

Section 1

Introduction and Changes in Law

Introduction

This report contains complete individual income tax data for Tax Year 2005. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 134 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2005.

Table A on the following pages presents selected income and tax items for Tax Years 2001 through 2005 as they appear on the forms and provides the percentage change for each item between 2004 and 2005. 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 2005, the number of individual tax returns filed increased by just over 2.1 million, or 1.6 percent. Adjusted gross income (AGI) rose \$633.7 billion, or 9.3 percent from 2004 to 2005, compared to the 9.4 percent increase recorded from 2003 to 2004. Total tax liability increased 12.1 percent to \$986.5 billion. Several components of AGI showed large increases between 2004 and 2005, notably net capital gains less loss increased 40.6 percent and taxable interest increased 29.5 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2005, 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.

Justin Bryan and Michael Parisi were responsible for the text and production of this report. This report was prepared under the direction of Jeff Hartzok, Chief, Individual Returns Analysis Section, Individual Statistics Branch.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars [1]

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

Item	Current dollars					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(1)	(2)	(3)	(4)	(5)	(6)
All returns.....	130,255,237	130,076,443	130,423,626	132,226,042	134,372,678	1.6
Electronically filed returns *.....	46,861,487	52,798,823	61,154,815	68,380,152	73,471,852	7.4
Form 1040 returns.....	80,500,011	80,748,948	80,420,043	80,603,689	81,497,559	1.1
Electronically filed returns.....	20,811,215	24,843,419	30,472,170	34,900,171	39,465,536	13.1
Form 1040A returns.....	28,293,817	28,714,328	29,631,494	30,572,631	31,326,141	2.5
Electronically filed returns.....	15,007,182	16,839,599	18,910,697	20,771,324	22,224,396	7.0
Form 1040EZ returns.....	21,461,409	20,613,167	20,372,089	21,049,722	21,548,977	2.4
Electronically filed returns *.....	11,043,091	11,115,806	11,771,948	12,708,657	11,781,921	-7.3
Salaries and wages						
Number of returns.....	111,227,450	110,938,441	110,890,993	112,369,812	114,070,880	1.5
Amount.....	4,565,229,218	4,559,690,903	4,649,900,493	4,921,806,344	5,155,407,373	4.7
Taxable interest received						
Number of returns.....	67,479,816	63,584,806	59,459,344	57,605,888	59,249,357	2.9
Amount.....	198,177,814	149,024,899	127,159,692	125,474,158	162,432,720	29.5
Tax-exempt interest						
Number of returns.....	4,557,381	4,453,829	4,524,955	4,416,851	4,497,973	1.8
Amount.....	55,582,376	54,564,456	53,750,230	52,031,763	57,693,924	10.9
Ordinary dividends in AGI						
Number of returns.....	32,621,151	31,409,759	30,475,097	30,687,178	31,175,376	1.6
Amount.....	119,533,324	103,241,332	115,141,232	146,838,808	166,482,004	13.4
Qualified dividends in AGI						
Number of returns.....	N/A	N/A	22,449,379	24,549,867	25,853,686	5.3
Amount.....	N/A	N/A	80,994,736	110,500,411	118,980,474	7.7
State income tax refund						
Number of returns.....	22,132,023	23,838,529	24,655,907	23,621,296	22,110,769	-6.4
Amount.....	21,219,499	23,875,813	23,425,623	22,735,928	22,204,760	-2.3
Alimony received						
Number of returns.....	437,859	425,963	431,368	439,608	457,488	4.1
Amount.....	6,685,857	6,523,019	6,470,712	7,262,338	7,979,270	9.9
Business or profession net income, less loss						
Number of returns.....	18,018,349	18,597,305	19,415,648	20,252,079	21,057,329	4.0
Amount.....	216,772,496	220,783,572	229,655,285	247,217,287	269,701,056	9.1
Net capital gain in AGI less loss						
Number of returns.....	23,470,401	23,249,625	21,889,687	22,388,659	22,040,458	-1.6
Amount.....	325,168,963	238,368,458	294,021,717	471,735,648	663,057,140	40.6
Capital gain distributions reported on Form 1040						
Number of returns.....	2,486,027	939,523	1,095,371	2,878,263	4,155,219	44.4
Amount.....	1,358,488	420,312	332,293	1,925,990	4,958,078	157.4
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,615,884	1,728,377	1,753,860	1,749,934	1,777,203	1.6
Amount.....	-1,896,996	-2,386,530	-330,359	2,502,516	3,662,932	46.4
Total IRA distributions						
Number of returns.....	9,363,959	8,889,787	9,240,253	9,516,936	10,024,085	5.3
Amount.....	118,565,053	120,418,135	120,948,781	131,491,539	146,906,503	11.7
Taxable IRA distributions in AGI						
Number of returns.....	8,834,138	8,291,357	8,611,702	8,913,846	9,387,189	5.3
Amount.....	94,327,585	88,219,481	88,335,605	101,672,181	112,277,199	10.4
Total pensions and annuities						
Number of returns.....	24,317,375	24,857,470	24,767,067	25,130,018	25,352,088	0.9
Amount.....	532,924,324	561,031,602	565,420,626	627,664,241	685,308,391	9.2
Taxable pensions and annuities in AGI						
Number of returns.....	22,262,775	22,794,417	22,822,842	23,123,390	23,247,374	0.5
Amount.....	338,745,409	357,840,960	372,931,442	394,285,849	420,144,855	6.6
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,542,983	14,683,765	14,824,475	15,191,999	15,510,991	2.1
Amount.....	268,224,205	278,192,647	295,698,600	357,378,135	447,047,895	25.1
Farm net income less loss						
Number of returns.....	2,006,871	1,995,073	1,997,116	2,004,898	1,981,249	-1.2
Amount.....	-11,004,781	-14,419,719	-12,371,492	-13,239,205	-12,168,786	8.1
Unemployment compensation in AGI						
Number of returns.....	8,799,885	10,334,639	10,065,230	9,094,911	7,887,700	-13.3
Amount.....	26,890,925	43,129,155	44,007,879	32,740,272	27,857,367	-14.9

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Current dollars					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security benefits (received)						
Number of returns.....	13,753,080	13,869,265	14,120,202	14,759,589	15,510,458	5.1
Amount.....	196,524,465	205,658,281	214,011,279	231,873,220	252,239,705	8.8
Taxable social security benefits in AGI						
Number of returns.....	10,779,279	10,702,502	10,975,002	11,691,859	12,660,754	8.3
Amount.....	93,559,363	93,459,494	97,768,201	110,462,387	124,829,069	13.0
Foreign earned income exclusion [2]						
Number of returns.....	292,006	316,931	306,393	295,313	303,940	2.9
Amount.....	13,944,765	14,936,779	15,076,406	15,446,376	16,275,890	5.4
Net operating loss [2]						
Number of returns.....	611,473	670,081	712,076	829,838	862,791	4.0
Amount.....	54,475,064	58,126,147	62,824,777	75,011,556	79,451,741	5.9
Other income, net gain less loss [2]						
Number of returns.....	5,610,987	5,467,631	5,703,893	5,891,550	6,811,025	15.6
Amount.....	19,508,967	19,100,950	21,289,227	23,197,673	26,863,382	15.8
Total income						
Number of returns.....	130,014,403	129,837,130	130,171,008	131,924,074	134,114,986	1.7
Amount.....	6,231,176,710	6,110,746,964	6,294,684,470	6,886,851,809	7,531,892,210	9.4
Educator expenses						
Number of returns.....	N/A	2,884,403	3,240,673	3,402,468	3,503,719	3.0
Amount.....	N/A	712,505	805,734	858,457	877,796	2.3
Certain business expenses of reservists, performing artists, and fee-basis government officials						
Number of returns.....	N/A	N/A	N/A	105,135	100,111	-4.8
Amount.....	N/A	N/A	N/A	252,597	285,073	12.9
Total taxpayer IRA adjustment						
Number of returns.....	3,448,457	3,277,671	3,418,494	3,330,763	3,256,066	-2.2
Amount.....	7,406,866	9,462,404	10,006,814	10,028,607	12,003,037	19.7
Student loan interest deduction						
Number of returns.....	4,405,667	6,640,784	6,953,370	7,527,249	8,072,896	7.2
Amount.....	2,711,733	4,659,546	4,409,816	4,398,734	5,052,720	14.9
Tuition and fees deduction						
Number of returns.....	N/A	3,444,941	3,571,154	4,710,253	4,696,013	-0.3
Amount.....	N/A	6,154,145	6,683,631	10,589,279	10,846,990	2.4
Health savings account deduction						
Number of returns.....	N/A	N/A	N/A	90,857	215,781	137.5
Amount.....	N/A	N/A	N/A	190,732	510,690	167.8
Moving expenses						
Number of returns.....	944,791	947,470	1,023,888	1,096,436	1,134,137	3.4
Amount.....	2,180,570	2,215,391	2,439,835	2,952,043	3,076,563	4.2
One-half of self-employment tax						
Number of returns.....	14,574,036	14,664,473	15,373,279	15,920,203	16,694,655	4.9
Amount.....	18,134,959	18,687,162	19,791,285	21,109,366	22,733,881	7.7
Self-employed health insurance						
Number of returns.....	3,559,792	3,571,152	3,802,277	3,883,687	3,901,082	0.4
Amount.....	8,177,397	10,494,247	16,454,211	18,457,063	19,645,889	6.4
Keogh retirement plan						
Number of returns.....	1,290,496	1,186,947	1,208,801	1,201,332	1,256,900	4.6
Amount.....	13,114,412	16,349,738	17,795,957	19,295,952	21,268,404	10.2
Penalty on early withdrawal of savings						
Number of returns.....	890,649	804,926	736,121	780,327	805,625	3.2
Amount.....	197,533	192,750	150,214	209,833	265,870	26.7
Alimony paid adjustment						
Number of returns.....	656,635	587,219	587,368	574,001	588,463	2.5
Amount.....	7,472,718	7,183,522	7,520,335	8,470,128	8,954,038	5.7
Domestic production activities deduction						
Number of returns.....	N/A	N/A	N/A	N/A	336,959	[7]
Amount.....	N/A	N/A	N/A	N/A	2,360,983	[7]
Foreign housing deductions						
Number of returns.....	4,122	2,074	1,491	3,352	2,417	-27.9
Amount.....	92,074	54,614	51,765	59,899	70,962	18.5
Other adjustments						
Number of returns.....	183,906	208,348	272,647	188,210	257,014	36.6
Amount.....	961,209	1,064,125	1,314,285	1,107,387	1,402,311	26.6
Total statutory adjustments						
Number of returns.....	23,497,092	28,911,078	30,382,069	32,153,965	33,591,124	4.5
Amount.....	60,572,768	77,161,432	87,575,677	98,046,679	109,396,547	11.6
Adjusted gross income or loss (AGI)						
Amount.....	6,170,603,942	6,033,585,532	6,207,108,793	6,788,805,130	7,422,495,663	9.3
Total itemized deductions						
Number of returns.....	44,562,307	45,647,551	43,949,591	46,335,237	47,755,427	3.1
Amount.....	884,528,260	898,047,320	901,864,834	998,238,457	1,121,810,935	12.4

