	2.0
Interest paid deduction.....	9,793	4.8	4,452	26.4	1,117	2.2
Tax-exempt interest ^a	--	--	304	1.8	6,942	13.6
Taxes paid deduction.....	90,584	44.8	8,814	52.2	5,485	10.8
Charitable contributions deduction.....	28,022	13.9	1,062	6.3	362	0.7
Medical and dental expense deduction.....	3,607	1.8	--	--	150	0.3
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	11,038	5.5	**	**	--	--
General business credit.....	830	0.4	**	**	45	0.1
All other tax credits.....	1,735	0.9	175	1.0	562	1.1
Partnership and S corporation net losses.....	8,205	4.1	416	2.5	1,548	3.0
Foreign-earned income exclusion ^a	93	(²)	33	0.2	--	--
AMT tax preference ^a	785	0.4	--	--	--	--
Nontaxable Social Security benefits ^a	21,734	10.8	198	1.2	--	--
No second largest item.....	25,716	12.7	1,429	8.5	34,804	68.2

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,416	100.0	67	2.8	329	13.6	46	1.9
Interest paid deduction.....	463	19.2	--	--	51	15.5	6	13.0
Investment interest expense deduction ¹	202	8.4	3	4.5	--	--	8	17.4
Taxes paid deduction.....	599	24.8	31	46.3	58	17.6	--	--
Charitable contributions deduction.....	430	17.8	20	29.9	80	24.3	18	39.1
Medical and dental expense deduction.....	44	1.8	3	4.5	5	1.5	3	6.5
Net casualty or theft loss deduction.....	9	0.4	--	--	--	--	--	--
Total miscellaneous deductions.....	200	8.3	10	14.9	25	7.6	3	6.5
General business credit.....	9	0.4	**	**	--	--	--	--
All other tax credits	37	1.5	--	--	3	0.9	3	6.5
Partnership and S corporation net losses.....	273	11.3	**	**	107	32.5	5	10.9
No second largest item.....	150	6.2	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	4,934	100.0	63	1.3	--	--	68	1.4
Interest paid deduction.....	533	10.8	--	--	--	--	5	7.4
Tax-exempt interest ³	590	12.0	6	9.5	--	--	34	63.2
Taxes paid deduction.....	1,073	21.7	19	50.8	--	--	--	--
Charitable contributions deduction.....	658	13.3	29	31.7	--	--	**	**
Medical and dental expense deduction.....	683	13.8	**	**	--	--	5	7.4
Net casualty or theft loss deduction.....	13	0.3	--	--	--	--	--	--
Total miscellaneous deductions.....	534	10.8	**	**	--	--	9	13.2
General business credit.....	12	0.2	**	**	--	--	--	--
All other tax credits	66	1.3	--	--	--	--	**	**
Partnership and S corporation net losses.....	559	11.3	9	7.9	--	--	15	8.8
Foreign-earned income exclusion ³	8	0.2	--	--	--	--	**	**
AMT tax preference ³	9	0.2	--	--	--	--	--	--
Nontaxable Social Security benefits ³	84	1.7	--	--	--	--	--	--
No second largest item.....	112	2.3	--	--	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	127	5.3	308	12.7	177	7.3	740	30.6
Interest paid deduction.....	35	27.6	24	7.8	57	32.2	178	24.1
Investment interest expense deduction ¹	22	17.3	5	1.6	6	3.4	23	3.1
Taxes paid deduction.....	**	**	62	20.1	100	56.5	182	24.6
Charitable contributions deduction.....	--	--	99	32.1	**	**	127	17.2
Medical and dental expense deduction.....	22	17.3	--	--	**	**	5	0.7
Net casualty or theft loss deduction.....	**	**	--	--	--	--	9	1.2
Total miscellaneous deductions.....	28	22.0	109	35.4	**	**	--	--
General business credit.....	5	3.9	--	--	--	--	**	**
All other tax credits.....	15	11.8	--	--	--	--	**	**
Partnership and S corporation net losses.....	**	**	5	1.6	11	6.2	102	13.8
No second largest item.....	--	--	4	1.3	3	1.7	114	15.4
Returns with expanded income of \$200,000 or more								
Total.....	141	2.9	589	11.9	182	3.7	62	1.3
Interest paid deduction.....	24	17.0	21	3.6	59	32.4	**	**
Tax-exempt interest ²	22	15.6	335	56.9	17	9.3	27	43.5
Taxes paid deduction.....	38	27.0	45	7.6	56	30.8	**	**
Charitable contributions deduction.....	--	--	98	16.6	25	13.7	20	32.3
