

Section 1

Introduction and Changes in Law

Introduction

This report contains complete individual income tax data for Tax Year 2003. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 130 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2003.

Table A on the following pages presents selected income and tax items for Tax Years 1999, 2000, 2001, 2002, and 2003 as they appear on the forms and provides the percentage change for each item between 2002 and 2003. When comparing income and tax items from different years, it is important to consider any changes in the tax law, which may have affected the data. These tax law changes are explained below. To assist year-to-year comparisons, Table A includes the items in both current dollars and constant 1990 dollars, as adjusted by the U.S. Department of Labor's consumer price index (CPI-U).

For Tax Year 2003, the number of individual tax returns filed increased by just over 347 thousand, or 0.3 percent. Adjusted gross income (AGI) rose \$173.5 billion, or 2.9 percent from 2002 to 2003, compared to the 2.2 percent decline recorded from 2001 to 2002. Total tax liability decreased 5.6 percent to \$793.1 billion. Several components of AGI showed increases for between 2002 and 2003, notably net capital gains less loss increased 23.3 percent and dividends increased 11.5 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2003, and the 1979 Income Concept. Section 2 describes the sample of individual income tax returns upon which the statistics are based. Section 3 contains tables of detailed aggregate statistics on individual tax returns. Section 4 provides explanations of the terms used in the tables. The tax forms appear in Section 5 and Section 6 contains a subject index.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars¹

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

Item	Current dollars					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(1)	(2)	(3)	(4)	(5)	(6)
All returns.....	127,075,145	129,373,500	130,255,237	130,076,443	130,423,626	0.3
Form 1040 returns.....	74,165,814	78,846,102	80,500,011	80,748,948	80,420,043	-0.4
Electronically filed returns.....	13,173,514	16,018,213	20,811,215	24,843,419	30,472,170	22.7
Form 1040A returns.....	26,961,302	28,826,589	28,293,817	28,714,328	29,631,494	3.2
Electronically filed returns.....	12,462,963	13,889,642	15,007,182	16,839,599	18,910,697	12.3
Form 1040EZ returns.....	20,752,420	21,700,809	21,461,409	20,613,167	20,372,089	-1.2
Electronically filed returns.....	9,858,843	10,170,740	11,043,091	11,115,806	11,771,948	5.9
Form 1040PC returns.....	5,195,609	N/A	N/A	N/A	N/A	(X)
Salaries & wages						
Number of returns.....	108,183,782	110,168,714	111,227,450	110,938,441	110,890,993	(Z)
Amount.....	4,132,473,459	4,456,167,438	4,565,229,218	4,559,690,903	4,649,900,493	2.0
Taxable interest received						
Number of returns.....	67,218,877	68,046,458	67,479,816	63,584,806	59,459,344	-6.5
Amount.....	175,675,236	199,321,670	198,177,814	149,024,899	127,159,692	-14.7
Tax-exempt interest						
Number of returns.....	4,801,877	4,658,345	4,557,381	4,453,829	4,524,955	1.6
Amount.....	52,513,007	53,951,877	55,582,376	54,564,456	53,750,230	-1.5
Ordinary dividends in AGI						
Number of returns.....	32,226,492	34,140,604	32,621,151	31,409,759	30,475,097	-3.0
Amount.....	132,465,522	146,987,679	119,533,324	103,241,332	115,141,232	11.5
Qualified dividends in AGI						
Number of returns.....	N/A	N/A	N/A	N/A	22,449,379	(X)
Amount.....	N/A	N/A	N/A	N/A	80,994,736	(X)
State income tax refund						
Number of returns.....	20,811,334	20,921,057	22,132,023	23,838,529	24,655,907	3.4
Amount.....	17,976,204	18,309,835	21,219,499	23,875,813	23,425,623	-1.9
Alimony received						
Number of returns.....	418,989	442,335	437,859	425,963	431,368	1.3
Amount.....	5,455,497	6,192,307	6,685,857	6,523,019	6,470,712	-0.8
Business or profession net income, less loss						
Number of returns.....	17,312,125	17,600,010	18,018,349	18,597,305	19,415,648	4.4
Amount.....	208,414,067	213,865,353	216,772,496	220,783,572	229,655,285	4.0
Net capital gain in AGI less loss						
Number of returns.....	21,493,841	22,875,460	23,470,401	23,249,625	21,889,687	-5.8
Amount.....	530,795,936	614,739,612	325,168,963	238,368,458	294,021,717	23.3
Capital gain distributions reported on Form 1040						
Number of returns.....	6,206,662	6,645,305	2,486,027	939,523	1,095,371	16.6
Amount.....	11,962,180	15,802,819	1,358,488	420,312	332,293	-20.9
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,732,925	1,700,051	1,615,884	1,728,377	1,753,860	1.5
Amount.....	-1,712,291	-919,134	-1,896,996	-2,386,530	-330,359	86.2
Total IRA distributions						
Number of returns.....	8,751,378	9,381,311	9,363,959	8,889,787	9,240,253	3.9
Amount.....	125,316,324	138,323,846	118,565,053	120,418,135	120,948,781	0.4
Taxable IRA distributions in AGI						
Number of returns.....	8,129,376	8,732,291	8,834,138	8,291,357	8,611,702	3.9
Amount.....	87,140,912	98,966,627	94,327,585	88,219,481	88,335,605	0.1
Total pensions & annuities						
Number of returns.....	23,180,716	23,793,404	24,317,375	24,857,470	24,767,067	-0.4
Amount.....	508,236,875	552,009,667	532,924,324	561,031,602	565,420,626	0.8
Taxable pensions & annuities in AGI						
Number of returns.....	21,343,646	21,765,211	22,262,775	22,794,417	22,822,842	0.1
Amount.....	304,310,714	325,827,702	338,745,409	357,840,960	372,931,442	4.2
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,536,311	14,332,632	14,542,983	14,683,765	14,824,475	1.0
Amount.....	246,591,401	252,085,403	268,224,205	278,192,647	295,698,600	6.3
Farm net income less loss						
Number of returns.....	2,046,308	2,061,784	2,006,871	1,995,073	1,997,116	0.1
Amount.....	-6,242,916	-9,034,178	-11,004,781	-14,419,719	-12,371,492	14.2
Unemployment compensation in AGI						
Number of returns.....	6,775,723	6,478,292	8,799,885	10,334,639	10,065,230	-2.6
Amount.....	17,530,779	16,913,305	26,890,925	43,129,155	44,007,879	2.0

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Current dollars					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security benefits (received)						
Number of returns.....	12,487,903	13,627,723	13,753,080	13,869,265	14,120,202	1.8
Amount.....	163,232,494	186,586,863	196,524,465	205,658,281	214,011,279	4.1
Taxable social security benefits in AGI						
Number of returns.....	9,459,189	10,608,572	10,779,279	10,702,502	10,975,002	2.5
Amount.....	75,078,976	89,964,021	93,559,363	93,459,494	97,768,201	4.6
Foreign earned income exclusion ²						
Number of returns.....	314,486	358,391	292,006	316,931	306,393	-3.3
Amount.....	14,136,544	15,239,672	13,944,765	14,936,779	15,076,406	0.9
Net operating loss ²						
Number of returns.....	578,583	527,417	611,473	670,081	712,076	6.3
Amount.....	49,634,620	48,096,275	54,475,064	58,126,147	62,824,777	8.1
Other income, net gain less loss ²						
Number of returns.....	5,160,532	5,815,404	5,610,987	5,467,631	5,703,893	4.3
Amount.....	22,879,779	25,370,158	19,508,967	19,100,950	21,289,227	11.5
Total income						
Number of returns.....	126,840,986	129,148,570	130,014,403	129,837,130	130,171,008	0.3
Amount.....	5,912,166,710	6,423,986,106	6,231,176,710	6,110,746,964	6,294,684,470	3.0
Educator expenses						
Number of returns.....	N/A	N/A	N/A	2,884,403	3,240,673	12.4
Amount.....	N/A	N/A	N/A	712,505	805,734	13.1
Total taxpayer IRA adjustment						
Number of returns.....	3,687,149	3,505,032	3,448,457	3,277,671	3,418,494	4.3
Amount.....	7,883,438	7,477,074	7,406,866	9,462,404	10,006,814	5.8
Student loan interest deduction						
Number of returns.....	4,136,505	4,477,986	4,405,667	6,640,784	6,953,370	4.7
Amount.....	2,254,531	2,639,472	2,711,733	4,659,546	4,409,816	-5.4
Tuition and fees deduction						
Number of returns.....	N/A	N/A	N/A	3,444,941	3,571,154	3.7
Amount.....	N/A	N/A	N/A	6,154,145	6,683,631	8.6
Archer medical savings account deduction						
Number of returns.....	50,393	65,415	69,957	61,118	67,347	10.2
Amount.....	81,977	120,330	123,296	121,282	129,214	6.5
Moving expenses						
Number of returns.....	986,313	956,586	944,791	947,470	1,023,888	8.1
Amount.....	2,230,965	2,137,803	2,180,570	2,215,391	2,439,835	10.1
One-half of self-employment tax						
Number of returns.....	14,029,609	14,300,140	14,574,036	14,664,473	15,373,279	4.8
Amount.....	16,689,650	17,392,967	18,134,959	18,687,162	19,791,285	5.9
Self-employed health insurance						
Number of returns.....	3,491,539	3,564,624	3,559,792	3,571,152	3,802,277	6.5
Amount.....	6,755,071	7,569,198	8,177,397	10,494,247	16,454,211	56.8
Keogh retirement plan						
Number of returns.....	1,264,007	1,287,706	1,290,496	1,186,947	1,208,801	1.8
Amount.....	11,928,242	12,475,396	13,114,412	16,349,738	17,795,957	8.8
Penalty on early withdrawal of savings						
Number of returns.....	805,367	863,436	890,649	804,926	736,121	-8.5
Amount.....	236,115	286,507	197,533	192,750	150,214	-22.1
Alimony paid adjustment						
Number of returns.....	610,609	656,724	656,635	587,219	587,368	(2)
Amount.....	7,247,919	7,460,164	7,472,718	7,183,522	7,520,335	4.7
Foreign housing deductions						
Number of returns.....	5,782	4,411	4,122	2,074	1,491	-28.1
Amount.....	77,574	42,400	92,074	54,614	51,765	-5.2
Other adjustments						
Number of returns.....	198,438	170,106	183,906	208,348	272,647	30.9
Amount.....	1,313,318	1,008,208	961,209	1,064,125	1,314,285	23.5
Total statutory adjustments						
Number of returns.....	22,659,973	23,197,425	23,497,092	28,911,078	30,382,069	5.1
Amount.....	56,698,800	58,609,518	60,572,768	77,161,432	87,575,677	13.5
Adjusted gross income or loss (AGI)						
Amount.....	5,855,467,909	6,365,376,648	6,170,603,942	6,033,585,532	6,207,108,793	2.9