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Current dollars					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(1)	(2)	(3)	(4)	(5)	(6)
Total standard deduction						
Number of returns	84,238,232	82,655,191	84,643,281	84,016,753	84,841,222	1.0
Amount.....	481,907,591	492,067,532	555,780,052	560,932,618	580,747,711	3.5
Basic standard deduction						
Number of returns.....	84,238,232	82,655,191	84,643,281	84,016,753	84,841,222	1.0
Amount.....	466,971,032	477,170,045	539,921,089	545,082,218	564,186,053	3.5
Additional standard deduction						
Number of returns	11,116,629	10,857,098	11,200,647	10,985,079	10,996,440	0.1
Amount.....	14,936,559	14,897,487	15,858,963	15,850,401	16,561,658	4.5
AGI less deductions						
Number of returns	115,862,109	114,976,167	114,402,877	116,042,570	118,115,885	1.8
Amount.....	4,910,329,307	4,760,885,833	4,873,784,147	5,360,753,836	5,859,016,944	9.3
Number of exemptions.....	256,186,046	258,716,374	261,126,373	263,896,304	269,043,070	2.0
Exemption amount.....	727,554,990	761,440,430	781,305,067	800,690,043	839,904,186	4.9
Taxable income						
Number of returns.....	104,174,655	102,275,969	101,392,812	102,737,959	104,330,653	1.6
Amount.....	4,268,506,425	4,096,127,651	4,200,218,439	4,670,165,637	5,137,165,874	10.0
Tax from table, rate schedules, etc.						
Number of returns.....	104,163,693	102,266,930	101,386,201	102,721,593	104,321,332	1.6
Amount.....	926,642,321	829,839,121	780,315,781	871,227,853	972,706,955	11.6
Additional taxes						
Number of returns.....	25,334	13,291	21,370	9,884	10,595	7.2
Amount.....	198,998	153,564	222,088	85,611	23,740	-72.3
Alternative minimum tax						
Number of returns.....	1,120,047	1,910,789	2,357,975	3,096,299	4,004,756	29.3
Amount.....	6,756,705	6,853,901	9,469,803	13,029,239	17,421,071	33.7
Income tax before credits						
Number of returns.....	104,195,834	102,293,722	101,412,777	102,740,921	104,345,964	1.6
Amount.....	933,567,474	836,842,718	790,005,881	884,342,703	990,151,766	12.0
Foreign tax credit						
Number of returns.....	3,942,604	3,748,974	4,145,174	4,700,259	5,398,046	14.8
Amount.....	6,254,559	5,933,600	5,805,555	6,757,994	9,361,989	38.5
Child care credit						
Number of returns.....	6,184,508	6,185,855	6,313,297	6,316,649	6,500,596	2.9
Amount.....	2,721,061	2,706,539	3,206,890	3,337,984	3,462,104	3.7
Credit for elderly or disabled						
Number of returns.....	139,097	133,538	123,147	107,914	101,627	-5.8
Amount.....	30,496	21,119	20,257	18,740	14,127	-24.6
Education credits						
Number of returns.....	7,212,554	6,544,536	7,298,227	7,180,884	7,057,251	-1.7
Amount.....	5,156,254	5,012,744	5,843,029	6,016,805	6,119,631	1.7
Retirement savings contributions credit						
Number of returns.....	N/A	5,307,176	5,296,688	5,288,732	5,293,605	0.1
Amount.....	N/A	1,058,219	1,034,394	1,011,506	944,531	-6.6
Child tax credit						
Number of returns.....	26,452,875	25,939,801	25,672,254	25,988,711	25,950,568	-0.1
Amount.....	22,427,229	21,520,271	22,788,025	32,300,455	32,047,620	-0.8
Adoption credit						
Number of returns.....	47,737	55,905	63,980	71,136	84,793	19.2
Amount.....	88,781	234,109	348,793	301,890	319,558	5.9
General business credit						
Number of returns.....	269,648	284,720	262,738	248,506	251,386	1.2
Amount.....	713,974	750,855	612,744	635,391	877,850	38.2
Prior year minimum tax credit						
Number of returns.....	248,255	193,776	250,605	274,596	290,376	5.7
Amount.....	1,438,041	976,398	916,538	902,000	1,081,252	19.9
Total credits [3]						
Number of returns.....	49,066,700	38,846,217	39,247,449	39,841,978	40,526,374	1.7
Amount.....	44,160,998	38,747,463	41,069,375	51,599,346	54,571,100	5.8
Income tax less credits [1]						
Number of returns.....	97,389,985	93,565,243	91,109,363	90,876,672	92,343,186	1.6
Amount.....	889,406,476	798,095,255	748,936,506	832,743,358	935,580,666	12.3
Self-employment tax						
Number of returns.....	14,575,011	14,664,473	15,373,279	15,920,203	16,694,655	4.9
Amount.....	36,262,878	37,367,003	39,574,991	42,210,737	45,459,427	7.7
Recapture taxes						
Number of returns.....	11,686	14,684	15,797	41,161	15,206	-63.1
Amount.....	286,974	117,943	87,939	173,122	299,191	72.8

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Current dollars					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security, Medicare tax on tip income not reported						
Number of returns.....	288,275	238,185	557,717	517,609	335,818	-35.1
Amount.....	35,879	31,446	148,746	107,929	79,220	-26.6
Tax on qualified retirement plans						
Number of returns.....	4,571,187	4,896,938	4,877,670	4,924,584	4,822,297	-2.1
Amount.....	3,259,975	3,498,067	3,407,940	3,640,374	3,820,152	4.9
Advanced earned income credit payments						
Number of returns.....	135,554	156,376	142,694	142,639	122,078	-14.4
Amount.....	51,492	73,904	66,986	62,360	58,167	-6.7
Household employment taxes						
Number of returns.....	250,622	229,722	240,601	243,702	228,381	-6.3
Amount.....	804,086	703,931	810,442	885,832	936,858	5.8
Total tax liability [1,4]						
Number of returns.....	102,557,013	99,559,612	97,875,142	98,115,557	99,880,223	1.8
Amount.....	930,280,996	839,977,103	793,111,460	879,962,609	986,460,793	12.1
Income tax withheld						
Number of returns.....	114,798,386	114,861,744	114,861,706	116,312,978	118,161,380	1.6
Amount.....	773,325,891	717,492,263	703,758,484	731,734,362	782,659,594	7.0
Estimated tax payments						
Number of returns.....	13,167,856	12,434,579	11,576,213	10,996,504	11,053,213	0.5
Amount.....	220,195,712	198,177,595	182,906,911	188,770,357	221,001,524	17.1
Earned income credit [1]						
Number of returns.....	19,593,121	21,703,187	22,024,227	22,270,550	22,751,904	2.2
Amount.....	33,375,971	38,198,572	38,657,067	40,024,074	42,410,290	6.0
Nontaxable combat pay election						
Number of returns.....	N/A	N/A	N/A	10,024	21,973	119.2
Amount.....	N/A	N/A	N/A	9,283	328,268	3,436.2
Additional child tax credit						
Number of returns.....	8,562,900	10,937,417	12,570,455	14,528,434	15,219,712	4.8
Amount.....	4,994,877	6,415,753	9,112,716	14,450,019	15,495,160	7.2
Payment with an extension request						
Number of returns.....	1,448,213	1,235,156	1,333,579	1,518,779	1,627,572	7.2
Amount.....	42,495,018	36,321,934	38,303,188	59,268,206	77,833,848	31.3
Excess social security tax withheld						
Number of returns.....	1,436,745	1,145,352	1,121,141	1,242,604	1,383,240	11.3
Amount.....	1,915,349	1,564,478	1,566,411	1,727,641	2,023,314	17.1
Other payments:						
Form 2439						
Number of returns.....	20,955	19,422	12,717	9,608	19,812	106.2
Amount.....	88,649	37,701	123,633	33,754	52,976	56.9
Form 4136						
Number of returns.....	386,698	365,868	349,860	345,020	340,769	-1.2
Amount.....	108,963	101,459	82,154	86,378	101,712	17.8
Form 8885 [5]						
Number of returns.....	N/A	5,322	17,834	16,314	13,380	-18.0
Amount.....	N/A	1,967	32,514	23,595	27,078	14.8
Total payments [1]						
Number of returns.....	123,451,338	123,462,930	123,461,513	124,989,700	126,781,067	1.4
Amount.....	1,076,500,696	998,311,722	974,543,079	1,036,118,363	1,141,605,497	10.2
Overpayment, total						
Number of returns.....	102,310,895	103,462,884	105,361,848	103,706,648	104,778,359	1.0
Amount.....	236,981,755	239,784,002	254,553,541	255,064,839	272,110,056	6.7
Overpayment refunded						
Number of returns.....	99,011,975	100,143,606	102,004,984	100,674,244	101,870,385	1.2
Amount.....	202,274,032	205,987,348	219,751,889	221,371,474	232,975,616	5.2
Refund credited to next year						
Number of returns.....	5,408,878	5,418,534	5,199,186	4,314,593	4,055,960	-6.0
Amount.....	34,708,129	33,796,653	34,801,652	33,693,366	39,134,446	16.1
Tax due at time of filing						
Number of returns.....	24,581,181	22,818,761	21,072,333	24,452,350	25,659,937	4.9
Amount.....	91,830,967	82,287,723	73,741,408	99,683,779	118,232,296	18.6
Tax penalty						
Number of returns.....	5,318,905	5,149,988	4,829,886	5,641,853	5,882,477	4.3
Amount.....	1,060,320	838,341	619,485	774,697	1,266,944	63.5

