

Section 1

Introduction and Changes in Law

Introduction

This report contains complete individual income tax data for Tax Year 2004. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 132 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2004.

Table A on the following pages presents selected income and tax items for Tax Years 2000, 2001, 2002, 2003, and 2004 as they appear on the forms and provides the percentage change for each item between 2003 and 2004. 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 2004, the number of individual tax returns filed increased by just over 1.8 million, or 1.4 percent. Adjusted gross income (AGI) rose \$581.7 billion, or 9.4 percent from 2003 to 2004, compared to the 2.9 percent increase recorded from 2002 to 2003. Total tax liability increased 11.0 percent to \$880.0 billion. Several components of AGI showed large increases between 2003 and 2004, notably net capital gains less loss increased 60.4 percent and ordinary dividends increased 27.5 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2004, 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, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(1)	(2)	(3)	(4)	(5)	(6)
All returns.....	129,373,500	130,255,237	130,076,443	130,423,626	132,226,042	1.4
Electronically filed returns *.....	40,078,595	46,861,487	52,798,823	61,154,815	68,380,152	11.8
Form 1040 returns.....	78,846,102	80,500,011	80,748,948	80,420,043	80,603,689	0.2
Electronically filed returns.....	16,018,213	20,811,215	24,843,419	30,472,170	34,900,171	14.5
Form 1040A returns.....	28,826,589	28,293,817	28,714,328	29,631,494	30,572,631	3.2
Electronically filed returns.....	13,889,642	15,007,182	16,839,599	18,910,697	20,771,324	9.8
Form 1040EZ returns.....	21,700,809	21,461,409	20,613,167	20,372,089	21,049,722	3.3
Electronically filed returns *.....	10,170,740	11,043,091	11,115,806	11,771,948	12,708,657	8.0
Salaries & wages						
Number of returns.....	110,168,714	111,227,450	110,938,441	110,890,993	112,369,812	1.3
Amount.....	4,456,167,438	4,565,229,218	4,559,690,903	4,649,900,493	4,921,806,344	5.8
Taxable interest received						
Number of returns.....	68,046,458	67,479,816	63,584,806	59,459,344	57,605,888	-3.1
Amount.....	199,321,670	198,177,814	149,024,899	127,159,692	125,474,158	-1.3
Tax-exempt interest						
Number of returns.....	4,658,345	4,557,381	4,453,829	4,524,955	4,416,851	-2.4
Amount.....	53,951,877	55,582,376	54,564,456	53,750,230	52,031,763	-3.2
Ordinary dividends in AGI						
Number of returns.....	34,140,604	32,621,151	31,409,759	30,475,097	30,687,178	0.7
Amount.....	146,987,679	119,533,324	103,241,332	115,141,232	146,838,808	27.5
Qualified dividends in AGI						
Number of returns.....	N/A	N/A	N/A	22,449,379	24,549,867	9.4
Amount.....	N/A	N/A	N/A	80,994,736	110,500,411	36.4
State income tax refund						
Number of returns.....	20,921,057	22,132,023	23,838,529	24,655,907	23,621,296	-4.2
Amount.....	18,309,835	21,219,499	23,875,813	23,425,623	22,735,928	-2.9
Alimony received						
Number of returns.....	442,335	437,859	425,963	431,368	439,608	1.9
Amount.....	6,192,307	6,685,857	6,523,019	6,470,712	7,262,338	12.2
Business or profession net income, less loss						
Number of returns.....	17,600,010	18,018,349	18,597,305	19,415,648	20,252,079	4.3
Amount.....	213,865,353	216,772,496	220,783,572	229,655,285	247,217,287	7.6
Net capital gain in AGI less loss						
Number of returns.....	22,875,460	23,470,401	23,249,625	21,889,687	22,388,659	2.3
Amount.....	614,739,612	325,168,963	238,368,458	294,021,717	471,735,648	60.4
Capital gain distributions reported on Form 1040						
Number of returns.....	6,645,305	2,486,027	939,523	1,095,371	2,878,263	162.8
Amount.....	15,802,819	1,358,488	420,312	332,293	1,925,990	479.6
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,700,051	1,615,884	1,728,377	1,753,860	1,749,934	-0.2
Amount.....	-919,134	-1,896,996	-2,386,530	-330,359	2,502,516	N/A
Total IRA distributions						
Number of returns.....	9,381,311	9,363,959	8,889,787	9,240,253	9,516,936	3.0
Amount.....	138,323,846	118,565,053	120,418,135	120,948,781	131,491,539	8.7
Taxable IRA distributions in AGI						
Number of returns.....	8,732,291	8,834,138	8,291,357	8,611,702	8,913,846	3.5
Amount.....	98,966,627	94,327,585	88,219,481	88,335,605	101,672,181	15.1
Total pensions & annuities						
Number of returns.....	23,793,404	24,317,375	24,857,470	24,767,067	25,130,018	1.5
Amount.....	552,009,667	532,924,324	561,031,602	565,420,626	627,664,241	11.0
Taxable pensions & annuities in AGI						
Number of returns.....	21,765,211	22,262,775	22,794,417	22,822,842	23,123,390	1.3
Amount.....	325,827,702	338,745,409	357,840,960	372,931,442	394,285,849	5.7
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,332,632	14,542,983	14,683,765	14,824,475	15,191,999	2.5
Amount.....	252,085,403	268,224,205	278,192,647	295,698,600	357,378,135	20.9
Farm net income less loss						
Number of returns.....	2,061,784	2,006,871	1,995,073	1,997,116	2,004,898	0.4
Amount.....	-9,034,178	-11,004,781	-14,419,719	-12,371,492	-13,239,205	-7.0
Unemployment compensation in AGI						
Number of returns.....	6,478,292	8,799,885	10,334,639	10,065,230	9,094,911	-9.6
Amount.....	16,913,305	26,890,925	43,129,155	44,007,879	32,740,272	-25.6