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Current dollars					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(1)	(2)	(3)	(4)	(5)	(6)
Total itemized deductions						
Number of returns.....	40,244,305	42,534,320	44,562,307	45,647,551	43,949,591	-3.7
Amount.....	741,376,847	822,360,510	884,528,260	898,047,320	901,864,834	0.4
Total standard deduction						
Number of returns.....	85,755,366	85,670,504	84,238,232	82,655,191	84,643,281	2.4
Amount.....	463,960,491	470,820,881	481,907,591	492,067,532	555,780,052	12.9
Basic standard deduction						
Number of returns.....	85,755,366	85,670,504	84,238,232	82,655,191	84,643,281	2.4
Amount.....	449,696,182	456,084,883	466,971,032	477,170,045	539,921,089	13.2
Additional standard deduction						
Number of returns.....	11,200,024	11,330,554	11,116,629	10,857,098	11,200,647	3.2
Amount.....	14,264,309	14,735,998	14,936,559	14,897,487	15,858,963	6.5
AGI less deductions						
Number of returns.....	113,863,898	116,391,403	115,862,109	114,976,167	114,402,877	-0.5
Amount.....	4,730,367,366	5,157,822,794	4,910,329,307	4,760,885,833	4,873,784,147	2.4
Number of exemptions.....	248,657,119	252,332,427	256,186,046	258,716,374	261,126,373	0.9
Exemption amount.....	669,241,317	690,109,474	727,554,990	761,440,430	781,305,067	2.6
Taxable income						
Number of returns.....	102,845,571	105,259,292	104,174,655	102,275,969	101,392,812	-0.9
Amount.....	4,136,119,714	4,544,242,424	4,268,506,425	4,096,127,651	4,200,218,439	2.5
Tax from table, rate schedules, etc.						
Number of returns.....	102,831,402	105,254,144	104,163,693	102,266,930	101,386,201	-0.9
Amount.....	906,345,754	1,008,626,180	926,642,321	829,839,121	780,315,781	-6.0
Additional taxes						
Number of returns.....	36,960	23,487	25,334	13,291	21,370	60.8
Amount.....	466,001	126,524	198,998	153,564	222,088	44.6
Alternative minimum tax						
Number of returns.....	1,018,063	1,304,198	1,120,047	1,910,789	2,357,975	23.4
Amount.....	6,477,697	9,600,840	6,756,705	6,853,901	9,469,803	38.2
Income tax before credits						
Number of returns.....	102,834,362	105,277,966	104,195,834	102,293,722	101,412,777	-0.9
Amount.....	906,811,755	1,018,218,948	933,567,474	836,842,718	790,005,881	-5.6
Foreign tax credit						
Number of returns.....	3,266,544	3,935,699	3,942,604	3,748,974	4,145,174	10.6
Amount.....	4,941,010	5,990,360	6,254,559	5,933,600	5,805,555	-2.2
Child care credit						
Number of returns.....	6,182,193	6,368,101	6,184,508	6,185,855	6,313,297	2.1
Amount.....	2,675,147	2,793,860	2,721,061	2,706,539	3,206,890	18.5
Credit for elderly or disabled						
Number of returns.....	181,813	155,796	139,097	133,538	123,147	-7.8
Amount.....	33,629	32,608	30,496	21,119	20,257	-4.1
Education credits						
Number of returns.....	6,436,654	6,815,316	7,212,554	6,544,536	7,298,227	11.5
Amount.....	4,772,443	4,851,178	5,156,254	5,012,744	5,843,029	16.6
Retirement savings contributions credit						
Number of returns.....	N/A	N/A	N/A	5,307,176	5,296,688	-0.2
Amount.....	N/A	N/A	N/A	1,058,219	1,034,394	-2.3
Child tax credit						
Number of returns.....	26,016,019	26,404,521	26,452,875	25,939,801	25,672,254	-1.0
Amount.....	19,398,625	19,689,359	22,427,229	21,520,271	22,788,025	5.9
Adoption credit						
Number of returns.....	47,349	42,681	47,737	55,905	63,980	14.4
Amount.....	103,016	91,866	88,781	234,109	348,793	49.0
General business credit						
Number of returns.....	287,658	275,115	269,648	284,720	262,738	-7.7
Amount.....	783,920	764,253	713,974	750,855	612,744	-18.4
Prior year minimum tax credit						
Number of returns.....	166,010	199,554	248,255	193,776	250,605	29.3
Amount.....	996,461	1,287,661	1,438,041	976,398	916,538	-6.1
Total credits ³						
Number of returns.....	34,813,611	36,028,685	49,066,700	38,846,217	39,247,449	1.0
Amount.....	33,974,279	35,753,613	44,160,998	38,747,463	41,069,375	6.0
Income tax less credits ¹						
Number of returns.....	97,752,068	100,163,625	97,389,985	93,565,243	91,109,363	-2.6
Amount.....	872,837,476	982,465,335	889,406,476	798,095,255	748,936,506	-6.2
Self-employment tax						
Number of returns.....	14,029,609	14,300,140	14,575,011	14,664,473	15,373,279	4.8
Amount.....	33,372,365	34,778,824	36,262,878	37,367,003	39,574,991	5.9
Recapture taxes						
Number of returns.....	12,243	14,144	11,686	14,684	15,797	7.6
Amount.....	215,699	298,862	286,974	117,943	87,939	-25.4

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Current dollars					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security, Medicare tax on tip income not reported						
Number of returns.....	254,489	265,007	288,275	238,185	557,717	134.2
Amount.....	29,477	35,753	35,879	31,446	148,746	373.0
Tax on qualified retirement plans						
Number of returns.....	4,076,050	4,334,527	4,571,187	4,896,938	4,877,670	-0.4
Amount.....	3,074,825	3,414,692	3,259,975	3,498,067	3,407,940	-2.6
Advanced earned income credit payments						
Number of returns.....	171,629	174,967	135,554	156,376	142,694	-8.7
Amount.....	94,004	72,958	51,492	73,904	66,986	-9.4
Household employment taxes						
Number of returns.....	286,175	259,906	250,622	229,722	240,601	4.7
Amount.....	759,438	795,638	804,086	703,931	810,442	15.1
Total tax liability ^{1,4}						
Number of returns.....	102,194,476	104,685,747	102,557,013	99,559,612	97,875,142	-1.7
Amount.....	916,992,618	1,022,172,309	930,280,996	839,977,103	793,111,460	-5.6
Income tax withheld						
Number of returns.....	111,193,931	113,733,442	114,798,386	114,861,744	114,861,706	(Z)
Amount.....	695,526,980	763,901,388	773,325,891	717,492,263	703,758,484	-1.9
Estimated tax payments						
Number of returns.....	13,169,356	13,326,669	13,167,856	12,434,579	11,576,213	-6.9
Amount.....	196,915,946	221,621,893	220,195,712	198,177,595	182,906,911	-7.7
Earned income credit ¹						
Number of returns.....	19,260,339	19,277,225	19,593,121	21,703,187	22,024,227	1.5
Amount.....	31,903,081	32,296,350	33,375,971	38,198,572	38,657,067	1.2
Additional child tax credit						
Number of returns.....	985,579	1,104,143	8,562,900	10,937,417	12,570,455	14.9
Amount.....	812,404	977,641	4,994,877	6,415,753	9,112,716	42.0
Payment with an extension request						
Number of returns.....	1,510,206	1,610,937	1,448,213	1,235,156	1,333,579	8.0
Amount.....	53,984,319	63,396,711	42,495,018	36,321,934	38,303,188	5.5
Excess social security tax withheld						
Number of returns.....	1,377,613	1,640,582	1,436,745	1,145,352	1,121,141	-2.1
Amount.....	1,712,649	2,184,849	1,915,349	1,564,478	1,566,411	0.1
Other payments:						
Form 2439						
Number of returns.....	37,879	50,698	20,955	19,422	12,717	-34.5
Amount.....	151,723	399,047	88,649	37,701	123,633	227.9
Form 4136						
Number of returns.....	426,878	395,555	386,698	365,868	349,860	-4.4
Amount.....	95,029	90,578	108,963	101,459	82,154	-19.0
Form 8885 ⁵						
Number of returns.....	N/A	N/A	N/A	5,322	17,834	235.1
Amount.....	N/A	N/A	N/A	1,967	32,514	1553.0
Total payments ¹						
Number of returns.....	119,809,259	122,243,874	123,451,338	123,462,930	123,461,513	(Z)
Amount.....	981,100,157	1,084,868,447	1,076,500,696	998,311,722	974,543,079	-2.4
Overpayment, total						
Number of returns.....	94,827,237	95,921,082	102,310,895	103,462,884	105,361,848	1.8
Amount.....	182,049,186	196,198,780	236,981,755	239,784,002	254,553,541	6.2
Overpayment refunded						
Number of returns.....	91,600,741	93,000,030	99,011,975	100,143,606	102,004,984	1.9
Amount.....	155,513,635	167,577,365	202,274,032	205,987,348	219,751,889	6.7
Refund credited to next year						
Number of returns.....	4,514,663	4,255,215	5,408,878	5,418,534	5,199,186	-4.0
Amount.....	26,535,551	28,621,415	34,708,129	33,796,653	34,801,652	3.0
Tax due at time of filing						
Number of returns.....	29,200,902	30,624,423	24,581,181	22,818,761	21,072,333	-7.7
Amount.....	119,091,512	134,944,362	91,830,967	82,287,723	73,741,408	-10.4
Tax penalty						
Number of returns.....	5,285,114	5,813,525	5,318,905	5,149,988	4,829,886	-6.2
Amount.....	1,149,865	1,441,719	1,060,320	838,341	619,485	-26.1