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Constant 1990 dollars [6]					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(7)	(8)	(9)	(10)	(11)	(12)
All returns.....	130,255,237	130,076,443	130,423,626	132,226,042	134,372,678	1.6
Electronically filed returns *.....	46,861,487	52,798,823	61,154,815	68,380,152	73,471,852	7.4
Form 1040 returns.....	80,500,011	80,748,948	80,420,043	80,603,689	81,497,559	1.1
Electronically filed returns.....	20,811,215	24,843,419	30,472,170	34,900,171	39,465,536	13.1
Form 1040A returns.....	28,293,817	28,714,328	29,631,494	30,572,631	31,326,141	2.5
Electronically filed returns.....	15,007,182	16,839,599	18,910,697	20,771,324	22,224,396	7.0
Form 1040EZ returns.....	21,461,409	20,613,167	20,372,089	21,049,722	21,548,977	2.4
Electronically filed returns *.....	11,043,091	11,115,806	11,771,948	12,708,657	11,781,921	-7.3
Salaries and wages						
Number of returns.....	111,227,450	110,938,441	110,890,993	112,369,812	114,070,880	1.5
Amount.....	3,369,172,855	3,313,728,854	3,302,486,146	3,406,094,356	3,450,741,214	1.3
Taxable interest received						
Number of returns.....	67,479,816	63,584,806	59,459,344	57,605,888	59,249,357	2.9
Amount.....	146,256,689	108,302,979	90,312,281	86,833,327	108,723,373	25.2
Tax-exempt interest						
Number of returns.....	4,557,381	4,453,829	4,524,955	4,416,851	4,497,973	1.8
Amount.....	41,020,204	39,654,401	38,174,879	36,008,140	38,617,084	7.2
Ordinary dividends in AGI						
Number of returns.....	32,621,151	31,409,759	30,475,097	30,687,178	31,175,376	1.6
Amount.....	88,216,475	75,030,038	81,776,443	101,618,552	111,433,738	9.7
Qualified dividends in AGI						
Number of returns.....	N/A	N/A	22,449,379	24,549,867	25,853,686	5.3
Amount.....	N/A	N/A	57,524,670	76,470,873	79,638,871	4.1
State income tax refund						
Number of returns.....	22,132,023	23,838,529	24,655,907	23,621,296	22,110,769	-6.4
Amount.....	15,660,147	17,351,608	16,637,516	15,734,206	14,862,624	-5.5
Alimony received						
Number of returns.....	437,859	425,963	431,368	439,608	457,488	4.1
Amount.....	4,934,212	4,740,566	4,595,676	5,025,839	5,340,877	6.3
Business or profession net income, less loss						
Number of returns.....	18,018,349	18,597,305	19,415,648	20,252,079	21,057,329	4.0
Amount.....	159,979,702	160,453,177	163,107,447	171,084,628	180,522,795	5.5
Net capital gain in AGI less loss						
Number of returns.....	23,470,401	23,249,625	21,889,687	22,388,659	22,040,458	-1.6
Amount.....	239,977,094	173,232,891	208,822,242	326,460,656	443,813,347	35.9
Capital gain distributions reported on Form 1040						
Number of returns.....	2,486,027	939,523	1,095,371	2,878,263	4,155,219	44.4
Amount.....	1,002,574	305,459	236,004	1,332,865	3,318,660	149.0
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,615,884	1,728,377	1,753,860	1,749,934	1,777,203	1.6
Amount.....	-1,399,997	-1,734,397	-234,630	1,731,845	2,451,762	41.6
Total IRA distributions						
Number of returns.....	9,363,959	8,889,787	9,240,253	9,516,936	10,024,085	5.3
Amount.....	87,501,884	87,513,180	85,901,123	90,997,605	98,330,993	8.1
Taxable IRA distributions in AGI						
Number of returns.....	8,834,138	8,291,357	8,611,702	8,913,846	9,387,189	5.3
Amount.....	69,614,454	64,112,995	62,738,356	70,361,371	75,152,074	6.8
Total pensions and annuities						
Number of returns.....	24,317,375	24,857,470	24,767,067	25,130,018	25,352,088	0.9
Amount.....	393,302,084	407,726,455	401,577,149	434,369,717	458,707,089	5.6
Taxable pensions and annuities in AGI						
Number of returns.....	22,262,775	22,794,417	22,822,842	23,123,390	23,247,374	0.5
Amount.....	249,996,612	260,058,837	264,866,081	272,862,179	281,221,456	3.1
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,542,983	14,683,765	14,824,475	15,191,999	15,510,991	2.1
Amount.....	197,951,443	202,174,889	210,013,210	247,320,509	299,228,845	21.0
Farm net income less loss						
Number of returns.....	2,006,871	1,995,073	1,997,116	2,004,898	1,981,249	-1.2
Amount.....	-8,121,610	-10,479,447	-8,786,571	-9,162,080	-8,145,104	11.1
Unemployment compensation in AGI						
Number of returns.....	8,799,885	10,334,639	10,065,230	9,094,911	7,887,700	-13.3
Amount.....	19,845,701	31,343,863	31,255,596	22,657,628	18,646,163	-17.7