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security benefits (received)						
Number of returns.....	13,627,723	13,753,080	13,869,265	14,120,202	14,759,589	4.5
Amount.....	186,586,863	196,524,465	205,658,281	214,011,279	231,873,220	8.3
Taxable social security benefits in AGI						
Number of returns.....	10,608,572	10,779,279	10,702,502	10,975,002	11,691,859	6.5
Amount.....	89,964,021	93,559,363	93,459,494	97,768,201	110,462,387	13.0
Foreign earned income exclusion ²						
Number of returns.....	358,391	292,006	316,931	306,393	295,313	-3.6
Amount.....	15,239,672	13,944,765	14,936,779	15,076,406	15,446,376	2.5
Net operating loss ²						
Number of returns.....	527,417	611,473	670,081	712,076	829,838	16.5
Amount.....	48,096,275	54,475,064	58,126,147	62,824,777	75,011,556	19.4
Other income, net gain less loss ²						
Number of returns.....	5,815,404	5,610,987	5,467,631	5,703,893	5,891,550	3.3
Amount.....	25,370,158	19,508,967	19,100,950	21,289,227	23,197,673	9.0
Total income						
Number of returns.....	129,148,570	130,014,403	129,837,130	130,171,008	131,924,074	1.3
Amount.....	6,423,986,106	6,231,176,710	6,110,746,964	6,294,684,470	6,886,851,809	9.4
Educator expenses						
Number of returns.....	N/A	N/A	2,884,403	3,240,673	3,402,468	5.0
Amount.....	N/A	N/A	712,505	805,734	858,457	6.5
Certain business expenses of reservists, performing artists, and fee-basis government officials						
Number of returns.....	N/A	N/A	N/A	N/A	105,135	(X)
Amount.....	N/A	N/A	N/A	N/A	252,597	(X)
Total taxpayer IRA adjustment						
Number of returns.....	3,505,032	3,448,457	3,277,671	3,418,494	3,330,763	-2.6
Amount.....	7,477,074	7,406,866	9,462,404	10,006,814	10,028,607	0.2
Student loan interest deduction						
Number of returns.....	4,477,986	4,405,667	6,640,784	6,953,370	7,527,249	8.3
Amount.....	2,639,472	2,711,733	4,659,546	4,409,816	4,398,734	-0.3
Tuition and fees deduction						
Number of returns.....	N/A	N/A	3,444,941	3,571,154	4,710,253	31.9
Amount.....	N/A	N/A	6,154,145	6,683,631	10,589,279	58.4
Health savings account deduction						
Number of returns.....	N/A	N/A	N/A	N/A	90,857	(X)
Amount.....	N/A	N/A	N/A	N/A	190,732	(X)
Moving expenses						
Number of returns.....	956,586	944,791	947,470	1,023,888	1,096,436	7.1
Amount.....	2,137,803	2,180,570	2,215,391	2,439,835	2,952,043	21.0
One-half of self-employment tax						
Number of returns.....	14,300,140	14,574,036	14,664,473	15,373,279	15,920,203	3.6
Amount.....	17,392,967	18,134,959	18,687,162	19,791,285	21,109,366	6.7
Self-employed health insurance						
Number of returns.....	3,564,624	3,559,792	3,571,152	3,802,277	3,883,687	2.1
Amount.....	7,569,198	8,177,397	10,494,247	16,454,211	18,457,063	12.2
Keogh retirement plan						
Number of returns.....	1,287,706	1,290,496	1,186,947	1,208,801	1,201,332	-0.6
Amount.....	12,475,396	13,114,412	16,349,738	17,795,957	19,295,952	8.4
Penalty on early withdrawal of savings						
Number of returns.....	863,436	890,649	804,926	736,121	780,327	6.0
Amount.....	286,507	197,533	192,750	150,214	209,833	39.7
Alimony paid adjustment						
Number of returns.....	656,724	656,635	587,219	587,368	574,001	-2.3
Amount.....	7,460,164	7,472,718	7,183,522	7,520,335	8,470,128	12.6
Foreign housing deductions						
Number of returns.....	4,411	4,122	2,074	1,491	3,352	124.8
Amount.....	42,400	92,074	54,614	51,765	59,899	15.7
Other adjustments						
Number of returns.....	170,106	183,906	208,348	272,647	188,210	-31.0
Amount.....	1,008,208	961,209	1,064,125	1,314,285	1,107,387	-15.7
Total statutory adjustments						
Number of returns.....	23,197,425	23,497,092	28,911,078	30,382,069	32,153,965	5.8
Amount.....	58,609,518	60,572,768	77,161,432	87,575,677	98,046,679	12.0
Adjusted gross income or loss (AGI)						
Amount.....	6,365,376,648	6,170,603,942	6,033,585,532	6,207,108,793	6,788,805,130	9.4
Total itemized deductions						
Number of returns.....	42,534,320	44,562,307	45,647,551	43,949,591	46,335,237	5.4
Amount.....	822,360,510	884,528,260	898,047,320	901,864,834	998,238,457	10.7