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Constant 1990 dollars ⁶					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(7)	(8)	(9)	(10)	(11)	(12)
All returns.....	127,075,145	129,373,500	130,255,237	130,076,443	130,423,626	0.3
Form 1040 returns.....	74,165,814	78,846,102	80,500,011	80,748,948	80,420,043	-0.4
Electronically filed returns.....	13,173,514	16,018,213	20,811,215	24,843,419	30,472,170	22.7
Form 1040A returns.....	26,961,302	28,826,589	28,293,817	28,714,328	29,631,494	3.2
Electronically filed returns.....	12,462,963	13,889,642	15,007,182	16,839,599	18,910,697	12.3
Form 1040EZ returns.....	20,752,420	21,700,809	21,461,409	20,613,167	20,372,089	-1.2
Electronically filed returns.....	9,858,843	10,170,740	11,043,091	11,115,806	11,771,948	5.9
Form 1040PC returns.....	5,195,609	N/A	N/A	N/A	N/A	(X)
Salaries & wages						
Number of returns.....	108,183,782	110,168,714	111,227,450	110,938,441	110,890,993	(Z)
Amount.....	3,241,155,654	3,381,007,161	3,317,753,792	3,313,728,854	3,302,486,146	-0.3
Taxable interest received						
Number of returns.....	67,218,877	68,046,458	67,479,816	63,584,806	59,459,344	-6.5
Amount.....	137,784,499	151,230,402	146,256,689	108,302,979	90,312,281	-16.6
Tax-exempt interest						
Number of returns.....	4,801,877	4,658,345	4,557,381	4,453,829	4,524,955	1.6
Amount.....	41,186,672	40,934,656	41,020,204	39,654,401	38,174,879	-3.7
Ordinary dividends in AGI						
Number of returns.....	32,226,492	34,140,604	32,621,151	31,409,759	30,475,097	-3.0
Amount.....	103,894,527	111,523,277	88,216,475	75,030,038	81,776,443	9.0
Qualified dividends in AGI						
Number of returns.....	N/A	N/A	N/A	N/A	22,449,379	(X)
Amount.....	N/A	N/A	N/A	N/A	57,524,670	(X)
State income tax refund						
Number of returns.....	20,811,334	20,921,057	22,132,023	23,838,529	24,655,907	3.4
Amount.....	14,098,984	13,892,136	15,660,147	17,351,608	16,637,516	-4.1
Alimony received						
Number of returns.....	418,989	442,335	437,859	425,963	431,368	1.3
Amount.....	4,278,821	4,698,260	4,934,212	4,740,566	4,595,676	-3.1
Business or profession net income, less loss						
Number of returns.....	17,312,125	17,600,010	18,018,349	18,597,305	19,415,648	4.4
Amount.....	163,462,013	162,265,063	159,979,702	160,453,177	163,107,447	1.7
Net capital gain in AGI less loss						
Number of returns.....	21,493,841	22,875,460	23,470,401	23,249,625	21,889,687	-5.8
Amount.....	416,310,538	466,418,522	239,977,094	173,232,891	208,822,242	20.5
Capital gain distributions reported on Form 1040						
Number of returns.....	6,206,662	6,645,305	2,486,027	939,523	1,095,371	16.6
Amount.....	9,382,102	11,989,999	1,002,574	305,459	236,004	-22.7
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,732,925	1,700,051	1,615,884	1,728,377	1,753,860	1.5
Amount.....	-1,342,973	-697,370	-1,399,997	-1,734,397	-234,630	86.5
Total IRA distributions						
Number of returns.....	8,751,378	9,381,311	9,363,959	8,889,787	9,240,253	3.9
Amount.....	98,287,313	104,949,807	87,501,884	87,513,180	85,901,123	-1.8
Taxable IRA distributions in AGI						
Number of returns.....	8,129,376	8,732,291	8,834,138	8,291,357	8,611,702	3.9
Amount.....	68,345,813	75,088,488	69,614,454	64,112,995	62,738,356	-2.1
Total pensions & annuities						
Number of returns.....	23,180,716	23,793,404	24,317,375	24,857,470	24,767,067	-0.4
Amount.....	398,617,157	418,823,723	393,302,084	407,726,455	401,577,149	-1.5
Taxable pensions & annuities in AGI						
Number of returns.....	21,343,646	21,765,211	22,262,775	22,794,417	22,822,842	0.1
Amount.....	238,675,070	247,213,734	249,996,612	260,058,837	264,866,081	1.8
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,536,311	14,332,632	14,542,983	14,683,765	14,824,475	1.0
Amount.....	193,405,020	191,263,583	197,951,443	202,174,889	210,013,210	3.9
Farm net income less loss						
Number of returns.....	2,046,308	2,061,784	2,006,871	1,995,073	1,997,116	0.1
Amount.....	-4,896,405	-6,854,460	-8,121,610	-10,479,447	-8,786,571	16.2
Unemployment compensation in AGI						
Number of returns.....	6,775,723	6,478,292	8,799,885	10,334,639	10,065,230	-2.6
Amount.....	13,749,631	12,832,553	19,845,701	31,343,863	31,255,596	-0.3

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Constant 1990 dollars ⁶					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security benefits (received)						
Number of returns.....	12,487,903	13,627,723	13,753,080	13,869,265	14,120,202	1.8
Amount.....	128,025,485	141,568,181	145,036,506	149,460,960	151,996,647	1.7
Taxable social security benefits in AGI						
Number of returns.....	9,459,189	10,608,572	10,779,279	10,702,502	10,975,002	2.5
Amount.....	58,885,471	68,257,983	69,047,500	67,921,144	69,437,643	2.2
Foreign earned income exclusion ²						
Number of returns.....	314,486	358,391	292,006	316,931	306,393	-3.3
Amount.....	11,087,485	11,562,725	10,291,339	10,855,217	10,707,675	-1.4
Net operating loss ²						
Number of returns.....	578,583	527,417	611,473	670,081	712,076	6.3
Amount.....	38,929,114	36,491,863	40,202,999	42,242,839	44,619,870	5.6
Other income, net gain less loss ²						
Number of returns.....	5,160,532	5,815,404	5,610,987	5,467,631	5,703,893	4.3
Amount.....	17,944,925	19,248,982	14,397,762	13,881,504	15,120,190	8.9
Total income						
Number of returns.....	126,840,986	129,148,570	130,014,403	129,837,130	130,171,008	0.3
Amount.....	4,636,993,498	4,874,041,052	4,598,654,399	4,440,949,828	4,470,656,584	0.7
Educator expenses						
Number of returns.....	N/A	N/A	N/A	2,884,403	3,240,673	12.4
Amount.....	N/A	N/A	N/A	517,809	572,254	10.5
Total taxpayer IRA adjustment						
Number of returns.....	3,687,149	3,505,032	3,448,457	3,277,671	3,418,494	4.3
Amount.....	6,183,089	5,673,046	5,466,322	6,876,747	7,107,112	3.3
Student loan interest deduction						
Number of returns.....	4,136,505	4,477,986	4,405,667	6,640,784	6,953,370	4.7
Amount.....	1,768,260	2,002,634	2,001,279	3,386,298	3,131,972	-7.5
Tuition and fees deduction						
Number of returns.....	N/A	N/A	N/A	3,444,941	3,571,154	3.7
Amount.....	N/A	N/A	N/A	4,472,489	4,746,897	6.1
Archer medical savings account deduction						
Number of returns.....	50,393	65,415	69,957	61,118	67,347	10.2
Amount.....	64,296	91,297	90,993	88,141	91,771	4.1
Moving expenses						
Number of returns.....	986,313	956,586	944,791	947,470	1,023,888	8.1
Amount.....	1,749,776	1,622,005	1,609,277	1,610,023	1,732,837	7.6
One-half of self-employment tax						
Number of returns.....	14,029,609	14,300,140	14,574,036	14,664,473	15,373,279	4.8
Amount.....	13,089,922	13,196,485	13,383,734	13,580,786	14,056,310	3.5
Self-employed health insurance						
Number of returns.....	3,491,539	3,564,624	3,559,792	3,571,152	3,802,277	6.5
Amount.....	5,298,095	5,742,942	6,034,979	7,626,633	11,686,229	53.2
Keogh retirement plan						
Number of returns.....	1,264,007	1,287,706	1,290,496	1,186,947	1,208,801	1.8
Amount.....	9,355,484	9,465,399	9,678,533	11,882,077	12,639,174	6.4
Penalty on early withdrawal of savings						
Number of returns.....	805,367	863,436	890,649	804,926	736,121	-8.5
Amount.....	185,188	217,380	145,781	140,080	106,686	-23.8
Alimony paid adjustment						
Number of returns.....	610,609	656,724	656,635	587,219	587,368	(2)
Amount.....	5,684,642	5,660,215	5,514,921	5,220,583	5,341,147	2.3
Foreign housing deductions						
Number of returns.....	5,782	4,411	4,122	2,074	1,491	-28.1
Amount.....	60,842	32,170	67,951	39,690	36,765	-7.4
Other adjustments						
Number of returns.....	198,438	170,106	183,906	208,348	272,647	30.9
Amount.....	1,030,053	764,953	709,379	773,347	933,441	20.7
Total statutory adjustments						
Number of returns.....	22,659,973	23,197,425	23,497,092	28,911,078	30,382,069	5.1
Amount.....	44,469,647	44,468,527	44,703,150	56,076,622	62,198,634	10.9
Adjusted gross income or loss (AGI)						
Amount.....	4,592,523,850	4,829,572,571	4,553,951,249	4,384,873,206	4,408,457,950	0.5