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Constant 1990 dollars [6]					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security benefits (received)						
Number of returns.....	13,753,080	13,869,265	14,120,202	14,759,589	15,510,458	5.1
Amount.....	145,036,506	149,460,960	151,996,647	160,465,896	168,835,144	5.2
Taxable social security benefits in AGI						
Number of returns.....	10,779,279	10,702,502	10,975,002	11,691,859	12,660,754	8.3
Amount.....	69,047,500	67,921,144	69,437,643	76,444,558	83,553,594	9.3
Foreign earned income exclusion [2]						
Number of returns.....	292,006	316,931	306,393	295,313	303,940	2.9
Amount.....	10,291,339	10,855,217	10,707,675	10,689,534	10,894,170	1.9
Net operating loss [2]						
Number of returns.....	611,473	670,081	712,076	829,838	862,791	4.0
Amount.....	40,202,999	42,242,839	44,619,870	51,911,111	53,180,550	2.4
Other income, net gain less loss [2]						
Number of returns.....	5,610,987	5,467,631	5,703,893	5,891,550	6,811,025	15.6
Amount.....	14,397,762	13,881,504	15,120,190	16,053,753	17,980,845	12.0
Total income						
Number of returns.....	130,014,403	129,837,130	130,171,008	131,924,074	134,114,986	1.7
Amount.....	4,598,654,399	4,440,949,828	4,470,656,584	4,765,987,411	5,041,427,182	5.8
Educator expenses						
Number of returns.....	N/A	2,884,403	3,240,673	3,402,468	3,503,719	3.0
Amount.....	N/A	517,809	572,254	594,088	587,548	-1.1
Certain business expenses of reservists, performing artists, and fee-basis government officials						
Number of returns.....	N/A	N/A	N/A	105,135	100,111	-4.8
Amount.....	N/A	N/A	N/A	174,808	190,812	9.2
Total taxpayer IRA adjustment						
Number of returns.....	3,448,457	3,277,671	3,418,494	3,330,763	3,256,066	-2.2
Amount.....	5,466,322	6,876,747	7,107,112	6,940,212	8,034,161	15.8
Student loan interest deduction						
Number of returns.....	4,405,667	6,640,784	6,953,370	7,527,249	8,072,896	7.2
Amount.....	2,001,279	3,386,298	3,131,972	3,044,107	3,382,008	11.1
Tuition and fees deduction						
Number of returns.....	N/A	3,444,941	3,571,154	4,710,253	4,696,013	-0.3
Amount.....	N/A	4,472,489	4,746,897	7,328,221	7,260,368	-0.9
Health savings account deduction						
Number of returns.....	N/A	N/A	N/A	90,857	215,781	137.5
Amount.....	N/A	N/A	N/A	131,994	341,827	159.0
Moving expenses						
Number of returns.....	944,791	947,470	1,023,888	1,096,436	1,134,137	3.4
Amount.....	1,609,277	1,610,023	1,732,837	2,042,936	2,059,279	0.8
One-half of self-employment tax						
Number of returns.....	14,574,036	14,664,473	15,373,279	15,920,203	16,694,655	4.9
Amount.....	13,383,734	13,580,786	14,056,310	14,608,558	15,216,788	4.2
Self-employed health insurance						
Number of returns.....	3,559,792	3,571,152	3,802,277	3,883,687	3,901,082	0.4
Amount.....	6,034,979	7,626,633	11,686,229	12,773,054	13,149,859	2.9
Keogh retirement plan						
Number of returns.....	1,290,496	1,186,947	1,208,801	1,201,332	1,256,900	4.6
Amount.....	9,678,533	11,882,077	12,639,174	13,353,600	14,235,880	6.6
Penalty on early withdrawal of savings						
Number of returns.....	890,649	804,926	736,121	780,327	805,625	3.2
Amount.....	145,781	140,080	106,686	145,213	177,959	22.5
Alimony paid adjustment						
Number of returns.....	656,635	587,219	587,368	574,001	588,463	2.5
Amount.....	5,514,921	5,220,583	5,341,147	5,861,680	5,993,332	2.2
Domestic production activities deduction						
Number of returns.....	N/A	N/A	N/A	N/A	336,959	[7]
Amount.....	N/A	N/A	N/A	N/A	1,580,310	[7]
Foreign housing deductions						
Number of returns.....	4,122	2,074	1,491	3,352	2,417	-27.9
Amount.....	67,951	39,690	36,765	41,453	47,498	14.6
Other adjustments						
Number of returns.....	183,906	208,348	272,647	188,210	257,014	36.6
Amount.....	709,379	773,347	933,441	766,358	938,629	22.5
Total statutory adjustments						
Number of returns.....	23,497,092	28,911,078	30,382,069	32,153,965	33,591,124	4.5
Amount.....	44,703,150	56,076,622	62,198,634	67,852,373	73,223,927	7.9
Adjusted gross income or loss (AGI)						
Amount.....	4,553,951,249	4,384,873,206	4,408,457,950	4,698,135,038	4,968,203,255	5.7
Total itemized deductions						
Number of returns.....	44,562,307	45,647,551	43,949,591	46,335,237	47,755,427	3.1
Amount.....	652,788,384	652,650,669	640,529,001	690,822,462	750,877,467	8.7

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Constant 1990 dollars [6]					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(7)	(8)	(9)	(10)	(11)	(12)
Total standard deduction						
Number of returns	84,238,232	82,655,191	84,643,281	84,016,753	84,841,222	1.0
Amount.....	355,651,359	357,607,218	394,730,151	388,188,663	388,720,021	0.1
Basic standard deduction						
Number of returns.....	84,238,232	82,655,191	84,643,281	84,016,753	84,841,222	1.0
Amount.....	344,628,068	346,780,556	383,466,683	377,219,528	377,634,574	0.1
Additional standard deduction						
Number of returns	11,116,629	10,857,098	11,200,647	10,985,079	10,996,440	0.1
Amount.....	11,023,291	10,826,662	11,263,468	10,969,136	11,085,447	1.1
AGI less deductions						
Number of returns	115,862,109	114,976,167	114,402,877	116,042,570	118,115,885	1.8
Amount.....	3,623,859,267	3,459,946,100	3,461,494,423	3,709,864,246	3,921,698,088	5.7
Number of exemptions.....	256,186,046	258,716,374	261,126,373	263,896,304	269,043,070	2.0
Exemption amount.....	536,940,952	553,372,406	554,904,167	554,110,756	562,184,863	1.5
Taxable income						
Number of returns.....	104,174,655	102,275,969	101,392,812	102,737,959	104,330,653	1.6
Amount.....	3,150,189,244	2,976,836,956	2,983,109,687	3,231,948,538	3,438,531,375	6.4
Tax from table, rate schedules, etc.						
Number of returns.....	104,163,693	102,266,930	101,386,201	102,721,593	104,321,332	1.6
Amount.....	683,868,872	603,080,757	554,201,549	602,925,850	651,075,606	8.0
Additional taxes						
Number of returns.....	25,334	13,291	21,370	9,884	10,595	7.2
Amount.....	146,862	111,602	157,733	59,246	15,890	-73.2
Alternative minimum tax						
Number of returns.....	1,120,047	1,910,789	2,357,975	3,096,299	4,004,756	29.3
Amount.....	4,986,498	4,981,033	6,725,712	9,016,774	11,660,690	29.3
Income tax before credits						
Number of returns.....	104,195,834	102,293,722	101,412,777	102,740,921	104,345,964	1.6
Amount.....	688,979,686	608,170,580	561,083,722	612,001,871	662,752,186	8.3
Foreign tax credit						
Number of returns.....	3,942,604	3,748,974	4,145,174	4,700,259	5,398,046	14.8
Amount.....	4,615,911	4,312,209	4,123,263	4,676,812	6,266,392	34.0
Child care credit						
Number of returns.....	6,184,508	6,185,855	6,313,297	6,316,649	6,500,596	2.9
Amount.....	2,008,163	1,966,961	2,277,621	2,310,024	2,317,339	0.3
Credit for elderly or disabled						
Number of returns.....	139,097	133,538	123,147	107,914	101,627	-5.8
Amount.....	22,506	15,348	14,387	12,969	9,456	-27.1
Education credits						
Number of returns.....	7,212,554	6,544,536	7,298,227	7,180,884	7,057,251	-1.7
Amount.....	3,805,354	3,642,983	4,149,879	4,163,879	4,096,139	-1.6
Retirement savings contributions credit						
Number of returns.....	N/A	5,307,176	5,296,688	5,288,732	5,293,605	0.1
Amount.....	N/A	769,055	734,655	700,004	632,216	-9.7
Child tax credit						
Number of returns.....	26,452,875	25,939,801	25,672,254	25,988,711	25,950,568	-0.1
Amount.....	16,551,461	15,639,732	16,184,677	22,353,256	21,450,884	-4.0
Adoption credit						
Number of returns.....	47,737	55,905	63,980	71,136	84,793	19.2
Amount.....	65,521	170,137	247,722	208,920	213,894	2.4
General business credit						
Number of returns.....	269,648	284,720	262,738	248,506	251,386	1.2
Amount.....	526,918	545,680	435,188	439,717	587,584	33.6
Prior year minimum tax credit						
Number of returns.....	248,255	193,776	250,605	274,596	290,376	5.7
Amount.....	1,061,285	709,592	650,950	624,221	723,730	15.9
Total credits [3]						
Number of returns.....	49,066,700	38,846,217	39,247,449	39,841,978	40,526,374	1.7
Amount.....	32,591,142	28,159,493	29,168,590	35,708,890	36,526,841	2.3
Income tax less credits [1]						
Number of returns.....	97,389,985	93,565,243	91,109,363	90,876,672	92,343,186	1.6
Amount.....	656,388,543	580,011,086	531,915,132	576,292,981	626,225,345	8.7
Self-employment tax						
Number of returns.....	14,575,011	14,664,473	15,373,279	15,920,203	16,694,655	4.9
Amount.....	26,762,272	27,156,252	28,107,238	29,211,583	30,427,997	4.2
Recapture taxes						
Number of returns.....	11,686	14,684	15,797	41,161	15,206	-63.1
Amount.....	211,789	85,714	62,457	119,808	200,262	67.2

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2001-2005, in Current and Constant 1990 Dollars--Continued [1]