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(1)	(2)	(3)	(4)	(5)	(6)
Total standard deduction						
Number of returns	85,670,504	84,238,232	82,655,191	84,643,281	84,016,753	-0.7
Amount.....	470,820,881	481,907,591	492,067,532	555,780,052	560,932,618	0.9
Basic standard deduction						
Number of returns.....	85,670,504	84,238,232	82,655,191	84,643,281	84,016,753	-0.7
Amount.....	456,084,883	466,971,032	477,170,045	539,921,089	545,082,218	1.0
Additional standard deduction						
Number of returns	11,330,554	11,116,629	10,857,098	11,200,647	10,985,079	-1.9
Amount.....	14,735,998	14,936,559	14,897,487	15,858,963	15,850,401	-0.1
AGI less deductions						
Number of returns	116,391,403	115,862,109	114,976,167	114,402,877	116,042,570	1.4
Amount.....	5,157,822,794	4,910,329,307	4,760,885,833	4,873,784,147	5,360,753,836	10.0
Number of exemptions.....	252,332,427	256,186,046	258,716,374	261,126,373	263,896,304	1.1
Exemption amount.....	690,109,474	727,554,990	761,440,430	781,305,067	800,690,043	2.5
Taxable income						
Number of returns.....	105,259,292	104,174,655	102,275,969	101,392,812	102,737,959	1.3
Amount.....	4,544,242,424	4,268,506,425	4,096,127,651	4,200,218,439	4,670,165,637	11.2
Tax from table, rate schedules, etc.						
Number of returns.....	105,254,144	104,163,693	102,266,930	101,386,201	102,721,593	1.3
Amount.....	1,008,626,180	926,642,321	829,839,121	780,315,781	871,227,853	11.7
Additional taxes						
Number of returns.....	23,487	25,334	13,291	21,370	9,884	-53.7
Amount.....	126,524	198,998	153,564	222,088	85,611	-61.5
Alternative minimum tax						
Number of returns.....	1,304,198	1,120,047	1,910,789	2,357,975	3,096,299	31.3
Amount.....	9,600,840	6,756,705	6,853,901	9,469,803	13,029,239	37.6
Income tax before credits						
Number of returns.....	105,277,966	104,195,834	102,293,722	101,412,777	102,740,921	1.3
Amount.....	1,018,218,948	933,567,474	836,842,718	790,005,881	884,342,703	11.9
Foreign tax credit						
Number of returns.....	3,935,699	3,942,604	3,748,974	4,145,174	4,700,259	13.4
Amount.....	5,990,360	6,254,559	5,933,600	5,805,555	6,757,994	16.4
Child care credit						
Number of returns.....	6,368,101	6,184,508	6,185,855	6,313,297	6,316,649	0.1
Amount.....	2,793,860	2,721,061	2,706,539	3,206,890	3,337,984	4.1
Credit for elderly or disabled						
Number of returns.....	155,796	139,097	133,538	123,147	107,914	-12.4
Amount.....	32,608	30,496	21,119	20,257	18,740	-7.5
Education credits						
Number of returns.....	6,815,316	7,212,554	6,544,536	7,298,227	7,180,884	-1.6
Amount.....	4,851,178	5,156,254	5,012,744	5,843,029	6,016,805	3.0
Retirement savings contributions credit						
Number of returns.....	N/A	N/A	5,307,176	5,296,688	5,288,732	-0.2
Amount.....	N/A	N/A	1,058,219	1,034,394	1,011,506	-2.2
Child tax credit						
Number of returns.....	26,404,521	26,452,875	25,939,801	25,672,254	25,988,711	1.2
Amount.....	19,689,359	22,427,229	21,520,271	22,788,025	32,300,455	41.7
Adoption credit						
Number of returns.....	42,681	47,737	55,905	63,980	71,136	11.2
Amount.....	91,866	88,781	234,109	348,793	301,890	-13.4
General business credit						
Number of returns.....	275,115	269,648	284,720	262,738	248,506	-5.4
Amount.....	764,253	713,974	750,855	612,744	635,391	3.7
Prior year minimum tax credit						
Number of returns.....	199,554	248,255	193,776	250,605	274,596	9.6
Amount.....	1,287,661	1,438,041	976,398	916,538	902,000	-1.6
Total credits ³						
Number of returns.....	36,028,685	49,066,700	38,846,217	39,247,449	39,841,978	1.5
Amount.....	35,753,613	44,160,998	38,747,463	41,069,375	51,599,346	25.6
Income tax less credits ¹						
Number of returns.....	100,163,625	97,389,985	93,565,243	91,109,363	90,876,672	-0.3
Amount.....	982,465,335	889,406,476	798,095,255	748,936,506	832,743,358	11.2
Self-employment tax						
Number of returns.....	14,300,140	14,575,011	14,664,473	15,373,279	15,920,203	3.6
Amount.....	34,778,824	36,262,878	37,367,003	39,574,991	42,210,737	6.7
Recapture taxes						
Number of returns.....	14,144	11,686	14,684	15,797	41,161	160.6
Amount.....	298,862	286,974	117,943	87,939	173,122	96.9