Medical and dental expense deduction.....	18	12.8	--	--	**	**	6	9.7
Net casualty or theft loss deduction.....	**	**	--	--	--	--	--	--
Total miscellaneous deductions.....	17	12.1	79	13.4	4	2.2	--	--
General business credit.....	5	3.5	--	--	--	--	--	--
All other tax credits.....	17	12.1	--	--	--	--	--	--
Partnership and S corporation net losses.....	**	**	4	0.7	9	4.9	9	14.5
Foreign-earned income exclusion ³	--	--	--	--	3	1.6	--	--
AMT tax preference ³	--	--	--	--	--	--	--	--
Nontaxable Social Security benefits ³	--	--	7	1.2	9	4.9	--	--
No second largest item.....	--	--	--	--	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	General business credit		All other tax credits		Partnership and S corporation net losses		Foreign-earned income exclusion ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	8	0.3	347	14.4	267	11.0	--	--
Interest paid deduction.....	**	**	121	34.9	**	**	--	--
Investment interest expense deduction ¹	8	100.0	16	4.6	111	41.6	--	--
Taxes paid deduction.....	**	**	109	31.4	48	18.0	--	--
Charitable contributions deduction.....	**	**	44	12.7	50	18.7	--	--
Medical and dental expense deduction.....	--	--	**	**	6	2.2	--	--
Net casualty or theft loss deduction.....	--	--	--	--	**	**	--	--
Total miscellaneous deductions.....	--	--	**	**	32	12.0	--	--
General business credit.....	--	--	**	**	4	1.5	--	--
All other tax credits.....	**	**	--	--	16	6.0	--	--
Partnership and S corporation net losses.....	--	--	28	8.1	--	--	--	--
No second largest item.....	--	--	29	8.4	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	**	**	348	7.1	282	5.7	12	0.2
Interest paid deduction.....	**	**	107	31.0	12	4.8	7	58.3
Tax-exempt interest ³	**	**	9	2.4	140	48.5	**	**
Taxes paid deduction.....	**	**	89	26.0	35	12.4	5	41.7
Charitable contributions deduction.....	**	**	37	10.6	52	18.2	--	--
Medical and dental expense deduction.....	--	--	**	**	8	2.7	--	--
Net casualty or theft loss deduction.....	--	--	--	--	**	**	--	--
Total miscellaneous deductions.....	--	--	**	**	21	7.2	--	--
General business credit.....	--	--	--	--	**	**	--	--
All other tax credits.....	**	**	4	1.1	14	6.2	**	**
Partnership and S corporation net losses.....	--	--	25	7.4	--	--	**	**
Foreign-earned income exclusion ³	--	--	**	**	--	--	--	--
AMT tax preference ³	--	--	9	2.7	**	**	--	--
Nontaxable Social Security benefits ³	--	--	68	20.1	--	--	--	--
No second largest item.....	--	--	**	**	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued					
	Tax-exempt interest ³		AMT tax preference ³		Nontaxable Social Security benefits ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--
Charitable contributions deduction.....	--	--	--	--	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	3,187	64.6	**	**	--	--
Interest paid deduction.....	298	9.4	--	--	--	--
Tax-exempt interest ³	--	--	--	--	--	--
Taxes paid deduction.....	786	24.7	--	--	--	--
Charitable contributions deduction.....	397	12.5	--	--	--	--
Medical and dental expense deduction.....	646	20.3	--	--	--	--
Net casualty or theft loss deduction.....	13	0.4	--	--	--	--
Total miscellaneous deductions.....	404	12.7	--	--	--	--
General business credit.....	7	0.2	--	--	--	--
All other tax credits.....	31	1.0	**	**	--	--
Partnership and S corporation net losses.....	488	15.3	--	--	--	--
Foreign-earned income exclusion ³	5	0.2	--	--	--	--
AMT tax preference ³	**	**	--	--	--	--
Nontaxable Social Security benefits ³	**	**	--	--	--	--
No second largest item.....	112	3.5	--	--	--	--

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

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

² Less than 0.05 percent.