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Constant 1990 dollars ⁶					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(7)	(8)	(9)	(10)	(11)	(12)
Total itemized deductions						
Number of returns.....	40,244,305	42,534,320	44,562,307	45,647,551	43,949,591	-3.7
Amount.....	581,472,037	623,945,759	652,788,384	652,650,669	640,529,001	-1.9
Total standard deduction						
Number of returns.....	85,755,366	85,670,504	84,238,232	82,655,191	84,643,281	2.4
Amount.....	363,890,581	357,223,734	355,651,359	357,607,218	394,730,151	10.4
Basic standard deduction						
Number of returns.....	85,755,366	85,670,504	84,238,232	82,655,191	84,643,281	2.4
Amount.....	352,702,888	346,043,159	344,628,068	346,780,556	383,466,683	10.6
Additional standard deduction						
Number of returns.....	11,200,024	11,330,554	11,116,629	10,857,098	11,200,647	3.2
Amount.....	11,187,693	11,180,575	11,023,291	10,826,662	11,263,468	4.0
AGI less deductions						
Number of returns.....	113,863,898	116,391,403	115,862,109	114,976,167	114,402,877	-0.5
Amount.....	3,710,092,052	3,913,370,860	3,623,859,267	3,459,946,100	3,461,494,423	(2)
Number of exemptions.....	248,657,119	252,332,427	256,186,046	258,716,374	261,126,373	0.9
Exemption amount.....	524,895,151	523,603,546	536,940,952	553,372,406	554,904,167	0.3
Taxable income						
Number of returns.....	102,845,571	105,259,292	104,174,655	102,275,969	101,392,812	-0.9
Amount.....	3,244,015,462	3,447,831,885	3,150,189,244	2,976,836,956	2,983,109,687	0.2
Tax from table, rate schedules, etc.						
Number of returns.....	102,831,402	105,254,144	104,163,693	102,266,930	101,386,201	-0.9
Amount.....	710,859,415	765,270,243	683,868,872	603,080,757	554,201,549	-8.1
Additional taxes						
Number of returns.....	36,960	23,487	25,334	13,291	21,370	60.8
Amount.....	365,491	95,997	146,862	111,602	157,733	41.3
Alternative minimum tax						
Number of returns.....	1,018,063	1,304,198	1,120,047	1,910,789	2,357,975	23.4
Amount.....	5,080,547	7,284,401	4,986,498	4,981,033	6,725,712	35.0
Income tax before credits						
Number of returns.....	102,834,362	105,277,966	104,195,834	102,293,722	101,412,777	-0.9
Amount.....	711,224,906	772,548,519	688,979,686	608,170,580	561,083,722	-7.7
Foreign tax credit						
Number of returns.....	3,266,544	3,935,699	3,942,604	3,748,974	4,145,174	10.6
Amount.....	3,875,302	4,545,038	4,615,911	4,312,209	4,123,263	-4.4
Child care credit						
Number of returns.....	6,182,193	6,368,101	6,184,508	6,185,855	6,313,297	2.1
Amount.....	2,098,155	2,119,772	2,008,163	1,966,961	2,277,621	15.8
Credit for elderly or disabled						
Number of returns.....	181,813	155,796	139,097	133,538	123,147	-7.8
Amount.....	26,376	24,741	22,506	15,348	14,387	-6.3
Education credits						
Number of returns.....	6,436,654	6,815,316	7,212,554	6,544,536	7,298,227	11.5
Amount.....	3,743,093	3,680,712	3,805,354	3,642,983	4,149,879	13.9
Retirement savings contributions credit						
Number of returns.....	N/A	N/A	N/A	5,307,176	5,296,688	-0.2
Amount.....	N/A	N/A	N/A	769,055	734,655	-4.5
Child tax credit						
Number of returns.....	26,016,019	26,404,521	26,452,875	25,939,801	25,672,254	-1.0
Amount.....	15,214,608	14,938,816	16,551,461	15,639,732	16,184,677	3.5
Adoption credit						
Number of returns.....	47,349	42,681	47,737	55,905	63,980	14.4
Amount.....	80,797	69,701	65,521	170,137	247,722	45.6
General business credit						
Number of returns.....	287,658	275,115	269,648	284,720	262,738	-7.7
Amount.....	614,839	579,858	526,918	545,680	435,188	-20.2
Prior year minimum tax credit						
Number of returns.....	166,010	199,554	248,255	193,776	250,605	29.3
Amount.....	781,538	976,981	1,061,285	709,592	650,950	-8.3
Total credits ³						
Number of returns.....	34,813,611	36,028,685	49,066,700	38,846,217	39,247,449	1.0
Amount.....	26,646,493	27,127,172	32,591,142	28,159,493	29,168,590	3.6
Income tax less credits ¹						
Number of returns.....	97,752,068	100,163,625	97,389,985	93,565,243	91,109,363	-2.6
Amount.....	684,578,413	745,421,347	656,388,543	580,011,086	531,915,132	-8.3
Self-employment tax						
Number of returns.....	14,029,609	14,300,140	14,575,011	14,664,473	15,373,279	4.8
Amount.....	26,174,404	26,387,575	26,762,272	27,156,252	28,107,238	3.5
Recapture taxes						
Number of returns.....	12,243	14,144	11,686	14,684	15,797	7.6
Amount.....	169,176	226,754	211,789	85,714	62,457	-27.1

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1999-2003, in Current and Constant 1990 Dollars--Continued¹

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

Item	Constant 1990 dollars ⁶					Percent change, 2002 to 2003
	1999	2000	2001	2002	2003	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security, Medicare tax on tip income not reported						
Number of returns.....	254,489	265,007	288,275	238,185	557,717	134.2
Amount.....	23,119	27,127	26,479	22,853	105,643	362.3
Tax on qualified retirement plans						
Number of returns.....	4,076,050	4,334,527	4,571,187	4,896,938	4,877,670	-0.4
Amount.....	2,411,627	2,590,813	2,405,886	2,542,200	2,420,412	-4.8
Advanced earned income credit payments						
Number of returns.....	171,629	174,967	135,554	156,376	142,694	-8.7
Amount.....	73,729	55,355	38,001	53,709	47,575	-11.4
Household employment taxes						
Number of returns.....	286,175	259,906	250,622	229,722	240,601	4.7
Amount.....	595,638	603,671	593,421	511,578	575,598	12.5
Total tax liability ^{1,4}						
Number of returns.....	102,194,476	104,685,747	102,557,013	99,559,612	97,875,142	-1.7
Amount.....	719,209,896	775,548,034	686,554,241	610,448,476	563,289,389	-7.7
Income tax withheld						
Number of returns.....	111,193,931	113,733,442	114,798,386	114,861,744	114,861,706	(Z)
Amount.....	545,511,357	579,591,341	570,720,215	521,433,331	499,828,469	-4.1
Estimated tax payments						
Number of returns.....	13,169,356	13,326,669	13,167,856	12,434,579	11,576,213	-6.9
Amount.....	154,443,879	168,150,146	162,506,061	144,024,415	129,905,477	-9.8
Earned income credit ¹						
Number of returns.....	19,260,339	19,277,225	19,593,121	21,703,187	22,024,227	1.5
Amount.....	25,022,024	24,504,059	24,631,713	27,760,590	27,455,303	-1.1
Additional child tax credit						
Number of returns.....	985,579	1,104,143	8,562,900	10,937,417	12,570,455	14.9
Amount.....	637,180	741,761	3,686,256	4,662,611	6,472,099	38.8
Payment with an extension request						
Number of returns.....	1,510,206	1,610,937	1,448,213	1,235,156	1,333,579	8.0
Amount.....	42,340,642	48,100,691	31,361,637	26,396,754	27,203,969	3.1
Excess social security tax withheld						
Number of returns.....	1,377,613	1,640,582	1,436,745	1,145,352	1,121,141	-2.1
Amount.....	1,343,254	1,657,700	1,413,542	1,136,975	1,112,508	-2.2
Other payments:						
Form 2439						
Number of returns.....	37,879	50,698	20,955	19,422	12,717	-34.5
Amount.....	118,998	302,767	65,424	27,399	87,808	220.5
Form 4136						
Number of returns.....	426,878	395,555	386,698	365,868	349,860	-4.4
Amount.....	74,533	68,724	80,415	73,735	58,348	-20.9
Form 8885 ⁵						
Number of returns.....	N/A	N/A	N/A	5,322	17,834	235.1
Amount.....	N/A	N/A	N/A	1,430	23,092	1515.4
Total payments ¹						
Number of returns.....	119,809,259	122,243,874	123,451,338	123,462,930	123,461,513	(Z)
Amount.....	769,490,319	823,117,183	794,465,458	725,517,240	692,147,073	-4.6
Overpayment, total						
Number of returns.....	94,827,237	95,921,082	102,310,895	103,462,884	105,361,848	1.8
Amount.....	142,783,675	148,860,986	174,894,284	174,261,629	180,790,867	3.7
Overpayment refunded						
Number of returns.....	91,600,741	93,000,030	99,011,975	100,143,606	102,004,984	1.9
Amount.....	121,971,478	127,145,193	149,279,728	149,700,108	156,073,785	4.3
Refund credited to next year						
Number of returns.....	4,514,663	4,255,215	5,408,878	5,418,534	5,199,186	-4.0
Amount.....	20,812,197	21,715,793	25,614,855	24,561,521	24,717,082	0.6
Tax due at time of filing						
Number of returns.....	29,200,902	30,624,423	24,581,181	22,818,761	21,072,333	-7.7
Amount.....	93,405,107	102,385,707	67,771,931	59,802,124	52,373,159	-12.4
Tax penalty						
Number of returns.....	5,285,114	5,813,525	5,318,905	5,149,988	4,829,886	-6.2
Amount.....	901,855	1,093,869	782,524	609,259	439,975	-27.8

¹ All items correspond to the Form 1040 line items. Therefore, some may differ from the SOI items shown in the Basic Tables in Section 3.

N/A = Not applicable

² Line 21 on Form 1040 consists of other income minus foreign earned income exclusion and net operating loss.

(Z) Less than .05 percent.

³ Total credits includes the values for mortgage interest tax credit and "other credits" not tabulated here.

(X) Percentage not computed.

⁴ Total tax liability includes the values for "other taxes" not tabulated here.⁵ The data for 2002 cover only the health coverage credit for insurance premiums paid in December 2002.⁶ Inflation-adjusted data were calculated using the consumer price index from the Bureau of Labor Statistics; based on 1990=100 when 1990 CPI-U = 130.7; 2003 CPI-U = 184.0; 2002 CPI-U = 179.9; 2001 CPI-U = 177.1; 2000 CPI-U = 172.2; 1999 CPI-U = 166.6.

Figure 1--General Filing Requirements

Marital Status	Filing Status	Age	Gross Income
Single (including divorced and legally separated)	Single	under 65	\$7,800
		65 or older	\$8,950
	Head of household	under 65	\$10,050
		65 or older	\$11,200
Married with a child and living apart from spouse during the last six months of 2003	Head of household	under 65	\$10,050
		65 or older	\$11,200
Married and living with spouse at the end of 2003 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$15,600
		65 or older (one spouse)	\$16,550
		65 or older (both spouses)	\$17,500
	Married, separate return	any age	\$3,050
Married, not living with spouse at the end of 2003 (or on the date spouse died)	Married, joint or separate return	any age	\$3,050
Widowed in 2001 or 2002 and not remarried in 2003	Single	under 65	\$7,800
		65 or older	\$8,950
	Head of household	under 65	\$10,050
		65 or older	\$11,200
	Qualifying widow(er) with dependent child	under 65	\$12,550
		65 or older	\$13,500

Requirements for Filing

The filing requirements for Tax Year 2003 were based on gross income, marital status, age, and, to a lesser extent, dependency and blindness. Gross income included all income received in the form of money, property, and services that was not expressly exempt from tax. Generally, a citizen or resident of the United States was required to file a tax return if gross income for the year was at least as much as the amount shown for the appropriate filing status in Figure 1. Figure 2 shows the filing requirements for taxpayers who could be claimed as a dependent by another person (such as a parent).

In addition to the general filing requirements, an individual was obligated to file a return for Tax Year 2003 if he or she:

1. Was liable for any of the following taxes:

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

Figure 2.-Filing Requirements for Children and Other Dependents

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

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

Caution: If an individual's gross income was \$3,050 or more, he or she generally could not be claimed as a dependent unless the individual was under age 19 or under age 24 and a full-time student.

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

- Earned income was more than \$4,750, or
- Unearned income was over \$750, or
- Gross income was more than the larger of (a) \$750 or (b) earned income (up to \$4,500) plus \$250.

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

- Earned income was more than \$5,900 (\$7,050 if 65 or older and blind), or
- Unearned income was more than \$1,900 (\$3,050 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,500) plus \$250 or \$750, whichever is larger; plus \$1,150 (\$2,300 if 65 or older and blind).

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

- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.
- Earned income was more than \$4,750, or
- Unearned income was over \$750, or
- Gross income was more than the larger of \$750 or earned income (up to \$4,500) plus \$250.