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(1)	(2)	(3)	(4)	(5)	(6)
Social security, Medicare tax on tip income not reported						
Number of returns.....	265,007	288,275	238,185	557,717	517,609	-7.2
Amount.....	35,753	35,879	31,446	148,746	107,929	-27.4
Tax on qualified retirement plans						
Number of returns.....	4,334,527	4,571,187	4,896,938	4,877,670	4,924,584	1.0
Amount.....	3,414,692	3,259,975	3,498,067	3,407,940	3,640,374	6.8
Advanced earned income credit payments						
Number of returns.....	174,967	135,554	156,376	142,694	142,639	-0.0
Amount.....	72,958	51,492	73,904	66,986	62,360	-6.9
Household employment taxes						
Number of returns.....	259,906	250,622	229,722	240,601	243,702	1.3
Amount.....	795,638	804,086	703,931	810,442	885,832	9.3
Total tax liability ^{1,4}						
Number of returns.....	104,685,747	102,557,013	99,559,612	97,875,142	98,115,557	0.2
Amount.....	1,022,172,309	930,280,996	839,977,103	793,111,460	879,962,609	11.0
Income tax withheld						
Number of returns.....	113,733,442	114,798,386	114,861,744	114,861,706	116,312,978	1.3
Amount.....	763,901,388	773,325,891	717,492,263	703,758,484	731,734,362	4.0
Estimated tax payments						
Number of returns.....	13,326,669	13,167,856	12,434,579	11,576,213	10,996,504	-5.0
Amount.....	221,621,893	220,195,712	198,177,595	182,906,911	188,770,357	3.2
Earned income credit ¹						
Number of returns.....	19,277,225	19,593,121	21,703,187	22,024,227	22,270,550	1.1
Amount.....	32,296,350	33,375,971	38,198,572	38,657,067	40,024,074	3.5
Nontaxable combat pay election						
Number of returns.....	N/A	N/A	N/A	N/A	10,024	(X)
Amount.....	N/A	N/A	N/A	N/A	9,283	(X)
Additional child tax credit						
Number of returns.....	1,104,143	8,562,900	10,937,417	12,570,455	14,528,434	15.6
Amount.....	977,641	4,994,877	6,415,753	9,112,716	14,450,019	58.6
Payment with an extension request						
Number of returns.....	1,610,937	1,448,213	1,235,156	1,333,579	1,518,779	13.9
Amount.....	63,396,711	42,495,018	36,321,934	38,303,188	59,268,206	54.7
Excess social security tax withheld						
Number of returns.....	1,640,582	1,436,745	1,145,352	1,121,141	1,242,604	10.8
Amount.....	2,184,849	1,915,349	1,564,478	1,566,411	1,727,641	10.3
Other payments:						
Form 2439						
Number of returns.....	50,698	20,955	19,422	12,717	9,608	-24.4
Amount.....	399,047	88,649	37,701	123,633	33,754	-72.7
Form 4136						
Number of returns.....	395,555	386,698	365,868	349,860	345,020	-1.4
Amount.....	90,578	108,963	101,459	82,154	86,378	5.1
Form 8885 ^b						
Number of returns.....	N/A	N/A	5,322	17,834	16,314	-8.5
Amount.....	N/A	N/A	1,967	32,514	23,595	-27.4
Total payments ¹						
Number of returns.....	122,243,874	123,451,338	123,462,930	123,461,513	124,989,700	1.2
Amount.....	1,084,868,447	1,076,500,696	998,311,722	974,543,079	1,036,118,363	6.3
Overpayment, total						
Number of returns.....	95,921,082	102,310,895	103,462,884	105,361,848	103,706,648	-1.6
Amount.....	196,198,780	236,981,755	239,784,002	254,553,541	255,064,839	0.2
Overpayment refunded						
Number of returns.....	93,000,030	99,011,975	100,143,606	102,004,984	100,674,244	-1.3
Amount.....	167,577,365	202,274,032	205,987,348	219,751,889	221,371,474	0.7
Refund credited to next year						
Number of returns.....	4,255,215	5,408,878	5,418,534	5,199,186	4,314,593	-17.0
Amount.....	28,621,415	34,708,129	33,796,653	34,801,652	33,693,366	-3.2
Tax due at time of filing						
Number of returns.....	30,624,423	24,581,181	22,818,761	21,072,333	24,452,350	16.0
Amount.....	134,944,362	91,830,967	82,287,723	73,741,408	99,683,779	35.2
Tax penalty						
Number of returns.....	5,813,525	5,318,905	5,149,988	4,829,886	5,641,853	16.8
Amount.....	1,441,719	1,060,320	838,341	619,485	774,697	25.1