³ Tax-exempt interest, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals because of rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 2003

Table 9.--Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2003

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	2,824	139	193	168	96	47
Interest paid deduction:						
Total.....	2,824	765	913	262	141	93
Investment interest per income concept.....	2,824	1,596	531	87	62	42
Taxes paid deduction.....	2,824	353	1,634	441	172	74
Charitable contributions deduction.....	2,824	566	1,460	158	87	152
Medical and dental expense deduction.....	2,824	2,366	70	27	9	19
Net casualty or theft loss deduction.....	2,824	2,631	3	3	3	**
Net limited miscellaneous deduction per income concept.....	2,824	1,842	515	179	95	50
Nonlimited miscellaneous deduction.....	2,824	2,062	51	6	3	5
Deduction equivalent of:						
Total credits.....	2,824	1,939	126	**	**	51
Foreign tax credit.....	2,824	2,417	262	9	**	**
General business credit.....	2,824	2,736	50	13	5	6
Tax preferences excluded from adjusted gross income.....	2,824	1,780	639	99	63	48
Nontaxable Social Security benefits.....	2,824	2,083	741	--	--	--
Expanded income concept						
Total itemized deductions.....	5,839	788	596	1,033	655	511
Interest paid deduction:						
Total.....	5,839	3,453	1,406	577	249	77
Investment interest per income concept.....	5,839	4,233	1,273	123	54	29
Taxes paid deduction.....	5,839	957	3,420	958	223	107
Charitable contributions deduction.....	5,839	1,239	3,346	562	263	140
Medical and dental expense deduction.....	5,839	3,325	1,221	222	181	157
Net casualty or theft loss deduction.....	5,839	5,627	9	6	6	**
Net limited miscellaneous deduction per income concept.....	5,839	2,482	2,266	606	216	99
Nonlimited miscellaneous deduction.....	5,839	5,692	116	10	4	3
Deduction equivalent of:						
Total credits.....	5,839	4,274	543	111	**	**
Foreign tax credit.....	5,839	4,935	514	82	36	17
General business credit.....	5,839	5,733	64	18	**	6
Tax preferences excluded from adjusted gross income.....	5,839	1,148	474	143	149	165
Nontaxable Social Security benefits.....	5,839	3,449	2,389	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 9.--Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2003--Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under	50 percent under	60 percent under	70 percent under	100 percent or more
	50 percent	60 percent	70 percent	100 percent	
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	39	34	16	263	1,829
Interest paid deduction:					
Total.....	76	56	69	219	230
Investment interest per income concept.....	48	58	47	178	175
Taxes paid deduction.....	49	23	16	33	29
Charitable contributions deduction.....	82	319	--	--	--
Medical and dental expense deduction.....	22	23	33	122	133
Net casualty or theft loss deduction.....	**	**	5	54	119
Net limited miscellaneous deduction per income concept.....	45	23	15	22	38
Nonlimited miscellaneous deduction.....	5	7	9	320	356
Deduction equivalent of:					
Total credits.....	105	134	113	307	**
Foreign tax credit.....	3	**	4	123	--
General business credit.....	6	**	**	**	--
Tax preferences excluded from adjusted gross income.....	27	23	21	31	93
Nontaxable Social Security benefits.....	--	--	--	--	--
Expanded income concept					
Total itemized deductions.....	379	294	231	511	840
Interest paid deduction:					
Total.....	13	8	10	24	21
Investment interest per income concept.....	21	20	9	27	49
Taxes paid deduction.....	41	28	20	45	39
Charitable contributions deduction.....	126	77	29	37	19
Medical and dental expense deduction.....	116	132	103	241	140
Net casualty or theft loss deduction.....	**	**	10	48	124
Net limited miscellaneous deduction per income concept.....	51	34	20	29	35
Nonlimited miscellaneous deduction.....	**	**	**	**	8
Deduction equivalent of:					
Total credits.....	126	206	168	271	**
Foreign tax credit.....	28	69	61	96	--
General business credit.....	5	**	3	**	--
Tax preferences excluded from adjusted gross income.....	223	316	432	2,331	457
Nontaxable Social Security benefits.....	--	--	--	--	--