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

- Earned income was more than \$5,700 (\$6,650 if 65 or older and blind), or
- Unearned was more than \$1,700 (\$2,650 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,500) plus \$250 or \$750, whichever is larger, plus \$950 (\$1,900 if 65 or older and blind).
- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

2. Received any advanced earned income credit (AEIC) payments.
3. Had net earnings from self-employment of at least \$400; or
4. Had wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from employer social security and Medicare taxes.

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

Changes in Law or Administrative Procedures

Major changes in effect for Tax Year 2003 that influenced the Statistics of Income data are listed below. Section 4, Explanation of Terms, provides more detailed explanations and definitions of the terms used in this report.

Alternative Minimum Tax

The Alternative Minimum Tax (AMT) exemption amount increased to \$40,250 for single and head of household filers, \$58,000 for married couples filing jointly, and \$29,000 for married couples filing separately. This was an increase of \$9,000 for married filing jointly taxpayers and surviving spouses, and \$4,500 for single taxpayers and married couples filing separately from the 2002 amounts.

Capital Gain and Dividend Rates

For capital gains after May 5, 2003, the 8- and 10- percent capital gain rates were reduced to 5 percent. The 20 percent rate was reduced to 15 percent. In addition the 8 percent capital gain rate for qualified 5-year gain did not apply to any gain after May 5, 2003.

New rates were applied to qualified dividends. The maximum tax rate for qualified dividends was 15 percent (generally 5 percent for taxpayers in the 10 and 15 percent tax brackets). Qualified dividends were ordinary dividends that met certain criteria. Some of the criteria were: the dividend must have been paid by a U.S. corporation or a "qualified" foreign corporation; the stock ownership must have met certain holding period requirements; the dividends were not from certain institutions, such as mutual savings banks, cooperative banks, credit unions, tax-exempt organizations, or farmer cooperatives; and the dividends were not for any share of stock which was part of an employee stock ownership plan (ESOP).

Child and Dependent Care Credit

For 2003, the maximum credit increased to \$1,050 for one qualifying individual and \$2,100 for two or more qualifying individuals from \$800

and \$1,600 in 2002. Also, the limit on qualifying expenses increased to \$3,000 for one qualifying individual and \$6,000 for two or more individuals (\$2,400 and \$4,800 in 2002). The credit can be as much as 35 percent (previously 30 percent) of a taxpayer's qualified expenses.

Child Tax Credit

The child tax credit increased to \$1,000 in 2003 from \$600 in 2002. In 2003, up to \$400 per eligible child may have been given in advance to taxpayers based on the age of eligible children and the taxpayer's 2002 tax return (these data were not included in the statistics). The taxpayer's 2003 child tax credit was reduced by any advance child tax credit payment.

Earned Income Credit

The maximum amount of the earned income credit increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,600 from \$2,550. The maximum credit for taxpayers with no qualifying children increased to \$382 from \$376. For these taxpayers, earned income and AGI had to be less than \$11,230 (\$12,230 if married filing jointly). For taxpayers with one qualifying child, the maximum credit increased \$41 to \$2,547 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,204 from \$4,140. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$29,666 (\$30,666 for married filing jointly) for one qualifying child, or less than \$33,692 (\$34,692 for married filing jointly) for two or more qualifying children.

Exemption Amount

Indexing for inflation increased to \$3,050 the deduction for each exemption to which the taxpayer was entitled for 2003, an increase over the \$3,000 allowed for 2002. The AGI threshold for the limitation of exemption amounts was also

indexed for inflation, increasing from \$137,300 to \$139,500 for single filers; \$206,000 to \$209,250 for married persons filing jointly and surviving spouses; \$171,650 to \$174,400 for heads of household; and \$103,000 to \$104,625 for married persons filing separately. The phase-out of the deduction for exemptions was completed at AGI levels above \$262,000 for single filers; \$331,750 for married persons filing jointly and surviving spouses; \$296,900 for heads of household; and \$165,875 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

Health Coverage Credit

Eligible taxpayers not covered under any employer-sponsored health plan were able to take the credit. The credit was equal to 65 percent of the amount the taxpayer paid for qualified health insurance. In 2002, the credit was only available for amount of health insurance paid in December of 2002. For 2003, the credit was available for the whole year.

Individual Retirement Arrangement Deduction

For 2003, a taxpayer (both taxpayers for taxpayers filing jointly), was able to take an IRA deduction up to \$3,000 (\$3,500 if age 50 or older) if not covered by a retirement plan, or if covered by a retirement plan but their modified AGI was less than \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)). This was up from \$44,000 (\$64,000 if married filing jointly or qualifying widow(er)) for 2002.

Itemized Deductions

If a taxpayer's AGI was greater than \$139,500 (\$69,750 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$137,300 (\$68,650) for 2002, as a result of inflation indexing. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. To arrive at

allowable itemized deductions, total itemized deductions were reduced by the smaller of: (a) 80 percent of the non-exempt deductions, or (b) 3 percent of the amount of AGI in excess of the limitation threshold.

Lifetime Learning Credit

The amount of qualified tuition and related expenses a taxpayer took into account for the lifetime learning credit increased from \$5,000 in 2002 to \$10,000 in 2003. The credit equaled 20 percent of these qualified expenses, with a maximum credit of \$2,000 (\$1,000 in 2002).

Section 179 Deduction

The maximum section 179 deduction (full expensing of certain depreciable property) that could be elected for property placed in service in 2003 increased from \$24,000 to \$100,000 for qualified section 179 property (\$135,000 for qualified zone property, qualified renewal property, or qualified New York Liberty Zone property). This limit was reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeded \$400,000 (increased from \$200,000).

Self-employed Health Insurance Deduction

A self-employed taxpayer was able to deduct up to 100 percent of health insurance expenses for 2003 up from 70 percent for 2002.

Self-employment Tax

The ceiling on taxable "self-employment income" was raised, for 2003, to \$87,000 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$84,900 for 2002.

Standard Deduction

For married persons filing jointly or surviving spouses, the standard deduction was increased beyond just general indexing for inflation in 2003, from \$7,850 to \$9,500 (the amount is now twice that for single filers). For

Figure 3.-Calculation of the 1979 Income Concept for 2003

1979 Total Income Concept=

Income or Loss:

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

Deductions:

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

¹ Included in adjusted gross income (less deficit) (AGI) for Tax Year 2003.

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

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

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

⁵ Not fully included in AGI for Tax Year 2003.

⁶ Not included in AGI for Tax Year 2003.

other filers, the standard deduction was increased as a result of indexing for inflation. For single filers, the standard deduction rose from \$4,700 to \$4,750; for married persons filing separately, from \$3,925 to \$4,750; and for heads of household, from \$6,900 to \$7,000. The amount of standard deduction for a dependent was the greater of \$750 or the dependent's earned income plus \$250 (but not more than the regular standard deduction amount). Taxpayers who were age 65 or over or blind could claim an additional standard deduction amount of \$950 or \$1,150 depending on marital status.

Tax Rate Reductions

The 10 percent regular income tax bracket was expanded \$2,000 for married filing joint returns (\$1,000 for single or married filing separately). The 15 percent tax bracket was also expanded for joint returns. Beginning in 2003, the 15 percent tax bracket for married filing joint returns was twice the upper end of the 15 percent income tax rate bracket for single returns. Also for Tax Year 2003, there was a reduction of the former tax rates of 27.0 percent, 30.0 percent, 35.0 percent and 38.6 percent to 25.0 percent, 28.0 percent, 33.0 percent, and 35.0 percent, respectively.

The 1979 Income Concept: A Retrospective Income Definition

In order to analyze changes in income and taxes over a period of years, a consistent definition of income must be used. The income concept available from Federal income tax returns, AGI, was designed to facilitate tax administration, and its definition has changed over time to reflect modifications to the Internal Revenue Code. Tax laws of the 1980's (the Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984, and the Tax Reform Act of 1986) made significant changes to the components of AGI, which made it more difficult to use AGI for accurate comparisons of income from year to year. For this reason, it was decided to develop an income definition

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2003

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

Size of income	Income				Salaries and wages			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns, total.....	130,423,626	6,207,109	130,423,626	6,346,203	110,890,993	4,649,900	110,890,993	4,649,900
Under \$10,000.....	26,014,877	43,739	25,409,210	39,098	19,662,374	113,666	19,420,339	109,144
\$10,000 under \$20,000.....	23,295,971	346,619	23,306,689	347,182	18,468,641	255,561	18,521,185	257,708
\$20,000 under \$30,000.....	18,372,903	455,093	19,254,068	477,539	15,958,288	371,852	16,357,516	382,664
\$30,000 under \$40,000.....	13,957,257	484,775	14,425,830	500,714	12,430,251	400,770	12,630,435	409,222
\$40,000 under \$50,000.....	10,452,444	467,519	10,380,075	464,810	9,363,199	383,634	9,368,719	386,851
\$50,000 under \$60,000.....	8,194,007	449,443	7,984,404	437,600	7,434,802	366,899	7,239,529	359,842
\$60,000 under \$70,000.....	6,367,623	412,581	6,139,677	397,877	5,809,187	336,623	5,677,957	333,163
\$70,000 under \$80,000.....	5,269,819	394,232	5,024,645	375,863	4,807,846	319,781	4,688,706	317,441
\$80,000 under \$90,000.....	4,101,939	347,863	3,752,652	318,153	3,795,154	285,516	3,531,693	268,798
\$90,000 under \$100,000.....	2,981,704	282,515	2,865,148	271,204	2,783,303	232,546	2,673,772	225,364
\$100,000 under \$125,000.....	4,490,665	499,091	4,385,165	487,254	4,167,732	403,987	4,089,141	393,064
\$125,000 under \$150,000.....	2,303,585	314,793	2,382,601	325,384	2,109,818	246,783	2,196,890	251,796
\$150,000 under \$175,000.....	1,285,299	207,323	1,351,964	218,020	1,174,667	155,871	1,228,358	155,671
\$175,000 under \$200,000.....	799,095	148,972	853,455	159,150	729,740	109,509	771,288	110,057
\$200,000 under \$300,000.....	1,284,427	308,129	1,420,597	341,381	1,125,905	206,325	1,233,638	208,493
\$300,000 under \$400,000.....	487,025	167,039	572,105	196,570	422,272	103,082	493,183	107,828
\$400,000 under \$500,000.....	227,564	101,141	281,536	125,008	195,779	59,026	237,024	63,339
\$500,000 under \$1,000,000.....	356,140	241,211	427,431	287,614	301,914	125,161	362,415	132,411
\$1,000,000 under \$1,500,000.....	81,695	98,875	97,498	117,498	67,026	42,557	80,290	44,597
\$1,500,000 under \$2,000,000.....	34,016	58,498	38,139	65,614	28,236	23,148	30,498	23,478
\$2,000,000 under \$5,000,000.....	48,278	142,220	53,215	155,777	40,191	50,955	43,570	52,015
\$5,000,000 under \$10,000,000.....	11,168	76,311	11,351	77,524	9,506	24,088	9,651	24,361
\$10,000,000 and over.....	6,126	159,126	6,168	159,370	5,163	32,559	5,195	32,593