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(7)	(8)	(9)	(10)	(11)	(12)
All returns.....	129,373,500	130,255,237	130,076,443	130,423,626	132,226,042	1.4
Electronically filed returns *.....	40,078,595	46,861,487	52,798,823	61,154,815	68,380,152	11.8
Form 1040 returns.....	78,846,102	80,500,011	80,748,948	80,420,043	80,603,689	0.2
Electronically filed returns.....	16,018,213	20,811,215	24,843,419	30,472,170	34,900,171	14.5
Form 1040A returns.....	28,826,589	28,293,817	28,714,328	29,631,494	30,572,631	3.2
Electronically filed returns.....	13,889,642	15,007,182	16,839,599	18,910,697	20,771,324	9.8
Form 1040EZ returns.....	21,700,809	21,461,409	20,613,167	20,372,089	21,049,722	3.3
Electronically filed returns *.....	10,170,740	11,043,091	11,115,806	11,771,948	12,708,657	8.0
Salaries & wages						
Number of returns.....	110,168,714	111,227,450	110,938,441	110,890,993	112,369,812	1.3
Amount.....	3,381,007,161	3,369,172,855	3,313,728,854	3,302,486,146	3,406,094,356	3.1
Taxable interest received						
Number of returns.....	68,046,458	67,479,816	63,584,806	59,459,344	57,605,888	-3.1
Amount.....	151,230,402	146,256,689	108,302,979	90,312,281	86,833,327	-3.9
Tax-exempt interest						
Number of returns.....	4,658,345	4,557,381	4,453,829	4,524,955	4,416,851	-2.4
Amount.....	40,934,656	41,020,204	39,654,401	38,174,879	36,008,140	-5.7
Ordinary dividends in AGI						
Number of returns.....	34,140,604	32,621,151	31,409,759	30,475,097	30,687,178	0.7
Amount.....	111,523,277	88,216,475	75,030,038	81,776,443	101,618,552	24.3
Qualified dividends in AGI						
Number of returns.....	N/A	N/A	N/A	22,449,379	24,549,867	9.4
Amount.....	N/A	N/A	N/A	57,524,670	76,470,873	32.9
State income tax refund						
Number of returns.....	20,921,057	22,132,023	23,838,529	24,655,907	23,621,296	-4.2
Amount.....	13,892,136	15,660,147	17,351,608	16,637,516	15,734,206	-5.4
Alimony received						
Number of returns.....	442,335	437,859	425,963	431,368	439,608	1.9
Amount.....	4,698,260	4,934,212	4,740,566	4,595,676	5,025,839	9.4
Business or profession net income, less loss						
Number of returns.....	17,600,010	18,018,349	18,597,305	19,415,648	20,252,079	4.3
Amount.....	162,265,063	159,979,702	160,453,177	163,107,447	171,084,628	4.9
Net capital gain in AGI less loss						
Number of returns.....	22,875,460	23,470,401	23,249,625	21,889,687	22,388,659	2.3
Amount.....	466,418,522	239,977,094	173,232,891	208,822,242	326,460,656	56.3
Capital gain distributions reported on Form 1040						
Number of returns.....	6,645,305	2,486,027	939,523	1,095,371	2,878,263	162.8
Amount.....	11,989,999	1,002,574	305,459	236,004	1,332,865	464.8
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,700,051	1,615,884	1,728,377	1,753,860	1,749,934	-0.2
Amount.....	-697,370	-1,399,997	-1,734,397	-234,630	1,731,845	N/A
Total IRA distributions						
Number of returns.....	9,381,311	9,363,959	8,889,787	9,240,253	9,516,936	3.0
Amount.....	104,949,807	87,501,884	87,513,180	85,901,123	90,997,605	5.9
Taxable IRA distributions in AGI						
Number of returns.....	8,732,291	8,834,138	8,291,357	8,611,702	8,913,846	3.5
Amount.....	75,088,488	69,614,454	64,112,995	62,738,356	70,361,371	12.2
Total pensions & annuities						
Number of returns.....	23,793,404	24,317,375	24,857,470	24,767,067	25,130,018	1.5
Amount.....	418,823,723	393,302,084	407,726,455	401,577,149	434,369,717	8.2
Taxable pensions & annuities in AGI						
Number of returns.....	21,765,211	22,262,775	22,794,417	22,822,842	23,123,390	1.3
Amount.....	247,213,734	249,996,612	260,058,837	264,866,081	272,862,179	3.0
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,332,632	14,542,983	14,683,765	14,824,475	15,191,999	2.5
Amount.....	191,263,583	197,951,443	202,174,889	210,013,210	247,320,509	17.8
Farm net income less loss						
Number of returns.....	2,061,784	2,006,871	1,995,073	1,997,116	2,004,898	0.4
Amount.....	-6,854,460	-8,121,610	-10,479,447	-8,786,571	-9,162,080	-4.3
Unemployment compensation in AGI						
Number of returns.....	6,478,292	8,799,885	10,334,639	10,065,230	9,094,911	-9.6
Amount.....	12,832,553	19,845,701	31,343,863	31,255,596	22,657,628	-27.5

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security benefits (received)						
Number of returns.....	13,627,723	13,753,080	13,869,265	14,120,202	14,759,589	4.5
Amount.....	141,568,181	145,036,506	149,460,960	151,996,647	160,465,896	5.6
Taxable social security benefits in AGI						
Number of returns.....	10,608,572	10,779,279	10,702,502	10,975,002	11,691,859	6.5
Amount.....	68,257,983	69,047,500	67,921,144	69,437,643	76,444,558	10.1
Foreign earned income exclusion ²						
Number of returns.....	358,391	292,006	316,931	306,393	295,313	-3.6
Amount.....	11,562,725	10,291,339	10,855,217	10,707,675	10,689,534	-0.2
Net operating loss ²						
Number of returns.....	527,417	611,473	670,081	712,076	829,838	16.5
Amount.....	36,491,863	40,202,999	42,242,839	44,619,870	51,911,111	16.3
Other income, net gain less loss ²						
Number of returns.....	5,815,404	5,610,987	5,467,631	5,703,893	5,891,550	3.3
Amount.....	19,248,982	14,397,762	13,881,504	15,120,190	16,053,753	6.2
Total income						
Number of returns.....	129,148,570	130,014,403	129,837,130	130,171,008	131,924,074	1.3
Amount.....	4,874,041,052	4,598,654,399	4,440,949,828	4,470,656,584	4,765,987,411	6.6
Educator expenses						
Number of returns.....	N/A	N/A	2,884,403	3,240,673	3,402,468	5.0
Amount.....	N/A	N/A	517,809	572,254	594,088	3.8
Certain business expenses of reservists, performing artists, and fee-basis government officials						
Number of returns.....	N/A	N/A	N/A	N/A	105,135	(X)
Amount.....	N/A	N/A	N/A	N/A	174,808	(X)
Total taxpayer IRA adjustment						
Number of returns.....	3,505,032	3,448,457	3,277,671	3,418,494	3,330,763	-2.6
Amount.....	5,673,046	5,466,322	6,876,747	7,107,112	6,940,212	-2.3
Student loan interest deduction						
Number of returns.....	4,477,986	4,405,667	6,640,784	6,953,370	7,527,249	8.3
Amount.....	2,002,634	2,001,279	3,386,298	3,131,972	3,044,107	-2.8
Tuition and fees deduction						
Number of returns.....	N/A	N/A	3,444,941	3,571,154	4,710,253	31.9
Amount.....	N/A	N/A	4,472,489	4,746,897	7,328,221	54.4
Health savings account deduction						
Number of returns.....	N/A	N/A	N/A	N/A	90,857	(X)
Amount.....	N/A	N/A	N/A	N/A	131,994	(X)
Moving expenses						
Number of returns.....	956,586	944,791	947,470	1,023,888	1,096,436	7.1
Amount.....	1,622,005	1,609,277	1,610,023	1,732,837	2,042,936	17.9
One-half of self-employment tax						
Number of returns.....	14,300,140	14,574,036	14,664,473	15,373,279	15,920,203	3.6
Amount.....	13,196,485	13,383,734	13,580,786	14,056,310	14,608,558	3.9
Self-employed health insurance						
Number of returns.....	3,564,624	3,559,792	3,571,152	3,802,277	3,883,687	2.1
Amount.....	5,742,942	6,034,979	7,626,633	11,686,229	12,773,054	9.3
Keogh retirement plan						
Number of returns.....	1,287,706	1,290,496	1,186,947	1,208,801	1,201,332	-0.6
Amount.....	9,465,399	9,678,533	11,882,077	12,639,174	13,353,600	5.7
Penalty on early withdrawal of savings						
Number of returns.....	863,436	890,649	804,926	736,121	780,327	6.0
Amount.....	217,380	145,781	140,080	106,686	145,213	36.1
Alimony paid adjustment						
Number of returns.....	656,724	656,635	587,219	587,368	574,001	-2.3
Amount.....	5,660,215	5,514,921	5,220,583	5,341,147	5,861,680	9.7
Foreign housing deductions						
Number of returns.....	4,411	4,122	2,074	1,491	3,352	124.8
Amount.....	32,170	67,951	39,690	36,765	41,453	12.8
Other adjustments						
Number of returns.....	170,106	183,906	208,348	272,647	188,210	-31.0
Amount.....	764,953	709,379	773,347	933,441	766,358	-17.9
Total statutory adjustments						
Number of returns.....	23,197,425	23,497,092	28,911,078	30,382,069	32,153,965	5.8
Amount.....	44,468,527	44,703,150	56,076,622	62,198,634	67,852,373	9.1
Adjusted gross income or loss (AGI)						
Amount.....	4,829,572,571	4,553,951,249	4,384,873,206	4,408,457,950	4,698,135,038	6.6
Total itemized deductions						
Number of returns.....	42,534,320	44,562,307	45,647,551	43,949,591	46,335,237	5.4
Amount.....	623,945,759	652,788,384	652,650,669	640,529,001	690,822,462	7.9