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

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

High-Income Tax Returns for 2003

Table 10.--Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2003

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	2,416	32	118	107	56	26
Interest paid deduction:						
Total.....	2,416	618	761	218	114	84
Investment interest per income concept.....	2,416	1,348	421	72	52	39
Taxes paid deduction.....	2,416	238	1,430	385	152	70
Charitable contributions deduction.....	2,416	438	1,271	134	67	138
Medical and dental expense deduction.....	2,416	1,975	61	26	8	18
Net casualty or theft loss deduction.....	2,416	2,225	3	3	3	**
Net limited miscellaneous deduction per income concept.....	2,416	1,558	417	162	91	48
Nonlimited miscellaneous deduction.....	2,416	1,666	44	6	3	5
Deduction equivalent of:						
Total credits.....	2,416	1,938	66	7	17	28
Foreign tax credit.....	2,416	2,416	--	--	--	--
General business credit.....	2,416	2,355	35	8	5	5
Tax preferences excluded from adjusted gross income.....	2,416	1,536	525	84	55	41
Nontaxable Social Security benefits.....	2,416	1,726	690	--	--	--
Expanded income concept						
Total itemized deductions.....	4,934	504	430	842	552	443
Interest paid deduction:						
Total.....	4,934	2,926	1,140	493	229	73
Investment interest per income concept.....	4,934	3,552	1,082	111	45	26
Taxes paid deduction.....	4,934	642	2,952	859	211	102
Charitable contributions deduction.....	4,934	880	2,933	503	229	130
Medical and dental expense deduction.....	4,934	2,561	1,116	212	172	153
Net casualty or theft loss deduction.....	4,934	4,726	7	6	6	**
Net limited miscellaneous deduction per income concept.....	4,934	1,900	1,988	569	212	97
Nonlimited miscellaneous deduction.....	4,934	4,806	99	9	4	**
Deduction equivalent of:						
Total credits.....	4,934	4,273	240	**	**	30
Foreign tax credit.....	4,934	4,934	--	--	--	--
General business credit.....	4,934	4,867	38	12	4	4
Tax preferences excluded from adjusted gross income.....	4,934	665	360	121	134	149
Nontaxable Social Security benefits.....	4,934	2,680	2,254	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 10.--Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2003--Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under	50 percent under	60 percent under	70 percent under	100 percent or
	50 percent	60 percent	70 percent	100 percent	more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	25	28	13	185	1,826
Interest paid deduction:					
Total.....	69	50	64	208	230
Investment interest per income concept.....	44	52	42	171	175
Taxes paid deduction.....	42	23	16	31	29
Charitable contributions deduction.....	75	293	--	--	--
Medical and dental expense deduction.....	22	23	33	117	133
Net casualty or theft loss deduction.....	**	**	5	52	119
Net limited miscellaneous deduction per income concept.....	43	23	14	22	38
Nonlimited miscellaneous deduction.....	5	7	8	316	356
Deduction equivalent of:					
Total credits.....	66	93	68	133	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	--	**	**	--
Tax preferences excluded from adjusted gross income.....	26	20	17	28	84
Nontaxable Social Security benefits.....	--	--	--	--	--
Expanded income concept					
Total itemized deductions.....	353	278	219	479	834
Interest paid deduction:					
Total.....	11	8	9	24	21
Investment interest per income concept.....	19	19	9	24	47
Taxes paid deduction.....	39	27	20	43	39
Charitable contributions deduction.....	115	66	26	33	19
Medical and dental expense deduction.....	116	127	101	236	140
Net casualty or theft loss deduction.....	**	**	10	47	124
Net limited miscellaneous deduction per income concept.....	50	34	20	29	35
Nonlimited miscellaneous deduction.....	**	**	**	**	7
Deduction equivalent of:					
Total credits.....	59	95	70	126	**
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	--	**	**	--
Tax preferences excluded from adjusted gross income.....	205	266	379	2,198	457
Nontaxable Social Security benefits.....	--	--	--	--	--