Size of income	Taxable interest received				Ordinary dividends		Ordinary dividends received	
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All returns, total.....	59,459,344	127,160	59,459,344	127,160	30,475,097	115,141	30,475,097	115,141
Under \$10,000.....	7,155,075	9,546	6,794,875	9,572	3,676,515	5,315	3,481,534	5,320
\$10,000 under \$20,000.....	6,746,101	10,013	6,583,778	9,847	3,143,442	5,169	3,037,660	5,259
\$20,000 under \$30,000.....	5,886,817	8,349	6,464,652	9,926	2,539,374	4,615	2,882,340	5,772
\$30,000 under \$40,000.....	5,845,710	7,113	6,283,794	8,362	2,424,785	4,175	2,653,765	5,175
\$40,000 under \$50,000.....	5,364,288	6,548	5,336,413	6,705	2,401,322	4,593	2,349,215	4,945
\$50,000 under \$60,000.....	4,878,912	5,724	4,789,337	7,037	2,248,221	4,589	2,271,579	4,731
\$60,000 under \$70,000.....	4,285,484	5,583	4,116,786	4,527	2,007,681	3,982	1,878,516	3,845
\$70,000 under \$80,000.....	3,787,886	5,885	3,562,507	4,946	1,925,421	4,430	1,763,647	3,740
\$80,000 under \$90,000.....	3,102,121	4,185	2,773,502	3,680	1,651,112	3,958	1,483,250	3,632
\$90,000 under \$100,000.....	2,308,422	3,829	2,255,091	3,724	1,342,087	2,868	1,268,392	3,240
\$100,000 under \$125,000.....	3,780,633	7,114	3,659,868	5,680	2,321,166	7,374	2,205,357	5,878
\$125,000 under \$150,000.....	2,007,317	5,288	2,086,281	4,898	1,354,216	5,276	1,400,348	4,861
\$150,000 under \$175,000.....	1,148,100	3,442	1,200,974	3,486	836,196	3,752	884,042	3,596
\$175,000 under \$200,000.....	737,114	2,667	784,058	2,639	563,540	3,102	602,959	3,031
\$200,000 under \$300,000.....	1,210,388	6,532	1,332,163	6,603	963,016	7,707	1,051,732	7,622
\$300,000 under \$400,000.....	466,485	3,690	545,569	3,719	394,037	4,843	457,637	4,721
\$400,000 under \$500,000.....	220,655	2,669	271,026	2,666	198,255	3,295	242,141	3,364
\$500,000 under \$1,000,000.....	348,508	6,933	416,511	7,070	315,791	8,824	369,108	8,997
\$1,000,000 under \$1,500,000.....	80,475	3,447	94,086	3,478	75,085	3,964	89,208	4,054
\$1,500,000 under \$2,000,000.....	33,729	2,091	37,836	2,133	31,650	2,544	35,492	2,549
\$2,000,000 under \$5,000,000.....	47,910	5,389	52,799	5,423	45,414	6,810	50,187	6,891
\$5,000,000 under \$10,000,000.....	11,109	3,149	11,292	3,151	10,791	3,907	10,967	3,894
\$10,000,000 and over.....	6,105	7,975	6,146	7,891	5,978	10,049	6,022	10,023

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2003--Continued

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

Size of income	Business or profession net income less loss				Sales of capital assets			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total.....	19,415,648	229,655	19,415,648	229,655	22,985,058	294,354	22,985,058	294,354
Under \$10,000.....	3,679,177	5,714	3,410,940	3,172	2,992,744	4,038	2,863,263	4,534
\$10,000 under \$20,000.....	3,033,650	22,462	2,955,225	19,347	2,156,118	318	2,097,824	260
\$20,000 under \$30,000.....	2,179,392	16,328	2,303,568	15,391	1,777,325	1,041	1,989,997	1,240
\$30,000 under \$40,000.....	1,775,019	14,658	1,825,249	13,792	1,689,877	1,102	1,838,517	1,663
\$40,000 under \$50,000.....	1,550,603	12,147	1,595,866	11,159	1,732,507	1,391	1,735,135	1,735
\$50,000 under \$60,000.....	1,349,006	12,019	1,351,214	12,590	1,584,031	2,196	1,550,413	2,935
\$60,000 under \$70,000.....	1,067,390	10,373	1,068,838	10,686	1,394,538	2,534	1,372,726	3,304
\$70,000 under \$80,000.....	955,715	11,073	952,105	9,424	1,459,073	3,411	1,295,887	2,679
\$80,000 under \$90,000.....	749,445	10,460	681,363	8,169	1,215,883	3,092	1,077,646	3,068
\$90,000 under \$100,000.....	548,995	8,031	558,276	7,861	957,178	3,474	916,024	3,487
\$100,000 under \$125,000.....	880,987	17,623	892,390	18,722	1,774,127	8,446	1,667,028	7,283
\$125,000 under \$150,000.....	475,489	12,631	509,530	13,057	1,100,061	8,445	1,157,760	8,410
\$150,000 under \$175,000.....	297,236	11,940	312,284	12,198	714,027	7,711	732,092	7,003
\$175,000 under \$200,000.....	193,821	8,405	214,889	8,829	481,726	6,204	518,550	6,219
\$200,000 under \$300,000.....	353,435	20,482	396,114	23,758	906,769	20,496	965,056	20,095
\$300,000 under \$400,000.....	130,348	10,552	152,059	12,379	379,118	15,101	428,536	14,189
\$400,000 under \$500,000.....	61,692	5,778	77,313	7,141	188,346	11,038	227,064	11,257
\$500,000 under \$1,000,000.....	90,054	10,456	108,888	12,510	311,514	32,172	360,023	32,244
\$1,000,000 under \$1,500,000.....	19,985	3,113	23,273	3,645	75,404	17,930	88,115	17,901
\$1,500,000 under \$2,000,000.....	8,020	1,263	8,876	1,484	31,862	11,760	35,659	11,906
\$2,000,000 under \$5,000,000.....	11,733	2,433	12,876	2,594	46,026	35,150	50,721	35,676
\$5,000,000 under \$10,000,000.....	2,818	953	2,860	968	10,803	23,075	10,983	23,078
\$10,000,000 and over.....	1,636	761	1,653	777	6,001	74,231	6,043	74,189

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total.....	9,563,619	29,227	9,563,619	29,227	7,006,580	254,057	7,006,580	254,057
Under \$10,000.....	1,002,314	-1,343	952,503	-1,401	693,853	-33,373	668,595	-33,438
\$10,000 under \$20,000.....	1,040,687	845	1,000,884	670	450,889	26	428,549	-62
\$20,000 under \$30,000.....	908,890	588	999,082	940	477,372	742	492,641	755
\$30,000 under \$40,000.....	894,354	110	953,452	264	441,755	1,466	468,864	1,252
\$40,000 under \$50,000.....	813,091	-319	850,608	291	459,196	2,192	464,087	1,934
\$50,000 under \$60,000.....	764,870	60	740,302	4	458,878	3,335	464,315	3,074
\$60,000 under \$70,000.....	652,414	722	645,057	695	417,499	3,447	386,078	3,236
\$70,000 under \$80,000.....	623,797	136	572,508	87	385,628	2,981	361,857	2,906
\$80,000 under \$90,000.....	473,280	928	420,467	657	320,791	3,023	304,348	3,324
\$90,000 under \$100,000.....	382,613	725	376,549	920	270,902	3,120	269,629	2,806
\$100,000 under \$125,000.....	689,184	2,171	660,346	1,443	592,459	10,347	575,873	9,572
\$125,000 under \$150,000.....	391,106	1,399	383,414	1,987	387,744	9,003	396,674	8,572
\$150,000 under \$175,000.....	190,123	1,903	207,586	1,791	271,733	8,945	275,049	7,825
\$175,000 under \$200,000.....	130,170	1,345	131,476	909	198,206	7,336	207,946	7,440
\$200,000 under \$300,000.....	252,700	4,606	275,595	4,683	461,912	27,509	469,222	25,727
\$300,000 under \$400,000.....	119,660	2,520	132,427	2,264	233,698	22,535	243,273	22,439
\$400,000 under \$500,000.....	61,442	1,607	70,638	1,768	122,699	15,513	139,591	16,755
\$500,000 under \$1,000,000.....	108,221	4,476	118,225	4,429	224,172	46,740	242,605	48,698
\$1,000,000 under \$1,500,000.....	27,486	1,808	33,268	1,862	58,247	23,284	63,444	24,035
\$1,500,000 under \$2,000,000.....	11,715	929	12,448	941	25,978	15,057	27,779	15,482
\$2,000,000 under \$5,000,000.....	18,096	2,107	19,295	2,120	38,224	35,145	41,266	35,864
\$5,000,000 under \$10,000,000.....	4,559	911	4,637	900	17,944	17,944	9,427	17,985
\$10,000,000 and over.....	2,848	992	2,854	1,004	5,442	27,739	5,467	27,876