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

Item	Constant 1990 dollars [6]					Percent change, 2004 to 2005
	2001	2002	2003	2004	2005	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security, Medicare tax on tip income not reported						
Number of returns.....	288,275	238,185	557,717	517,609	335,818	-35.1
Amount.....	26,479	22,853	105,643	74,691	53,025	-29.0
Tax on qualified retirement plans						
Number of returns.....	4,571,187	4,896,938	4,877,670	4,924,584	4,822,297	-2.1
Amount.....	2,405,886	2,542,200	2,420,412	2,519,290	2,556,996	1.5
Advanced earned income credit payments						
Number of returns.....	135,554	156,376	142,694	142,639	122,078	-14.4
Amount.....	38,001	53,709	47,575	43,156	38,934	-9.8
Household employment taxes						
Number of returns.....	250,622	229,722	240,601	243,702	228,381	-6.3
Amount.....	593,421	511,578	575,598	613,033	627,080	2.3
Total tax liability [1,4]						
Number of returns.....	102,557,013	99,559,612	97,875,142	98,115,557	99,880,223	1.8
Amount.....	686,554,241	610,448,476	563,289,389	608,970,664	660,281,655	8.4
Income tax withheld						
Number of returns.....	114,798,386	114,861,744	114,861,706	116,312,978	118,161,380	1.6
Amount.....	570,720,215	521,433,331	499,828,469	506,390,562	523,868,537	3.5
Estimated tax payments						
Number of returns.....	13,167,856	12,434,579	11,576,213	10,996,504	11,053,213	0.5
Amount.....	162,506,061	144,024,415	129,905,477	130,636,925	147,926,054	13.2
Earned income credit [1]						
Number of returns.....	19,593,121	21,703,187	22,024,227	22,270,550	22,751,904	2.2
Amount.....	24,631,713	27,760,590	27,455,303	27,698,321	28,387,075	2.5
Nontaxable combat pay election						
Number of returns.....	N/A	N/A	N/A	10,024	21,973	119.2
Amount.....	N/A	N/A	N/A	6,424	219,724	3,320.2
Additional child tax credit						
Number of returns.....	8,562,900	10,937,417	12,570,455	14,528,434	15,219,712	4.8
Amount.....	3,686,256	4,662,611	6,472,099	10,000,013	10,371,593	3.7
Payment with an extension request						
Number of returns.....	1,448,213	1,235,156	1,333,579	1,518,779	1,627,572	7.2
Amount.....	31,361,637	26,396,754	27,203,969	41,016,060	52,097,622	27.0
Excess social security tax withheld						
Number of returns.....	1,436,745	1,145,352	1,121,141	1,242,604	1,383,240	11.3
Amount.....	1,413,542	1,136,975	1,112,508	1,195,599	1,354,293	13.3
Other payments:						
Form 2439						
Number of returns.....	20,955	19,422	12,717	9,608	19,812	106.2
Amount.....	65,424	27,399	87,808	23,359	35,459	51.8
Form 4136						
Number of returns.....	386,698	365,868	349,860	345,020	340,769	-1.2
Amount.....	80,415	73,735	58,348	59,777	68,080	13.9
Form 8885 [5]						
Number of returns.....	N/A	5,322	17,834	16,314	13,380	-18.0
Amount.....	N/A	1,430	23,092	16,329	18,124	11.0
Total payments [1]						
Number of returns.....	123,451,338	123,462,930	123,461,513	124,989,700	126,781,067	1.4
Amount.....	794,465,458	725,517,240	692,147,073	717,036,929	764,126,839	6.6
Overpayment, total						
Number of returns.....	102,310,895	103,462,884	105,361,848	103,706,648	104,778,359	1.0
Amount.....	174,894,284	174,261,629	180,790,867	176,515,460	182,135,245	3.2
Overpayment refunded						
Number of returns.....	99,011,975	100,143,606	102,004,984	100,674,244	101,870,385	1.2
Amount.....	149,279,728	149,700,108	156,073,785	153,198,252	155,940,841	1.8
Refund credited to next year						
Number of returns.....	5,408,878	5,418,534	5,199,186	4,314,593	4,055,960	-6.0
Amount.....	25,614,855	24,561,521	24,717,082	23,317,208	26,194,408	12.3
Tax due at time of filing						
Number of returns.....	24,581,181	22,818,761	21,072,333	24,452,350	25,659,937	4.9
Amount.....	67,771,931	59,802,124	52,373,159	68,985,314	79,138,083	14.7
Tax penalty						
Number of returns.....	5,318,905	5,149,988	4,829,886	5,641,853	5,882,477	4.3
Amount.....	782,524	609,259	439,975	536,122	848,021	58.2

[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.

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

[7] Percentage not computed.

[4] Total tax liability includes the values for "other taxes" not tabulated here.

* Includes Form 1040 Telefile.

[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; 2005 CPI-U = 195.3; 2004 CPI-U = 188.9; 2003 CPI-U = 184.0; 2002 CPI-U = 179.9; 2001 CPI-U = 177.1

Figure 1--General Filing Requirements

Marital Status	Filing Status	Age	Gross Income
Single (including divorced and legally separated)	Single	under 65 65 or older	\$8,200 \$9,450
	Head of household	under 65 65 or older	\$10,500 \$11,750
Married with a child and living apart from spouse during the last six months of 2005	Head of household	under 65 65 or older	\$10,500 \$11,750
Married and living with spouse at the end of 2005 (or on the date spouse died)	Married, joint return	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$16,400 \$17,400 \$18,400
	Married, separate return	any age	\$3,200
Married, not living with spouse at the end of 2005 (or on the date spouse died)	Married, joint or separate return	any age	\$3,200
Widowed in 2003 or 2004 and not remarried in 2005	Single	under 65 65 or older	\$8,200 \$9,450
	Head of household	under 65 65 or older	\$10,500 \$11,750
	Qualifying widow(er) with dependent child	under 65 65 or older	\$13,200 \$14,200

Requirements for Filing

The filing requirements for Tax Year 2005 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 2005 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 various credits, including investment credits or low-income housing credits;
 - Household employment taxes (unless only filing because taxpayer owed this tax, then taxpayer could have filed only schedule H);
2. Received any advanced earned income credit (AEIC) payments.

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.

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

- Earned income was more than \$5,000, or
- Unearned income was over \$800, or
- Gross income was more than the larger of (a) \$800 or (b) earned income (up to \$4,750) plus \$250.

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

- Earned income was more than \$6,250 (\$7,500 if 65 or older and blind), or
- Unearned income was more than \$2,050 (\$3,300 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,750) plus \$250 or \$800, whichever is larger; plus \$1,250 (\$2,500 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 and itemizes deductions.
- Earned income was more than \$5,000, or
- Unearned income was over \$800, or
- Gross income was more than the larger of \$800 or earned income (up to \$4,750) plus \$250.

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

- Earned income was more than \$6,000 (\$7,000 if 65 or older and blind), or
- Unearned was more than \$1,800 (\$2,800 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,750) plus \$250 or \$800, whichever is larger, plus \$1,000 (\$2,000 if 65 or older and blind)
- Gross income was at least \$5 and spouse files a separate return and itemizes deductions.

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 2005 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.

Additional Child Tax Credits

Modifications were made to the additional child tax credit for 2005. In Tax Year 2004, the credit limit based on earned income was 15 percent of a taxpayer's earned income that exceeded \$10,750. For 2005, the limit was 15 percent of a taxpayer's earned income that exceeded \$11,000.

Alternative Minimum Tax

For Tax Year 2005, the minimum exemption amount for a child under age 14 increased to \$5,850 from \$5,750 for 2004.

Domestic Production Activities

For 2005, the deduction equaled 3% of the lesser of: (a) qualified production activities income; or (b) taxable income for the taxable year. However, the deduction for a taxable year was limited to 50 percent of the W-2 wages paid by the taxpayer during the calendar year that ends in such taxable year. Qualified production activities include domestic manufacturing, producing, growing, and extracting tangible personal property, computer software, and sound recordings, and the construction and substantial renovation of real property including infrastructure.

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 \$2,700 from \$2,650. The maximum credit for taxpayers with no qualifying children increased to \$399 from \$390. For these taxpayers, earned income and AGI had

to be less than \$11,750 (\$13,750 if married filing jointly) to get any EIC. For taxpayers with one qualifying child, the maximum credit increased \$58 to \$2,662 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,400 from \$4,300. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$31,030 (\$33,030 for married filing jointly) for one qualifying child, or less than \$35,263 (\$37,263 for married filing jointly) for two or more qualifying children.

Exemption Amount

Indexing for inflation increased to \$3,200 the deduction for each exemption to which the taxpayer was entitled for 2005, an increase from the \$3,100 allowed for 2004. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$142,700 to \$145,950 for single filers; \$214,050 to \$218,950 for married persons filing jointly and surviving spouses; \$178,350 to \$182,450 for heads of household; and \$107,025 to \$109,475 for married persons filing separately. The phase-out of the deduction for exemptions was completed at AGI levels above \$268,450 for single filers; \$341,450 for married persons filing jointly and surviving spouses; \$304,950 for heads of household; and \$170,775 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

Health Savings Account Deduction

The deduction was limited to the annual deductible on the qualifying high deductible health plan, but not more than \$2,650 (\$5,250 if family coverage), an increase from \$2,600 (\$5,150 if family coverage) in 2004. These limits were \$600 higher if the taxpayer was age 55 or older (\$1,200 if both spouses were 55 or older). For 2004, these limits were \$500 and \$1,000 respectively.

Individual Retirement Arrangement Deduction

For 2005, a taxpayer (both taxpayers for taxpayers filing jointly), was able to take an IRA

deduction up to \$4,000 (\$4,500 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 \$60,000 (\$80,000 if married filing jointly or qualifying widow(er)). This was up from \$55,000 (\$75,000 if married filing jointly or qualifying widow(er)) for 2004.

Itemized Deductions

If a taxpayer's AGI was greater than \$145,950 (\$72,975 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$142,700 (\$71,350) for 2004, 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.

Katrina Emergency Tax Relief Act of 2005 and Gulf Opportunity Zone Act of 2005

The Katrina Emergency Tax Relief Act of 2005 and the Gulf Opportunity Zone Act of 2005 contained many tax relief provisions for individuals in the Hurricanes Katrina, Rita and Wilma disaster areas.