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(7)	(8)	(9)	(10)	(11)	(12)
Total standard deduction						
Number of returns	85,670,504	84,238,232	82,655,191	84,643,281	84,016,753	-0.7
Amount.....	357,223,734	355,651,359	357,607,218	394,730,151	388,188,663	-1.7
Basic standard deduction						
Number of returns.....	85,670,504	84,238,232	82,655,191	84,643,281	84,016,753	-0.7
Amount.....	346,043,159	344,628,068	346,780,556	383,466,683	377,219,528	-1.6
Additional standard deduction						
Number of returns	11,330,554	11,116,629	10,857,098	11,200,647	10,985,079	-1.9
Amount.....	11,180,575	11,023,291	10,826,662	11,263,468	10,969,136	-2.6
AGI less deductions						
Number of returns	116,391,403	115,862,109	114,976,167	114,402,877	116,042,570	1.4
Amount.....	3,913,370,860	3,623,859,267	3,459,946,100	3,461,494,423	3,709,864,246	7.2
Number of exemptions.....	252,332,427	256,186,046	258,716,374	261,126,373	263,896,304	1.1
Exemption amount.....	523,603,546	536,940,952	553,372,406	554,904,167	554,110,756	-0.1
Taxable income						
Number of returns.....	105,259,292	104,174,655	102,275,969	101,392,812	102,737,959	1.3
Amount.....	3,447,831,885	3,150,189,244	2,976,836,956	2,983,109,687	3,231,948,538	8.3
Tax from table, rate schedules, etc.						
Number of returns.....	105,254,144	104,163,693	102,266,930	101,386,201	102,721,593	1.3
Amount.....	765,270,243	683,868,872	603,080,757	554,201,549	602,925,850	8.8
Additional taxes						
Number of returns.....	23,487	25,334	13,291	21,370	9,884	-53.7
Amount.....	95,997	146,862	111,602	157,733	59,246	-62.4
Alternative minimum tax						
Number of returns.....	1,304,198	1,120,047	1,910,789	2,357,975	3,096,299	31.3
Amount.....	7,284,401	4,986,498	4,981,033	6,725,712	9,016,774	34.1
Income tax before credits						
Number of returns.....	105,277,966	104,195,834	102,293,722	101,412,777	102,740,921	1.3
Amount.....	772,548,519	688,979,686	608,170,580	561,083,722	612,001,871	9.1
Foreign tax credit						
Number of returns.....	3,935,699	3,942,604	3,748,974	4,145,174	4,700,259	13.4
Amount.....	4,545,038	4,615,911	4,312,209	4,123,263	4,676,812	13.4
Child care credit						
Number of returns.....	6,368,101	6,184,508	6,185,855	6,313,297	6,316,649	0.1
Amount.....	2,119,772	2,008,163	1,966,961	2,277,621	2,310,024	1.4
Credit for elderly or disabled						
Number of returns.....	155,796	139,097	133,538	123,147	107,914	-12.4
Amount.....	24,741	22,506	15,348	14,387	12,969	-9.9
Education credits						
Number of returns.....	6,815,316	7,212,554	6,544,536	7,298,227	7,180,884	-1.6
Amount.....	3,680,712	3,805,354	3,642,983	4,149,879	4,163,879	0.3
Retirement savings contributions credit						
Number of returns.....	N/A	N/A	5,307,176	5,296,688	5,288,732	-0.2
Amount.....	N/A	N/A	769,055	734,655	700,004	-4.7
Child tax credit						
Number of returns.....	26,404,521	26,452,875	25,939,801	25,672,254	25,988,711	1.2
Amount.....	14,938,816	16,551,461	15,639,732	16,184,677	22,353,256	38.1
Adoption credit						
Number of returns.....	42,681	47,737	55,905	63,980	71,136	11.2
Amount.....	69,701	65,521	170,137	247,722	208,920	-15.7
General business credit						
Number of returns.....	275,115	269,648	284,720	262,738	248,506	-5.4
Amount.....	579,858	526,918	545,680	435,188	439,717	1.0
Prior year minimum tax credit						
Number of returns.....	199,554	248,255	193,776	250,605	274,596	9.6
Amount.....	976,981	1,061,285	709,592	650,950	624,221	-4.1
Total credits ³						
Number of returns.....	36,028,685	49,066,700	38,846,217	39,247,449	39,841,978	1.5
Amount.....	27,127,172	32,591,142	28,159,493	29,168,590	35,708,890	22.4
Income tax less credits ¹						
Number of returns.....	100,163,625	97,389,985	93,565,243	91,109,363	90,876,672	-0.3
Amount.....	745,421,347	656,388,543	580,011,086	531,915,132	576,292,981	8.3
Self-employment tax						
Number of returns.....	14,300,140	14,575,011	14,664,473	15,373,279	15,920,203	3.6
Amount.....	26,387,575	26,762,272	27,156,252	28,107,238	29,211,583	3.9
Recapture taxes						
Number of returns.....	14,144	11,686	14,684	15,797	41,161	160.6
Amount.....	226,754	211,789	85,714	62,457	119,808	91.8