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2003--Continued

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

Size of income	Nondeductible passive losses				Estate and trust net income less loss			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total.....	1,390,661	17,722	1,390,661	17,722	532,533	12,415	532,533	12,415
Under \$10,000.....	126,912	2,715	151,682	6,627	62,622	-70	63,371	-82
\$10,000 under \$20,000.....	48,402	497	53,650	285	38,253	181	37,154	191
\$20,000 under \$30,000.....	70,584	474	77,067	300	45,731	237	56,227	256
\$30,000 under \$40,000.....	73,668	343	69,034	214	35,810	210	46,948	297
\$40,000 under \$50,000.....	54,804	251	63,284	228	37,951	271	37,434	254
\$50,000 under \$60,000.....	69,552	513	58,740	358	35,302	207	23,229	190
\$60,000 under \$70,000.....	44,957	375	47,505	322	18,686	207	22,533	267
\$70,000 under \$80,000.....	57,462	379	58,539	297	27,497	230	27,165	184
\$80,000 under \$90,000.....	55,870	281	37,798	267	30,992	227	18,770	80
\$90,000 under \$100,000.....	41,817	433	40,514	237	20,505	183	21,658	305
\$100,000 under \$125,000.....	96,940	799	103,256	611	40,863	718	38,524	641
\$125,000 under \$150,000.....	109,425	1,442	103,318	836	34,317	346	33,855	430
\$150,000 under \$175,000.....	105,352	810	101,302	794	15,901	437	13,538	374
\$175,000 under \$200,000.....	90,047	724	76,872	651	10,986	289	10,860	309
\$200,000 under \$300,000.....	150,361	1,902	142,811	1,287	26,762	954	27,825	820
\$300,000 under \$400,000.....	65,960	941	68,159	733	15,208	608	15,499	661
\$400,000 under \$500,000.....	36,236	638	35,598	404	6,527	235	6,842	239
\$500,000 under \$1,000,000.....	56,246	1,194	63,803	983	15,421	1,715	16,911	1,743
\$1,000,000 under \$1,500,000.....	14,378	477	15,338	432	4,804	702	5,395	740
\$1,500,000 under \$2,000,000.....	6,665	295	6,759	225	2,147	423	2,387	436
\$2,000,000 under \$5,000,000.....	10,499	843	11,138	598	4,069	1,481	4,227	1,443
\$5,000,000 under \$10,000,000.....	2,799	477	2,794	323	1,217	890	1,219	899
\$10,000,000 and over.....	1,725	919	1,701	707	963	1,734	962	1,740
Size of income	Pensions and annuities in AGI ¹		Pensions and annuities ¹		Total statutory adjustments			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total.....	26,403,205	461,267	28,568,799	686,369	30,382,069	87,576	16,138,939	73,170
Under \$10,000.....	2,667,611	13,733	2,528,340	14,016	3,904,160	4,735	316,491	2,464
\$10,000 under \$20,000.....	4,816,499	46,778	4,806,823	47,302	3,964,781	5,700	804,914	4,164
\$20,000 under \$30,000.....	3,452,109	44,925	4,113,173	57,747	3,454,250	6,031	1,444,259	7,182
\$30,000 under \$40,000.....	2,833,054	44,788	3,373,648	59,436	3,094,410	5,946	1,749,679	7,402
\$40,000 under \$50,000.....	2,512,012	43,952	2,635,411	50,945	2,868,710	5,973	1,776,119	7,525
\$50,000 under \$60,000.....	2,129,015	40,439	2,160,124	46,258	2,450,786	5,344	1,700,367	6,040
\$60,000 under \$70,000.....	1,640,440	35,879	1,579,850	37,125	1,862,265	4,364	1,550,065	5,623
\$70,000 under \$80,000.....	1,450,210	34,964	1,393,532	35,141	1,649,762	4,449	1,475,091	5,479
\$80,000 under \$90,000.....	1,170,894	28,873	1,122,127	27,646	1,442,754	4,317	1,117,828	4,438
\$90,000 under \$100,000.....	819,328	22,223	852,166	23,733	1,155,206	3,659	886,026	3,256
\$100,000 under \$125,000.....	1,189,644	34,185	1,340,926	44,851	1,928,719	7,660	1,396,326	5,674
\$125,000 under \$150,000.....	599,709	21,955	767,838	31,726	807,674	4,491	695,387	3,438
\$150,000 under \$175,000.....	330,321	12,248	476,627	26,641	424,520	3,450	369,442	2,124
\$175,000 under \$200,000.....	218,040	9,246	333,537	19,840	282,236	2,707	245,230	1,561
\$200,000 under \$300,000.....	301,359	13,608	511,152	43,067	498,919	6,879	345,594	2,660
\$300,000 under \$400,000.....	110,506	4,651	223,177	27,788	218,905	3,725	115,376	1,233
\$400,000 under \$500,000.....	47,971	2,206	111,648	18,060	105,161	1,945	52,844	605
\$500,000 under \$1,000,000.....	75,456	3,894	163,648	38,073	173,775	3,673	74,654	1,266
\$1,000,000 under \$1,500,000.....	17,138	1,037	37,561	16,094	42,004	1,054	11,414	331
\$1,500,000 under \$2,000,000.....	7,392	500	13,526	6,354	17,798	454	4,080	153
\$2,000,000 under \$5,000,000.....	10,525	709	18,569	12,010	25,582	668	5,949	301
\$5,000,000 under \$10,000,000.....	2,508	250	3,468	1,420	6,225	192	1,243	143
\$10,000,000 and over.....	1,463	225	1,927	1,094	3,468	159	560	109

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2003--Continued

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

Size of income	Total itemized deductions				Taxable income			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All returns, total.....	43,949,591	901,865	43,921,885	855,446	101,392,812	4,200,218	101,392,812	4,200,218
Under \$10,000.....	988,786	14,284	1,047,740	14,015	5,692,486	9,165	5,662,760	10,119
\$10,000 under \$20,000.....	2,366,752	29,929	2,457,017	28,204	16,126,280	91,290	16,035,308	91,560
\$20,000 under \$30,000.....	3,458,904	44,766	3,889,758	46,817	17,248,402	204,906	17,950,607	217,831
\$30,000 under \$40,000.....	4,449,065	58,796	4,584,673	56,861	13,724,586	273,848	14,110,368	292,589
\$40,000 under \$50,000.....	4,501,574	63,813	4,464,356	59,186	10,356,679	286,911	10,257,798	297,135
\$50,000 under \$60,000.....	4,356,717	68,079	4,172,995	61,900	8,158,782	291,115	7,902,314	290,188
\$60,000 under \$70,000.....	3,997,826	66,131	3,823,788	60,196	6,352,529	276,324	6,086,364	269,260
\$70,000 under \$80,000.....	3,814,314	66,822	3,637,045	61,090	5,258,082	271,567	4,990,477	259,168
\$80,000 under \$90,000.....	3,171,893	60,153	2,875,075	51,565	4,097,575	243,917	3,730,965	223,130
\$90,000 under \$100,000.....	2,456,189	50,227	2,328,451	45,188	2,979,967	201,832	2,855,438	192,703
\$100,000 under \$125,000.....	3,977,567	91,581	3,816,719	83,161	4,484,629	363,671	4,356,512	345,824
\$125,000 under \$150,000.....	2,090,169	55,639	2,156,470	54,135	2,299,165	237,018	2,371,861	236,366
\$150,000 under \$175,000.....	1,194,945	36,107	1,217,284	34,599	1,283,322	159,062	1,344,974	156,746
\$175,000 under \$200,000.....	753,743	25,490	785,736	24,695	797,249	116,121	849,937	115,436
\$200,000 under \$300,000.....	1,205,426	47,836	1,308,969	47,871	1,282,928	251,533	1,410,531	252,865
\$300,000 under \$400,000.....	457,729	23,146	516,836	23,784	486,571	143,455	568,080	146,989
\$400,000 under \$500,000.....	213,446	13,334	259,738	14,405	227,148	87,863	278,847	94,281
\$500,000 under \$1,000,000.....	329,147	28,295	391,133	29,809	355,526	212,836	424,350	222,684
\$1,000,000 under \$1,500,000.....	73,232	10,506	87,554	10,770	81,525	88,369	97,131	91,740
\$1,500,000 under \$2,000,000.....	30,700	6,008	34,485	6,193	33,949	52,504	37,774	53,582
\$2,000,000 under \$5,000,000.....	44,803	14,087	49,216	14,261	48,175	128,219	52,948	130,850
\$5,000,000 under \$10,000,000.....	10,709	7,806	10,858	7,843	11,151	68,514	11,325	68,826
\$10,000,000 and over.....	5,955	19,030	5,988	18,897	6,105	140,180	6,146	140,347

Size of income	Total tax credits				Total income tax			
	2003 Adjusted Gross Income		1979 Income Concept		2003 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
All returns, total.....	41,091,029	41,996	41,091,029	41,996	88,921,904	748,017	88,921,904	748,017
Under \$10,000.....	1,065,701	91	1,043,408	103	4,956,686	932	4,943,645	1,107
\$10,000 under \$20,000.....	5,419,481	1,625	5,365,521	1,621	12,347,028	8,155	12,311,462	8,206
\$20,000 under \$30,000.....	7,778,264	5,265	7,909,851	5,318	12,187,319	19,310	12,878,463	20,824
\$30,000 under \$40,000.....	5,509,367	5,003	5,575,276	5,066	11,856,081	29,738	12,206,944	32,520
\$40,000 under \$50,000.....	4,643,842	4,932	4,559,722	4,834	9,668,366	34,635	9,602,036	36,343
\$50,000 under \$60,000.....	3,350,620	4,031	3,383,685	3,992	7,963,729	38,107	7,695,815	38,098
\$60,000 under \$70,000.....	2,924,490	3,670	2,875,650	3,591	6,270,036	37,134	5,998,978	36,352
\$70,000 under \$80,000.....	2,516,662	3,206	2,477,941	3,187	5,227,837	37,081	4,954,501	35,694
\$80,000 under \$90,000.....	2,092,625	2,754	1,938,781	2,563	4,075,665	35,004	3,708,443	32,257
\$90,000 under \$100,000.....	1,473,659	1,728	1,399,318	1,640	2,973,777	31,183	2,845,170	29,848
\$100,000 under \$125,000.....	2,045,535	2,372	2,030,323	2,288	4,482,868	61,653	4,342,463	58,565
\$125,000 under \$150,000.....	768,231	674	835,891	714	2,296,864	44,732	2,364,004	44,165
\$150,000 under \$175,000.....	352,027	377	399,384	370	1,283,855	31,961	1,343,121	31,278
\$175,000 under \$200,000.....	219,991	168	246,856	240	798,176	24,996	848,382	24,397
\$200,000 under \$300,000.....	397,842	790	442,960	813	1,282,929	59,183	1,407,925	58,531
\$300,000 under \$400,000.....	169,320	564	194,033	538	486,553	37,474	564,874	37,681
\$400,000 under \$500,000.....	91,586	346	109,109	518	227,304	24,054	278,779	25,261
\$500,000 under \$1,000,000.....	165,001	1,131	185,334	1,248	355,750	60,181	422,426	62,379
\$1,000,000 under \$1,500,000.....	44,901	533	50,757	579	81,588	25,551	97,152	26,419
\$1,500,000 under \$2,000,000.....	19,386	335	21,771	335	33,984	15,316	36,826	15,608
\$2,000,000 under \$5,000,000.....	30,289	896	33,117	929	48,235	36,905	53,002	37,594
\$5,000,000 under \$10,000,000.....	7,681	486	7,777	489	11,160	19,314	11,339	19,429
\$10,000,000 and over.....	4,528	1,019	4,564	1,022	6,114	35,417	6,152	35,462

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

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

that would be consistent over several years, and would allow comparisons both before and after the major tax legislation of the 1980's.

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

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

Deductions that could be subtracted in the calculation of the 1979 Income Concept were limited to employee business expenses, alimony paid, and moving expenses. These same items were also subtracted in computing AGI until 1987 when unreimbursed business expenses and moving expenses were changed from adjustments to itemized deductions. Starting in 1994, moving expenses were once more made an adjustment to income. The amounts reported for employee business expenses by taxpayers who itemized deductions were subtracted in the calculation of the 1979 Income Concept. Taxpayers who did not itemize deductions, however, could not claim this expense (as well as moving expenses prior to 1994). For this reason, the deduction for these two expenses beginning

in 1987 is not completely comparable to that for previous years.