The Katrina Emergency Tax Relief Act of 2005 provided an additional exemption of \$500 in years 2005 or 2006 for each Hurricane Katrina displaced individual claimed by the taxpayer. The total additional exemption claimed for all years cannot exceed: \$2,000 for married taxpayers filing jointly, \$1,000 for married taxpayers filing separately, and \$2,000 for all other taxpayers. A Hurricane Katrina displaced individual is a person (1) whose main home on August 28, 2005 was in the Hurricane Katrina disaster area, (2) who is displaced from the home, and (3) who is provided housing free of charge in the taxpayer's main home for a period of 60 consecutive days which

ends in the taxable year in which the exemption is claimed. The additional exemption is not subject to the income-based phaseouts applicable to personal exemptions, and is allowed as a deduction in computing alternative minimum taxable income. Other tax benefits for all taxpayers affected by Hurricanes Katrina, Rita and Wilma (the Gulf Opportunity Zone) included:

- (1) Suspended limits for certain personal casualty losses and cash charitable contributions;
- (2) Election to use your 2004 earned income to figure your 2005 EIC and additional child tax credit;
- (3) An increased charitable standard mileage rate for using your vehicle for volunteer work related to Hurricane Katrina;
- (4) Special rules for charitable deductions of food inventory by taxpayers engaged in a trade or business;
- (5) Special rules for withdrawals and loans from IRAs and other qualified retirement plans, and;
- (6) Education credits were expanded for students attending an eligible education institution in the Gulf Opportunity Zone.

Qualifying Child Definition

The definition for a qualifying child changed slightly for several tax benefits in Tax Year 2005. While the definition was primarily the same for most benefits, the most notable change was to the Child Tax Credit. Taxpayers, who could not claim children as a dependent exemption, may have been able to claim them on the credit, using Form 8901.

Self-employment Tax

The ceiling on taxable "self-employment income" was raised, for 2005, to \$90,000 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$87,900 for 2004.

Standard Deduction

For married persons filing jointly or surviving spouses, the standard deduction was increased in

Figure 3.-Calculation of the 1979 Income Concept for 2005

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 2005.

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 2005.

⁶ Not included in AGI for Tax Year 2005.

2005, from \$9,700 to \$10,000 (the amount is now twice that for single filers).

For single filers and married persons filing separately, the standard deduction rose from \$4,850 to \$5,000; and for heads of household, from \$7,150 to \$7,300. The amount of standard deduction for a dependent was the greater of \$800 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 \$1,000 or \$1,250 depending on marital status.

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 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

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979**Income Concept, 2005**

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

Size of income	Income				Salaries and wages			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	134,372,678	7,422,496	134,372,678	7,612,003	114,070,880	5,155,407	114,070,880	5,155,407
Under \$10,000.....	25,351,692	35,302	24,702,082	29,588	19,150,499	113,394	18,886,552	109,910
\$10,000 under \$20,000.....	22,762,283	339,522	22,982,222	343,275	18,205,723	256,306	18,459,936	262,583
\$20,000 under \$30,000.....	18,522,274	459,302	19,316,337	479,188	16,038,304	377,503	16,373,162	387,988
\$30,000 under \$40,000.....	13,940,405	483,976	14,464,910	501,747	12,422,256	401,927	12,675,165	412,764
\$40,000 under \$50,000.....	10,618,506	475,519	10,571,386	473,208	9,502,570	390,239	9,405,972	388,915
\$50,000 under \$60,000.....	8,465,676	464,298	8,363,481	458,551	7,555,739	374,285	7,553,806	377,667
\$60,000 under \$70,000.....	6,960,523	451,353	6,565,154	425,539	6,274,251	361,136	5,948,720	349,458
\$70,000 under \$80,000.....	5,554,438	415,740	5,165,857	386,357	5,012,944	329,687	4,763,081	320,391
\$80,000 under \$90,000.....	4,441,028	376,683	4,225,404	358,273	4,012,926	298,020	3,887,355	293,430
\$90,000 under \$100,000.....	3,379,360	320,071	3,208,425	304,129	3,099,799	256,487	2,948,307	246,166
\$100,000 under \$125,000.....	5,306,958	589,287	5,089,808	566,015	4,808,425	461,551	4,649,379	443,228
\$125,000 under \$150,000.....	2,893,735	394,618	2,900,642	395,650	2,606,536	298,608	2,642,617	296,585
\$150,000 under \$175,000.....	1,615,084	260,951	1,681,274	271,652	1,456,146	188,017	1,500,224	188,262
\$175,000 under \$200,000.....	994,590	185,724	1,057,479	197,296	887,160	130,493	935,844	130,177
\$200,000 under \$300,000.....	1,784,202	428,114	1,979,855	476,819	1,551,448	274,256	1,700,505	277,203
\$300,000 under \$400,000.....	633,114	217,990	759,936	261,848	543,305	125,574	643,225	133,383
\$400,000 under \$500,000.....	320,486	142,778	385,140	171,715	264,414	73,344	322,121	78,728
\$500,000 under \$1,000,000.....	524,506	355,221	614,148	415,552	433,368	168,640	503,456	176,088
\$1,000,000 under \$1,500,000.....	127,925	154,800	147,153	177,751	102,343	59,395	116,330	62,220
\$1,500,000 under \$2,000,000.....	56,615	97,512	64,100	110,294	45,841	34,691	51,909	36,032
\$2,000,000 under \$5,000,000.....	84,070	250,612	90,823	270,250	67,929	76,935	72,564	78,606
\$5,000,000 under \$10,000,000.....	21,431	146,847	23,170	159,003	17,580	39,016	19,170	39,438
\$10,000,000 and over.....	13,776	376,275	13,891	378,303	11,375	65,904	11,479	66,186

Size of income	Taxable interest received				Ordinary dividends received		Ordinary dividends received	
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	59,249,357	162,433	59,249,357	162,433	31,175,376	166,482	31,175,376	166,482
Under \$10,000.....	6,353,118	9,107	6,006,847	9,088	3,407,538	5,167	3,208,591	5,149
\$10,000 under \$20,000.....	6,004,763	8,460	5,856,219	8,173	2,833,623	5,106	2,768,255	5,060
\$20,000 under \$30,000.....	5,453,558	7,555	5,984,654	9,240	2,392,764	4,608	2,650,149	5,891
\$30,000 under \$40,000.....	5,226,276	6,669	5,696,388	8,382	2,288,816	4,498	2,581,337	5,604
\$40,000 under \$50,000.....	5,050,162	6,637	5,102,377	7,351	2,251,291	4,822	2,304,061	5,359
\$50,000 under \$60,000.....	4,675,269	6,917	4,645,318	7,050	2,183,663	5,062	2,185,857	5,855
\$60,000 under \$70,000.....	4,327,581	6,553	4,052,726	5,787	2,122,111	5,464	1,922,246	5,170
\$70,000 under \$80,000.....	3,789,590	5,970	3,474,212	5,077	1,885,870	5,164	1,688,456	4,296
\$80,000 under \$90,000.....	3,273,402	5,623	3,103,643	4,317	1,694,699	4,820	1,558,865	3,879
\$90,000 under \$100,000.....	2,575,439	4,077	2,424,597	4,156	1,455,928	4,294	1,374,034	4,071
\$100,000 under \$125,000.....	4,294,532	9,009	4,091,125	8,319	2,570,093	9,463	2,419,572	8,905
\$125,000 under \$150,000.....	2,497,098	6,388	2,495,259	5,721	1,639,184	7,528	1,634,912	6,322
\$150,000 under \$175,000.....	1,425,043	4,507	1,484,800	4,191	1,005,762	5,471	1,028,977	5,449
\$175,000 under \$200,000.....	903,946	3,659	957,390	3,510	651,509	4,000	683,564	3,821
\$200,000 under \$300,000.....	1,668,055	9,005	1,846,428	9,204	1,292,061	11,786	1,420,234	11,703
\$300,000 under \$400,000.....	606,136	5,224	722,980	5,135	501,350	7,434	595,222	7,562
\$400,000 under \$500,000.....	310,570	3,830	371,519	3,995	267,120	5,191	312,809	5,254
\$500,000 under \$1,000,000.....	513,857	10,089	597,981	10,364	453,354	13,450	527,714	13,623
\$1,000,000 under \$1,500,000.....	126,296	5,171	145,258	5,277	115,057	6,761	132,866	6,886
\$1,500,000 under \$2,000,000.....	56,026	3,322	63,432	3,321	51,706	4,432	58,930	4,461
\$2,000,000 under \$5,000,000.....	83,565	9,647	90,274	9,703	78,147	12,205	84,304	12,351
\$5,000,000 under \$10,000,000.....	21,337	5,885	22,080	5,917	20,386	7,437	20,963	7,502
\$10,000,000 and over.....	13,736	19,130	13,850	19,153	13,345	22,319	13,456	22,308