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 2000-2004, 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, 2003 to 2004
	2000	2001	2002	2003	2004	
	(7)	(8)	(9)	(10)	(11)	(12)
Social security, Medicare tax on tip income not reported						
Number of returns.....	265,007	288,275	238,185	557,717	517,609	-7.2
Amount.....	27,127	26,479	22,853	105,643	74,691	-29.3
Tax on qualified retirement plans						
Number of returns.....	4,334,527	4,571,187	4,896,938	4,877,670	4,924,584	1.0
Amount.....	2,590,813	2,405,886	2,542,200	2,420,412	2,519,290	4.1
Advanced earned income credit payments						
Number of returns.....	174,967	135,554	156,376	142,694	142,639	-0.0
Amount.....	55,355	38,001	53,709	47,575	43,156	-9.3
Household employment taxes						
Number of returns.....	259,906	250,622	229,722	240,601	243,702	1.3
Amount.....	603,671	593,421	511,578	575,598	613,033	6.5
Total tax liability ^{3,4}						
Number of returns.....	104,685,747	102,557,013	99,559,612	97,875,142	98,115,557	0.2
Amount.....	775,548,034	686,554,241	610,448,476	563,289,389	608,970,664	8.1
Income tax withheld						
Number of returns.....	113,733,442	114,798,386	114,861,744	114,861,706	116,312,978	1.3
Amount.....	579,591,341	570,720,215	521,433,331	499,828,469	506,390,562	1.3
Estimated tax payments						
Number of returns.....	13,326,669	13,167,856	12,434,579	11,576,213	10,996,504	-5.0
Amount.....	168,150,146	162,506,061	144,024,415	129,905,477	130,636,925	0.6
Earned income credit ¹						
Number of returns.....	19,277,225	19,593,121	21,703,187	22,024,227	22,270,550	1.1
Amount.....	24,504,059	24,631,713	27,760,590	27,455,303	27,698,321	0.9
Nontaxable combat pay election						
Number of returns.....	N/A	N/A	N/A	N/A	10,024	(X)
Amount.....	N/A	N/A	N/A	N/A	6,424	(X)
Additional child tax credit						
Number of returns.....	1,104,143	8,562,900	10,937,417	12,570,455	14,528,434	15.6
Amount.....	741,761	3,686,256	4,662,611	6,472,099	10,000,013	54.5
Payment with an extension request						
Number of returns.....	1,610,937	1,448,213	1,235,156	1,333,579	1,518,779	13.9
Amount.....	48,100,691	31,361,637	26,396,754	27,203,969	41,016,060	50.8
Excess social security tax withheld						
Number of returns.....	1,640,582	1,436,745	1,145,352	1,121,141	1,242,604	10.8
Amount.....	1,657,700	1,413,542	1,136,975	1,112,508	1,195,599	7.5
Other payments:						
Form 2439						
Number of returns.....	50,698	20,955	19,422	12,717	9,608	-24.4
Amount.....	302,767	65,424	27,399	87,808	23,359	-73.4
Form 4136						
Number of returns.....	395,555	386,698	365,868	349,860	345,020	-1.4
Amount.....	68,724	80,415	73,735	58,348	59,777	2.4
Form 8885 ⁵						
Number of returns.....	N/A	N/A	5,322	17,834	16,314	-8.5
Amount.....	N/A	N/A	1,430	23,092	16,329	-29.3
Total payments ¹						
Number of returns.....	122,243,874	123,451,338	123,462,930	123,461,513	124,989,700	1.2
Amount.....	823,117,183	794,465,458	725,517,240	692,147,073	717,036,929	3.6
Overpayment, total						
Number of returns.....	95,921,082	102,310,895	103,462,884	105,361,848	103,706,648	-1.6
Amount.....	148,860,986	174,894,284	174,261,629	180,790,867	176,515,460	-2.4
Overpayment refunded						
Number of returns.....	93,000,030	99,011,975	100,143,606	102,004,984	100,674,244	-1.3
Amount.....	127,145,193	149,279,728	149,700,108	156,073,785	153,198,252	-1.8
Refund credited to next year						
Number of returns.....	4,255,215	5,408,878	5,418,534	5,199,186	4,314,593	-17.0
Amount.....	21,715,793	25,614,855	24,561,521	24,717,082	23,317,208	-5.7
Tax due at time of filing						
Number of returns.....	30,624,423	24,581,181	22,818,761	21,072,333	24,452,350	16.0
Amount.....	102,385,707	67,771,931	59,802,124	52,373,159	68,985,314	31.7
Tax penalty						
Number of returns.....	5,813,525	5,318,905	5,149,988	4,829,886	5,641,853	16.8
Amount.....	1,093,869	782,524	609,259	439,975	536,122	21.9

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.