Comparison of AGI with 1979 Income Concept

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

Some income items, such as capital gains, that had been partially excluded from AGI under prior law were fully included. The new law also eliminated or restricted some deductions. Therefore, if AGI is used to measure income, comparisons between 1986 income and tax data with that for years after 1986 are misleading. A more accurate comparison can be made using the 1979 Income Concept because it measures income in the same way for all years. Table B shows total income and selected tax items for 2003 using AGI and the 1979 Income Concept, classified by size of 2003 AGI.

Before TRA 86 became effective, a comparison of income measured by AGI with that measured by the 1979 Income Concept showed significant differences at income levels of \$200,000 or more. But, with the elimination of preferential treatment of various income items by TRA 86, such as the exclusion of a portion of capital gains, much of the difference disappeared. Under tax law prior to 1987, the capital gains exclusion accounted for the largest difference at the higher income levels between the two income measures. For 2003, 1979

Concept income was 2.2 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$225.1 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, increased 2.7 percent for 2003; income for the \$200,000 and above group increased 6.6 percent, after decreasing 8.5 percent for 2002. Total income tax for all returns decreased 6.1 percent; and total income tax reported for the \$200,000 and above income group decreased 3.2 percent for 2003, following a decrease of 11.5 percent for 2002.

The average tax rates (income tax as a percentage of total income) for each income class and both income concepts for years 1986 through 2003 are shown in Figure 4.

For the population as a whole, average tax rates for 2003 (based on the 1979 Income Concept) were 1.1 percentage points lower than those for 2002. Between 1986 and 2003, the average tax rates declined in all income categories below \$1,000,000. The \$1,000,000 or more income category showed an increase in average tax rates between 1986 and 2003 of 1.9 percentage points. Although the average tax rate for 2003 was calculated using a lower maximum marginal tax rate of 35.0 percent for 2003 compared to 50 percent for 1986, it was calculated on income that included all capital gains (long-term gains could be partially excluded from income for 1986). However, average tax rate declined in the category for 2003 by 3.3 percentage points.

Source: IRS, Statistics of Income, Individual Complete Report 2003, Publication 1304, October 2005.

Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-2003

Size of 2003 AGI	Total income tax as a percentage of adjusted gross income																	
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
All returns, total.....	14.8	13.3	13.4	13.3	13.1	12.9	13.1	13.5	13.7	14.0	14.5	14.7	14.6	15.0	15.4	14.4	13.2	12.1
Under \$10,000.....	4.3	4.0	4.0	3.8	3.7	3.5	3.2	3.0	3.0	3.0	3.1	3.2	2.9	3.0	3.3	2.4	2.3	2.1
\$10,000 under \$20,000.....	7.8	6.8	6.5	6.4	6.1	5.5	5.1	4.9	4.8	4.7	4.6	4.3	4.3	4.1	4.1	3.4	2.6	2.4
\$20,000 under \$30,000.....	10.6	9.4	9.3	9.3	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.6	6.8	6.7	6.5	5.9	4.7	4.2
\$30,000 under \$40,000.....	12.2	10.6	10.9	10.9	10.6	10.5	10.2	10.1	10.0	9.8	9.7	9.6	8.8	8.6	8.5	8.0	6.7	6.1
\$40,000 under \$50,000.....	13.8	11.8	11.6	11.5	11.4	11.0	10.8	10.7	10.8	10.7	10.8	10.7	10.0	9.8	9.8	9.4	8.1	7.4
\$50,000 under \$60,000.....	15.5	13.5	13.2	12.9	12.4	12.1	11.6	11.5	11.4	11.4	11.3	11.3	10.7	10.6	10.6	10.2	9.2	8.5
\$60,000 under \$70,000.....	16.9	15.1	14.5	14.2	13.8	13.2	12.9	12.7	12.6	12.5	12.3	12.1	11.4	11.2	11.2	10.8	9.6	9.0
\$70,000 under \$80,000.....	18.7	16.5	15.6	15.3	14.9	14.4	14.0	13.9	13.8	13.6	13.6	13.4	12.6	12.4	12.1	11.6	10.6	9.4
\$80,000 under \$90,000.....	19.9	17.8	16.6	16.2	15.8	15.4	15.0	15.1	14.9	14.6	14.6	14.4	13.5	13.5	13.5	12.9	11.6	10.1
\$90,000 under \$100,000.....	20.8	18.8	17.4	17.3	16.6	16.0	15.9	15.7	15.9	15.8	15.4	15.2	14.8	14.5	14.4	13.7	12.7	11.0
\$100,000 under \$125,000.....	23.1	20.1	18.8	18.4	17.5	17.3	16.9	17.0	17.0	16.9	16.7	16.5	16.0	15.8	15.8	15.2	14.2	12.4
\$125,000 under \$150,000.....	25.2	21.8	20.3	19.8	19.2	18.6	18.7	18.6	18.6	18.3	18.4	17.7	17.7	17.6	17.4	16.8	16.0	14.2
\$150,000 under \$175,000.....	28.0	23.0	21.6	21.1	20.4	19.8	19.6	19.7	19.9	19.9	19.8	19.3	18.8	19.0	18.6	18.2	17.3	15.4
\$175,000 under \$200,000.....	29.3	23.9	22.5	21.8	21.1	21.0	20.7	21.2	21.4	20.9	20.9	20.5	20.0	20.0	19.9	19.1	18.4	16.8
\$200,000 under \$300,000.....	31.1	25.8	23.7	22.8	22.6	22.7	22.9	23.8	23.9	23.8	23.4	22.9	22.4	22.4	22.4	21.6	21.0	19.2
\$300,000 under \$400,000.....	33.7	27.0	24.0	23.6	23.7	24.3	24.4	26.9	26.9	26.8	26.6	26.1	25.4	25.4	25.0	24.7	24.2	22.4
\$400,000 under \$500,000.....	36.2	28.2	24.1	23.9	23.6	24.9	25.3	28.4	28.6	28.7	28.2	27.4	26.9	26.7	26.6	26.1	25.7	23.8
\$500,000 under \$1,000,000....	38.4	29.0	24.6	24.0	24.0	25.7	26.0	30.0	30.2	30.2	30.1	29.0	28.2	28.4	28.3	28.1	27.9	24.9
\$1,000,000 or more.....	40.2	28.6	25.0	24.2	24.1	26.2	26.8	31.2	31.1	31.4	30.8	28.8	27.5	27.9	27.7	28.3	28.5	24.8

Size of 2003 Income	Total income tax as a percentage of 1979 Income Concept																	
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
All returns, total.....	13.3	13.1	13.3	13.2	13.0	12.7	12.8	13.3	13.5	13.8	14.3	14.5	14.2	14.6	15.0	14.1	12.9	11.8
Under \$10,000.....	4.9	4.2	4.4	4.3	4.3	4.0	3.5	3.2	3.2	3.1	3.2	3.4	3.1	3.2	3.6	2.9	3.0	2.8
\$10,000 under \$20,000.....	7.6	6.7	6.5	6.4	6.1	5.5	5.1	4.8	4.8	4.7	4.6	4.4	4.2	4.1	4.0	3.4	2.6	2.4
\$20,000 under \$30,000.....	10.0	9.3	9.3	9.3	9.1	8.7	8.3	8.2	8.1	7.9	7.8	7.6	6.9	6.8	6.6	6.1	4.8	4.4
\$30,000 under \$40,000.....	11.6	10.7	10.7	10.9	10.7	10.5	10.2	10.2	10.1	10.1	10.0	9.8	9.1	8.9	9.0	8.4	7.1	6.5
\$40,000 under \$50,000.....	12.6	11.7	11.7	11.5	11.5	11.1	10.9	10.8	11.0	11.0	11.1	11.0	10.3	10.1	10.2	9.9	8.5	7.8
\$50,000 under \$60,000.....	13.8	13.4	13.2	12.9	12.5	12.0	11.6	11.6	11.6	11.6	11.6	11.5	11.0	10.9	10.9	10.6	9.5	8.7
\$60,000 under \$70,000.....	14.9	15.0	14.5	14.2	13.8	13.2	12.9	12.7	12.7	12.5	12.5	12.4	11.4	11.4	11.5	11.1	9.8	9.1
\$70,000 under \$80,000.....	15.8	16.2	15.4	15.2	14.6	14.2	13.7	13.7	13.6	13.6	13.5	13.3	12.6	12.4	12.3	11.8	10.8	9.5
\$80,000 under \$90,000.....	16.7	17.5	16.1	16.2	15.5	15.1	14.6	14.7	14.6	14.4	14.5	14.2	13.3	13.4	13.4	12.9	11.5	10.1
\$90,000 under \$100,000.....	16.8	18.1	17.1	16.8	16.1	15.5	15.2	15.3	15.4	15.5	15.2	15.2	14.5	14.0	14.2	13.6	12.7	11.0
\$100,000 under \$125,000.....	18.3	19.3	18.0	17.7	16.9	16.6	16.2	16.3	16.3	16.2	16.1	16.0	15.2	15.4	15.4	14.9	13.8	12.0
\$125,000 under \$150,000.....	19.0	20.6	19.6	18.8	18.0	17.3	17.2	17.7	17.4	17.4	17.3	16.7	16.6	16.6	16.6	16.2	15.2	13.6
\$150,000 under \$175,000.....	19.3	21.2	20.6	20.0	19.1	18.3	17.8	18.0	18.5	18.1	18.4	18.2	17.1	17.5	17.5	17.0	15.9	14.3
\$175,000 under \$200,000.....	20.3	22.5	21.6	20.7	20.0	18.6	19.0	19.1	19.4	19.2	18.9	18.8	18.1	18.4	18.0	17.8	16.8	15.3
\$200,000 under \$300,000.....	22.6	23.8	22.3	21.5	21.4	20.5	20.2	21.4	21.5	21.5	21.3	20.4	19.4	19.9	20.2	19.5	18.5	17.1
\$300,000 under \$400,000.....	22.6	24.5	22.6	21.9	21.5	21.6	21.6	23.5	23.7	23.7	23.1	24.0	21.5	21.3	21.7	21.3	20.5	19.2
\$400,000 under \$500,000.....	23.4	26.5	23.2	22.7	22.3	23.0	21.4	25.4	24.8	25.1	25.0	24.3	22.6	23.2	21.5	22.2	21.8	20.2
\$500,000 under \$1,000,000....	23.7	26.7	23.5	22.0	21.7	23.5	22.6	26.3	26.1	26.7	27.1	26.1	24.3	24.0	24.3	24.2	23.7	21.7
\$1,000,000 or more.....	21.4	26.8	24.5	23.2	23.2	25.2	26.1	29.5	30.1	30.4	29.8	27.5	26.2	26.1	26.0	27.0	26.7	23.4