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

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

High-Income Tax Returns for 2003

Table 11.--Returns With and Without U.S. Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2003

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns	Percentage of total	Number of returns	Percentage of total	Number of returns
	(1)	(2)	(3)	(4)	(5)
All returns.....	130,423,626	100.0	92,093,453	100.0	26,915,091
Returns without U.S. income tax.....	39,314,263	30.1	38,890,513	42.2	404,047
Returns with U.S. income tax.....	91,109,363	69.9	53,202,940	57.8	26,511,044
Effective tax rate:					
Under 5 percent.....	27,425,881	21.0	24,157,258	26.2	3,093,314
5 under 10 percent.....	35,724,197	27.4	21,913,840	23.8	12,703,314
10 under 15 percent.....	19,606,781	15.0	7,043,806	7.6	7,959,156
15 under 20 percent.....	6,333,719	4.9	55,030	0.1	2,695,236
20 under 25 percent.....	1,342,259	1.0	15,035	(²)	57,153
25 under 30 percent.....	548,390	0.4	2,618	(²)	1,132
30 under 35 percent.....	110,857	0.1	4,856	(²)	1,285
35 under 40 percent.....	3,030	(²)	--	--	296
40 under 45 percent.....	1,088	(²)	6	(²)	--
45 under 50 percent.....	702	(²)	382	(²)	51
50 under 60 percent.....	1,790	(²)	12	(²)	44
60 under 70 percent.....	205	(²)	40	(²)	46
70 under 80 percent.....	13	(²)	--	--	--
80 percent or more.....	10,451	(²)	10,056	(²)	16
Size of adjusted gross income--continued					
Tax status, effective tax rate	\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more
	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(6)	(7)	(8)	(9)	(10)
All returns.....	100.0	8,878,643	100.0	2,536,439	100.0
Returns without U.S. income tax.....	1.5	16,879	0.2	2,824	0.1
Returns with U.S. income tax.....	98.5	8,861,764	99.8	2,533,615	99.9
Effective tax rate:					
Under 5 percent.....	11.5	148,707	1.7	26,601	1.0
5 under 10 percent.....	47.2	1,066,203	12.0	40,839	1.6
10 under 15 percent.....	29.6	4,451,496	50.1	152,324	6.0
15 under 20 percent.....	10.0	2,846,011	32.1	737,442	29.1
20 under 25 percent.....	0.2	337,453	3.8	932,618	36.8
25 under 30 percent.....	(²)	7,912	0.1	536,729	21.2
30 under 35 percent.....	(²)	1,172	(²)	103,544	4.1
35 under 40 percent.....	(²)	593	(²)	2,141	0.1
40 under 45 percent.....	--	302	(²)	780	(²)
45 under 50 percent.....	(²)	202	(²)	66	(²)
50 under 60 percent.....	(²)	1,346	(²)	387	(²)
60 under 70 percent.....	(²)	7	(²)	111	(²)
70 under 80 percent.....	--	--	--	13	(²)
80 percent or more.....	(²)	361	(²)	18	(²)