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, 2005--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			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	21,057,329	269,701	21,057,329	269,701	26,195,676	668,015	26,195,676	668,015
Under \$10,000.....	4,032,771	5,418	3,750,220	2,542	3,145,891	9,104	2,982,746	9,473
\$10,000 under \$20,000.....	3,190,303	23,334	3,167,913	20,813	2,121,293	2,065	2,059,569	1,820
\$20,000 under \$30,000.....	2,200,541	17,390	2,269,911	15,944	1,831,989	2,541	2,056,560	2,939
\$30,000 under \$40,000.....	1,753,149	14,776	1,822,086	13,936	1,811,110	3,125	2,040,109	4,254
\$40,000 under \$50,000.....	1,534,751	12,604	1,584,437	11,514	1,797,918	4,667	1,812,003	4,962
\$50,000 under \$60,000.....	1,397,452	12,048	1,411,744	12,116	1,744,068	4,669	1,763,943	5,536
\$60,000 under \$70,000.....	1,191,079	12,141	1,147,061	11,357	1,676,011	5,414	1,584,701	6,169
\$70,000 under \$80,000.....	975,376	10,558	932,672	10,051	1,560,200	6,547	1,373,813	5,950
\$80,000 under \$90,000.....	812,177	11,050	805,080	10,202	1,364,459	6,936	1,241,731	7,272
\$90,000 under \$100,000.....	670,813	10,921	653,788	8,668	1,172,572	6,809	1,104,761	6,448
\$100,000 under \$125,000.....	1,095,114	20,465	1,066,063	20,389	2,180,324	16,939	2,064,549	16,861
\$125,000 under \$150,000.....	627,926	16,168	666,322	16,933	1,462,284	16,782	1,422,080	14,887
\$150,000 under \$175,000.....	396,918	13,798	431,369	14,615	914,061	15,317	936,161	14,217
\$175,000 under \$200,000.....	242,190	10,769	261,353	10,581	615,620	11,730	642,931	11,939
\$200,000 under \$300,000.....	467,448	26,122	524,777	29,437	1,263,617	42,040	1,362,014	41,296
\$300,000 under \$400,000.....	163,525	12,617	202,729	15,155	510,169	30,283	583,239	29,948
\$400,000 under \$500,000.....	89,424	8,197	107,565	9,650	273,504	22,936	314,003	22,530
\$500,000 under \$1,000,000.....	138,035	15,445	163,343	18,526	463,988	68,887	533,951	68,816
\$1,000,000 under \$1,500,000.....	33,202	4,869	39,228	5,518	118,563	36,207	134,740	36,748
\$1,500,000 under \$2,000,000.....	14,055	2,291	16,182	2,604	53,231	26,683	60,318	26,221
\$2,000,000 under \$5,000,000.....	21,727	4,567	23,925	4,911	80,412	79,826	86,521	80,666
\$5,000,000 under \$10,000,000.....	5,661	1,715	5,842	1,784	20,841	57,219	21,569	57,622
\$10,000,000 and over.....	3,690	2,438	3,719	2,456	13,550	191,288	13,661	191,440

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	9,949,133	28,237	9,949,133	28,237	7,531,493	402,327	7,531,493	402,327
Under \$10,000.....	914,659	-3,456	870,596	-3,851	633,334	-29,983	609,028	-29,991
\$10,000 under \$20,000.....	953,654	88	925,661	22	400,396	322	386,011	270
\$20,000 under \$30,000.....	857,568	-242	955,617	-388	430,759	840	453,799	579
\$30,000 under \$40,000.....	834,301	-819	886,055	-2	424,374	2,218	429,874	1,314
\$40,000 under \$50,000.....	737,250	-337	786,498	397	408,755	2,289	416,697	2,820
\$50,000 under \$60,000.....	774,410	-215	738,420	-450	455,764	3,514	453,515	3,248
\$60,000 under \$70,000.....	685,154	103	680,842	287	394,057	3,490	395,536	3,542
\$70,000 under \$80,000.....	630,716	432	570,840	277	405,008	4,663	382,093	4,209
\$80,000 under \$90,000.....	570,585	507	537,739	73	361,015	4,277	345,362	3,480
\$90,000 under \$100,000.....	459,697	247	416,559	430	314,892	4,391	313,430	3,859
\$100,000 under \$125,000.....	761,051	1,806	734,218	1,570	641,049	11,080	593,929	9,864
\$125,000 under \$150,000.....	488,641	1,708	441,624	1,655	475,449	12,003	459,443	11,082
\$150,000 under \$175,000.....	223,994	1,550	239,470	1,624	315,071	9,337	321,562	9,776
\$175,000 under \$200,000.....	164,058	1,752	183,336	1,647	248,655	10,597	258,616	10,275
\$200,000 under \$300,000.....	365,469	4,866	391,871	4,576	616,346	36,493	630,193	34,930
\$300,000 under \$400,000.....	160,200	2,680	185,107	2,747	278,766	25,028	299,771	25,343
\$400,000 under \$500,000.....	92,477	1,993	103,543	1,782	174,830	23,187	188,257	22,826
\$500,000 under \$1,000,000.....	158,286	5,244	174,406	5,398	320,817	65,330	346,282	67,779
\$1,000,000 under \$1,500,000.....	44,402	2,318	49,473	2,360	91,674	36,037	99,360	37,098
\$1,500,000 under \$2,000,000.....	21,447	1,450	23,184	1,486	42,554	22,505	46,377	23,079
\$2,000,000 under \$5,000,000.....	34,356	3,127	36,037	3,158	67,309	58,708	71,209	60,329
\$5,000,000 under \$10,000,000.....	9,701	1,456	10,935	1,451	18,221	31,148	18,661	31,442
\$10,000,000 and over.....	7,055	1,980	7,102	1,990	12,399	64,854	12,488	65,172

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, 2005--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			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	1,656,972	23,274	1,656,972	23,274	529,217	16,484	529,217	16,484
Under \$10,000.....	132,421	2,571	174,273	7,120	46,626	-278	44,348	-260
\$10,000 under \$20,000.....	55,983	621	50,968	328	30,853	135	31,603	138
\$20,000 under \$30,000.....	51,506	394	64,001	468	34,186	241	39,117	281
\$30,000 under \$40,000.....	61,115	470	66,946	527	28,556	200	30,097	224
\$40,000 under \$50,000.....	68,869	635	69,832	398	40,366	329	42,257	303
\$50,000 under \$60,000.....	64,080	338	65,612	522	31,715	238	33,024	230
\$60,000 under \$70,000.....	65,354	596	56,270	380	31,561	227	25,679	310
\$70,000 under \$80,000.....	58,572	523	50,753	384	25,055	227	19,860	183
\$80,000 under \$90,000.....	42,580	411	54,884	355	23,579	235	18,275	135
\$90,000 under \$100,000.....	61,511	479	51,429	490	16,329	276	25,862	405
\$100,000 under \$125,000.....	136,189	1,444	124,090	1,156	40,229	502	39,015	506
\$125,000 under \$150,000.....	142,824	2,095	136,684	1,124	36,721	739	31,745	642
\$150,000 under \$175,000.....	150,443	1,721	137,194	1,120	24,922	671	26,051	563
\$175,000 under \$200,000.....	102,232	1,051	92,568	826	16,614	480	15,981	439
\$200,000 under \$300,000.....	195,958	2,570	175,533	1,910	31,950	949	32,111	1,001
\$300,000 under \$400,000.....	82,846	1,146	86,606	960	17,644	504	19,535	546
\$400,000 under \$500,000.....	43,858	789	48,067	729	9,760	430	9,202	451
\$500,000 under \$1,000,000.....	84,682	1,627	92,164	1,553	20,152	1,741	22,832	1,743
\$1,000,000 under \$1,500,000.....	21,771	697	23,804	564	7,436	984	7,555	991
\$1,500,000 under \$2,000,000.....	10,703	387	11,058	321	3,645	647	3,571	640
\$2,000,000 under \$5,000,000.....	15,871	993	16,640	788	6,874	2,039	6,978	1,993
\$5,000,000 under \$10,000,000.....	4,480	624	4,484	407	2,303	1,084	2,364	1,109
\$10,000,000 and over.....	3,125	1,089	3,112	844	2,142	3,884	2,154	3,911

Size of income	Pensions and annuities in AGI [1]		Pensions and annuities [1]		Total statutory adjustments			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	27,139,041	532,422	29,416,357	832,215	33,591,124	109,397	17,201,449	87,855
Under \$10,000.....	2,414,394	12,618	2,254,261	12,608	4,276,883	5,745	349,222	3,858
\$10,000 under \$20,000.....	4,394,369	42,874	4,405,972	43,477	4,199,579	6,066	888,032	5,957
\$20,000 under \$30,000.....	3,378,816	44,716	4,022,497	57,812	3,550,102	6,219	1,461,688	7,980
\$30,000 under \$40,000.....	2,747,805	43,542	3,293,659	58,542	3,202,211	6,366	1,728,220	8,618
\$40,000 under \$50,000.....	2,379,138	43,483	2,637,467	54,193	2,924,209	6,700	1,759,429	7,982
\$50,000 under \$60,000.....	2,126,259	44,185	2,144,808	49,578	2,540,427	5,965	1,813,914	7,756
\$60,000 under \$70,000.....	1,873,157	42,646	1,786,578	45,110	2,143,966	5,478	1,535,438	6,196
\$70,000 under \$80,000.....	1,570,968	39,048	1,405,635	36,631	1,817,153	4,626	1,330,669	5,392
\$80,000 under \$90,000.....	1,272,324	35,238	1,249,404	37,502	1,495,151	4,690	1,235,825	5,298
\$90,000 under \$100,000.....	981,353	27,848	1,007,211	31,216	1,370,508	5,087	1,001,387	4,173
\$100,000 under \$125,000.....	1,530,857	49,627	1,591,933	58,715	2,294,808	9,851	1,651,277	7,448
\$125,000 under \$150,000.....	804,700	30,139	964,456	42,834	1,249,145	6,208	866,898	3,959
\$150,000 under \$175,000.....	477,956	19,538	612,053	33,418	614,290	4,381	484,240	2,649
\$175,000 under \$200,000.....	272,015	11,203	408,787	25,191	342,757	3,372	279,146	1,666
\$200,000 under \$300,000.....	482,333	22,198	793,134	67,157	696,664	8,791	453,829	3,386
\$300,000 under \$400,000.....	161,159	7,627	318,989	40,737	278,659	4,664	154,095	1,649
\$400,000 under \$500,000.....	77,396	4,050	157,214	25,992	155,869	2,941	70,697	754
\$500,000 under \$1,000,000.....	121,794	6,216	238,123	51,281	267,144	6,032	100,067	1,589
\$1,000,000 under \$1,500,000.....	30,458	1,886	56,258	18,976	69,413	1,914	17,798	468
\$1,500,000 under \$2,000,000.....	13,477	858	24,283	11,671	31,646	924	6,864	207
\$2,000,000 under \$5,000,000.....	19,901	1,639	31,104	16,222	48,910	1,753	9,469	463
\$5,000,000 under \$10,000,000.....	5,053	534	8,219	11,375	12,892	606	2,095	193
\$10,000,000 and over.....	3,357	709	4,313	1,979	8,738	1,017	1,151	215