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 11.--Returns With and Without U.S. Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns (11)	Percentage of total (12)	Number of returns (13)	Percentage of total (14)	Number of returns (15)
All returns.....	130,423,626	100.0	91,306,994	100.0	27,767,147
Returns without U.S. income tax.....	39,314,263	30.1	38,781,004	42.5	495,314
Returns with U.S. income tax.....	91,109,363	69.9	52,525,990	57.5	27,271,833
Effective tax rate:					
Under 5 percent.....	28,201,547	21.6	24,423,093	26.7	3,552,612
5 under 10 percent.....	34,705,607	26.6	20,682,800	22.7	12,977,651
10 under 15 percent.....	19,690,932	15.1	7,296,690	8.0	7,876,427
15 under 20 percent.....	6,476,596	5.0	92,515	0.1	2,794,910
20 under 25 percent.....	1,348,949	1.0	14,147	(²)	61,614
25 under 30 percent.....	563,179	0.4	2,615	(²)	2,821
30 under 35 percent.....	107,050	0.1	4,820	(²)	2,716
35 under 40 percent.....	2,266	(²)	**	**	**
40 under 45 percent.....	544	(²)	**	**	**
45 under 50 percent.....	1,334	(²)	1,309	(²)	8
50 under 60 percent.....	286	(²)	18	(²)	37
60 under 70 percent.....	27	(²)	11	(²)	--
70 under 80 percent.....	1,019	(²)	9	(²)	998
80 percent or more.....	10,027	(²)	7,962	(²)	2,039

Tax status, effective tax rate	Size of expanded income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)
All returns.....	100.0	8,776,352	100.0	2,573,133	100.0
Returns without U.S. income tax.....	1.8	32,107	0.4	5,839	0.2
Returns with U.S. income tax.....	98.2	8,744,245	99.6	2,567,295	99.8
Effective tax rate:					
Under 5 percent.....	12.8	175,576	2.0	50,266	2.0
5 under 10 percent.....	46.7	982,065	11.2	63,090	2.5
10 under 15 percent.....	28.4	4,344,809	49.5	173,006	6.7
15 under 20 percent.....	10.1	2,878,939	32.8	710,233	27.6
20 under 25 percent.....	0.2	346,860	4.0	926,328	36.0
25 under 30 percent.....	(²)	14,470	0.2	543,272	21.1
30 under 35 percent.....	(²)	226	(²)	99,288	3.9
35 under 40 percent.....	**	748	(²)	1,518	0.1
40 under 45 percent.....	**	492	(²)	52	(²)
45 under 50 percent.....	(²)	3	(²)	13	(²)
50 under 60 percent.....	(²)	42	(²)	190	(²)
60 under 70 percent.....	--	--	--	15	(²)
70 under 80 percent.....	(²)	--	--	12	(²)
80 percent or more.....	(²)	13	(²)	12	(²)

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

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

² Less than 0.05 percent.

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

High-Income Tax Returns for 2003

Table 12.--Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2003

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns	Percentage of total	Number of returns	Percentage of total	Number of returns
	(1)	(2)	(3)	(4)	(5)
All returns.....	130,423,626	100.0	92,093,453	100.0	26,915,091
Returns without worldwide income tax.....	39,131,010	30.0	38,739,508	42.1	375,582
Returns with worldwide income tax.....	91,292,616	70.0	53,353,945	57.9	26,539,509
Effective tax rate:					
Under 5 percent.....	27,505,085	21.1	24,268,474	26.4	3,089,718
5 under 10 percent.....	35,723,463	27.4	21,934,092	23.8	12,699,694
10 under 15 percent.....	19,616,699	15.0	7,054,907	7.7	7,969,942
15 under 20 percent.....	6,352,018	4.9	55,392	0.1	2,705,642
20 under 25 percent.....	1,360,069	1.0	15,383	(²)	58,127
25 under 30 percent.....	565,063	0.4	1,920	(²)	5,654
30 under 35 percent.....	122,703	0.1	3,817	(²)	2,693
35 under 40 percent.....	9,142	(²)	**	**	**
40 under 45 percent.....	6,084	(²)	1,777	(²)	**
45 under 50 percent.....	7,079	(²)	1,422	(²)	2,401
50 under 60 percent.....	4,756	(²)	**	**	2,821
60 under 70 percent.....	3,633	(²)	1,067	(²)	2,065
70 under 80 percent.....	388	(²)	375	(²)	**
80 percent or more.....	16,434	(²)	15,318	(²)	750
Size of adjusted gross income--continued					
Tax status, effective tax rate	\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more
	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(6)	(7)	(8)	(9)	(10)
All returns.....	100.0	8,878,643	100.0	2,536,439	100.0
Returns without worldwide income tax.....	1.4	13,503	0.2	2,416	0.1
Returns with worldwide income tax.....	98.6	8,865,139	99.8	2,534,023	99.9
Effective tax rate:					
Under 5 percent.....	11.5	134,518	1.5	12,375	0.5
5 under 10 percent.....	47.2	1,054,837	11.9	34,840	1.4
10 under 15 percent.....	29.6	4,448,364	50.1	143,486	5.7
15 under 20 percent.....	10.1	2,859,559	32.2	731,425	28.8
20 under 25 percent.....	0.2	346,258	3.9	940,300	37.1
25 under 30 percent.....	(²)	10,403	0.1	547,085	21.6
30 under 35 percent.....	(²)	4,490	0.1	111,703	4.4
35 under 40 percent.....	**	2,950	(²)	6,193	0.2
40 under 45 percent.....	**	**	**	4,306	0.2
45 under 50 percent.....	(²)	1,090	(²)	2,166	(²)
50 under 60 percent.....	(²)	1,935	(²)	**	**
60 under 70 percent.....	(²)	376	(²)	125	(²)
70 under 80 percent.....	**	**	**	**	**
80 percent or more.....	(²)	361	(²)	18	(²)