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, 2005--Continued

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

Size of income	Total itemized deductions				Taxable income			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	47,755,427	1,121,811	47,735,371	1,064,959	104,330,653	5,137,166	104,330,653	5,137,166
Under \$10,000.....	950,957	13,524	1,047,670	13,339	5,138,641	8,356	5,109,987	9,544
\$10,000 under \$20,000.....	2,425,054	33,982	2,614,472	32,579	15,065,978	84,239	15,114,536	85,235
\$20,000 under \$30,000.....	3,562,371	50,443	3,906,260	51,192	17,096,284	198,732	17,688,751	210,944
\$30,000 under \$40,000.....	4,363,179	63,750	4,604,749	62,372	13,558,278	263,351	14,020,956	284,977
\$40,000 under \$50,000.....	4,630,770	71,017	4,556,894	65,383	10,471,822	285,012	10,406,809	298,157
\$50,000 under \$60,000.....	4,569,385	76,797	4,496,597	72,305	8,401,429	292,529	8,260,161	297,872
\$60,000 under \$70,000.....	4,303,849	77,442	3,992,679	68,035	6,921,160	295,533	6,507,100	285,549
\$70,000 under \$80,000.....	3,773,052	71,860	3,537,799	63,648	5,536,041	280,801	5,117,141	262,200
\$80,000 under \$90,000.....	3,383,906	68,634	3,193,108	62,197	4,429,290	259,582	4,190,334	245,892
\$90,000 under \$100,000.....	2,772,686	60,008	2,592,573	54,331	3,370,005	223,792	3,188,221	210,673
\$100,000 under \$125,000.....	4,632,017	113,558	4,369,578	101,886	5,292,158	421,552	5,055,356	397,656
\$125,000 under \$150,000.....	2,615,379	74,310	2,583,208	68,581	2,886,767	291,517	2,889,151	281,233
\$150,000 under \$175,000.....	1,498,331	47,342	1,532,979	45,600	1,612,455	197,975	1,672,500	194,758
\$175,000 under \$200,000.....	935,673	32,718	969,446	31,456	990,777	143,684	1,053,245	143,308
\$200,000 under \$300,000.....	1,682,823	68,374	1,816,727	68,300	1,781,193	346,962	1,966,674	347,683
\$300,000 under \$400,000.....	594,760	31,080	697,491	32,506	631,992	186,212	757,060	194,206
\$400,000 under \$500,000.....	300,289	18,732	354,085	19,921	319,849	123,986	383,840	129,137
\$500,000 under \$1,000,000.....	482,243	41,720	558,974	43,507	523,352	313,446	611,111	325,070
\$1,000,000 under \$1,500,000.....	116,261	16,410	133,545	16,969	127,680	138,340	146,176	143,387
\$1,500,000 under \$2,000,000.....	50,933	9,713	57,972	9,931	56,504	87,812	63,952	89,346
\$2,000,000 under \$5,000,000.....	77,611	24,227	83,888	24,669	83,885	226,493	90,625	230,961
\$5,000,000 under \$10,000,000.....	20,453	14,065	21,125	14,126	21,381	132,899	23,120	134,197
\$10,000,000 and over.....	13,443	42,104	13,552	42,128	13,732	334,360	13,845	335,180

Size of income	Total tax credits				Total income tax			
	2005 Adjusted Gross Income		1979 Income Concept		2005 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.....	42,246,181	55,316	42,246,181	55,316	90,593,081	934,836	90,593,081	934,836
Under \$10,000.....	866,346	72	844,558	85	4,528,414	880	4,522,114	1,085
\$10,000 under \$20,000.....	4,962,654	1,436	4,994,868	1,475	11,741,197	7,386	11,752,559	7,478
\$20,000 under \$30,000.....	7,620,905	5,122	7,674,694	5,148	11,744,511	18,371	12,386,349	19,834
\$30,000 under \$40,000.....	5,514,036	5,571	5,602,902	5,641	11,106,472	27,285	11,527,836	30,248
\$40,000 under \$50,000.....	4,500,971	5,596	4,381,305	5,555	9,325,210	32,877	9,292,173	35,037
\$50,000 under \$60,000.....	3,330,447	5,320	3,448,382	5,385	7,933,831	36,414	7,795,195	37,221
\$60,000 under \$70,000.....	3,043,162	5,187	2,922,524	4,997	6,698,871	37,895	6,290,836	36,906
\$70,000 under \$80,000.....	2,627,453	4,602	2,511,169	4,418	5,455,168	36,635	5,036,998	34,612
\$80,000 under \$90,000.....	2,172,305	3,878	2,153,230	3,849	4,379,473	35,464	4,139,301	33,618
\$90,000 under \$100,000.....	1,690,072	2,851	1,627,891	2,766	3,353,816	32,403	3,166,505	30,601
\$100,000 under \$125,000.....	2,539,826	3,878	2,408,013	3,650	5,281,176	67,978	5,038,734	64,170
\$125,000 under \$150,000.....	1,135,500	1,136	1,180,346	1,207	2,884,189	52,855	2,877,138	50,690
\$150,000 under \$175,000.....	512,545	432	558,279	475	1,611,052	38,572	1,666,559	37,602
\$175,000 under \$200,000.....	284,853	221	318,652	241	990,967	30,063	1,051,314	29,586
\$200,000 under \$300,000.....	590,384	1,029	647,400	1,029	1,780,620	79,599	1,961,672	78,146
\$300,000 under \$400,000.....	241,235	595	290,677	694	631,808	47,093	755,470	48,102
\$400,000 under \$500,000.....	140,740	481	158,578	493	319,801	32,703	383,517	33,528
\$500,000 under \$1,000,000.....	277,210	1,506	309,815	1,645	523,401	84,700	610,838	87,226
\$1,000,000 under \$1,500,000.....	76,685	887	85,690	949	127,627	38,053	146,459	39,289
\$1,500,000 under \$2,000,000.....	35,443	606	39,604	636	56,495	23,942	63,946	24,402
\$2,000,000 under \$5,000,000.....	56,941	1,684	60,592	1,732	83,865	60,872	90,598	62,070
\$5,000,000 under \$10,000,000.....	15,583	861	16,041	880	21,378	34,529	23,113	34,861
\$10,000,000 and over.....	10,884	2,365	10,970	2,367	13,741	78,269	13,855	78,523

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

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

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 2005 using AGI and the 1979 Income Concept, classified by size of 2005 income.

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 2005, 1979 Concept income was 2.5 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$299.8 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, increased 9.4 percent for 2005; income for the \$200,000 and above group increased 24.8 percent. Total income tax for all returns increased 12.4 percent in 2005 after an increase of 11.2 percent in 2004; and total income tax reported for the \$200,000 and above income group increased 23.3 percent for 2005, down slightly from the 23.8 percent increase for 2004. The average tax rates (income tax as a percentage of total income) for each income class and both income concepts for years 1986 through 2004 are shown in Figure 4.

For the population as a whole, average tax rates for 2005 (based on the 1979 Income Concept) were 0.3 percentage points higher than those for

2004. Between 1986 and 2005, 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 2005 of 0.4 percentage points. Although the average tax rate for 2005 was

calculated using a lower maximum marginal tax rate of 35.0 percent 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).

Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-2005

Size of 2005 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	2004	2005
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
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	12.3	12.6
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	2.4	2.5
\$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	2.3	2.2
\$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	4.1	4.0
\$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	5.8	5.6
\$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	7.2	6.9
\$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	8.1	7.8
\$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	8.5	8.4
\$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	9.0	8.8
\$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	14.4	14.3	13.5	13.5	13.5	12.9	11.6	10.1	9.5	9.4
\$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	10.5	10.1
\$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	12.0	11.5
\$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	13.7	13.4
\$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	15.1	14.8
\$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	16.4	16.2
\$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	18.9	18.6
\$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	22.1	21.6
\$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	23.2	22.9
\$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	24.3	23.8
\$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	23.4	23.0

Size of 2005 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	2004	2005
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
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	12.0	12.3
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	3.0	3.7
\$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	2.3	2.2
\$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	4.2	4.1
\$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	6.2	6.0
\$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	7.6	7.4
\$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	8.4	8.1
\$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	8.7	8.7
\$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	9.1	9.0
\$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	9.6	9.4
\$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	10.4	10.1
\$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	11.7	11.3
\$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	13.0	12.8
\$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	14.1	13.8
\$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	14.9	15.0
\$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	17.0	16.4
\$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	18.9	18.4
\$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	19.7	19.5
\$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	20.7	21.0
\$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	22.3	21.8