Footnotes at end of table.

High-Income Tax Returns for 2003

Table 12.--Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2003--Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns (11)	Percentage of total (12)	Number of returns (13)	Percentage of total (14)	Number of returns (15)
All returns.....	130,423,626	100.0	91,306,994	100.0	27,767,147
Returns without worldwide income tax.....	39,131,010	30.0	38,642,340	42.3	462,568
Returns with worldwide income tax.....	91,292,616	70.0	52,664,654	57.7	27,304,578
Effective tax rate:					
Under 5 percent.....	28,272,443	21.7	24,530,201	26.9	3,557,258
5 under 10 percent.....	34,710,908	26.6	20,708,391	22.7	12,979,701
10 under 15 percent.....	19,713,775	15.1	7,302,503	8.0	7,886,511
15 under 20 percent.....	6,502,831	5.0	92,515	0.1	2,806,892
20 under 25 percent.....	1,373,393	1.1	14,150	(²)	63,637
25 under 30 percent.....	579,932	0.4	2,615	(²)	4,789
30 under 35 percent.....	120,056	0.1	4,824	(²)	2,715
35 under 40 percent.....	5,234	(²)	**	**	**
40 under 45 percent.....	809	(²)	**	**	--
45 under 50 percent.....	1,364	(²)	1,309	(²)	**
50 under 60 percent.....	288	(²)	17	(²)	38
60 under 70 percent.....	389	(²)	8	(²)	--
70 under 80 percent.....	1,019	(²)	9	(²)	998
80 percent or more.....	10,175	(²)	8,111	(²)	2,039

Tax status, effective tax rate	Size of expanded income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)
All returns.....	100.0	8,776,352	100.0	2,573,133	100.0
Returns without worldwide income tax.....	1.7	21,168	0.2	4,934	0.2
Returns with worldwide income tax.....	98.3	8,755,184	99.8	2,568,199	99.8
Effective tax rate:					
Under 5 percent.....	12.8	158,856	1.8	26,127	1.0
5 under 10 percent.....	46.7	970,179	11.1	52,637	2.0
10 under 15 percent.....	28.4	4,355,091	49.6	169,670	6.6
15 under 20 percent.....	10.3	2,892,739	33.0	710,684	27.7
20 under 25 percent.....	0.2	354,600	4.0	941,005	36.6
25 under 30 percent.....	(²)	18,368	0.2	554,160	21.5
30 under 35 percent.....	(²)	3,326	(²)	109,195	4.2
35 under 40 percent.....	**	748	(²)	4,486	0.2
40 under 45 percent.....	--	808	(²)	**	**
45 under 50 percent.....	**	55	(²)	**	**
50 under 60 percent.....	(²)	42	(²)	192	(²)
60 under 70 percent.....	--	362	(²)	18	(²)
70 under 80 percent.....	(²)	--	--	12	(²)
80 percent or more.....	(²)	13	(²)	12	(²)

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

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

² Less than 0.05 percent.

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