* 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; 2004 CPI-U = 188.9; 2003 CPI-U = 184.0; 2002 CPI-U = 179.9; 2001 CPI-U = 177.1; 2000 CPI-U = 172.2.

Figure 1--General Filing Requirements

Marital Status	Filing Status	Age	Gross Income
Single (including divorced and legally separated)	Single	under 65	\$7,950
		65 or older	\$9,150
	Head of household	under 65	\$10,250
		65 or older	\$11,450
Married with a child and living apart from spouse during the last six months of 2004	Head of household	under 65	\$10,250
		65 or older	\$11,450
Married and living with spouse at the end of 2004 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$15,900
		65 or older (one spouse)	\$16,850
		65 or older (both spouses)	\$17,800
	Married, separate return	any age	\$3,100
Married, not living with spouse at the end of 2004 (or on the date spouse died)	Married, joint or separate return	any age	\$3,100
Widowed in 2002 or 2003 and not remarried in 2004	Single	under 65	\$7,950
		65 or older	\$9,150
	Head of household	under 65	\$10,250
		65 or older	\$11,450
	Qualifying widow(er) with dependent child	under 65	\$12,800
		65 or older	\$13,750

Requirements for Filing

The filing requirements for Tax Year 2004 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 2004 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;
- 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 \$3,100 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 \$4,850, or
- Unearned income was over \$800, or
- Gross income was more than the larger of (a) \$800 or (b) earned income (up to \$4,600) plus \$250.

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

- Earned income was more than \$6,050 (\$7,250 if 65 or older and blind), or
- Unearned income was more than \$2,000 (\$3,200 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,600) plus \$250 or \$800, whichever is larger; plus \$1,200 (\$2,400 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 \$4,850, or
- Unearned income was over \$800, or
- Gross income was more than the larger of \$800 or earned income (up to \$4,600) plus \$250.

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

- Earned income was more than \$5,800 (\$6,750 if 65 or older and blind), or
- Unearned was more than \$1,750 (\$2,700 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,600) plus \$250 or \$800, 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 2004 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

In Tax Year 2003, the credit limit based on earned income was 10 percent of a taxpayer's earned income that exceeded \$10,500. For 2004, the limit increased to 15 percent of a taxpayer's earned income that exceeded \$10,750. If a taxpayer was a member of the U.S. Armed Forces who served in a combat zone, the taxpayer was able to include nontaxable combat pay as earned income when figuring the credit limit.

Certain Business Expenses of Reservists, Performing Artists, and Fee-Basis Government Officials

New in 2004, National Guard or reserve members who traveled more than 100 miles from home and performed services as a National Guard or reserve member were allowed to take a line item deduction in the form of adjustment to income for certain expenses. This adjustment was also available for expenses of qualified performing artists and fee-basis state and local government officials.

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 \$2,650 from \$2,600. The maximum credit for taxpayers with no qualifying children increased to \$390 from \$382. For these taxpayers, earned income and AGI had to be less than \$11,490 (\$12,490 if married filing jointly). For taxpayers with one qualifying child, the

maximum credit increased \$57 to \$2,604 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,300 from \$4,204. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$30,338 (\$31,338 for married filing jointly) for one qualifying child, or less than \$34,458 (\$35,458 for married filing jointly) for two or more qualifying children.

Exemption Amount

Indexing for inflation increased to \$3,100 the deduction for each exemption to which the taxpayer was entitled for 2004, an increase over the \$3,050 allowed for 2003. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$139,500 to \$142,700 for single filers; \$209,250 to \$214,050 for married persons filing jointly and surviving spouses; \$174,400 to \$178,350 for heads of household; and \$104,625 to \$107,025 for married persons filing separately. The phase-out of the deduction for exemptions was completed at AGI levels above \$265,200 for single filers; \$336,550 for married persons filing jointly and surviving spouses; \$300,850 for heads of household; and \$168,275 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

Health Savings Account Deduction

Beginning in tax year 2004, a taxpayer could have taken a deduction for contributions to a Health Savings Account. The deduction was limited to the annual deductible on the qualifying high deductible health plan, but not more than \$2,600 (\$5,150, if family coverage). These limits were \$500 higher if the taxpayer was age 55 or older (\$1,000 if both spouses were 55 or older). A taxpayer could not contribute to an HSA starting the first month he or she was enrolled in Medicare.

Individual Retirement Arrangement Deduction

For 2004, 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 \$55,000 (\$75,000 if married filing jointly or qualifying widow(er)). This was up from \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)) for 2003.

Itemized Deductions

If a taxpayer's AGI was greater than \$142,700 (\$71,350 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$139,500 (\$69,750) for 2003, 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.

Nontaxable Combat Pay Election

For Tax Year 2004, members of the U.S. Armed Forces who served in a combat zone could have excluded certain pay from their income. The qualified taxpayer's entitlement to the pay must have been fully accrued in a month during which they served in a combat zone or were hospitalized as a result of wounds, disease, or injury incurred while serving in the combat zone. However, this nontaxable pay was used to gain benefits for both the EIC and additional child tax credit purposes.

Sales Tax Deduction

For Tax Year 2004, a taxpayer could have elected to deduct state and local general sales taxes instead of state and local income taxes as an itemized deduction on Schedule A. The taxpayer could have used either actual expenses or the optional state sales tax tables.

Schedule J

New for 2004, fisherman could have elected to use income averaging on Schedule J to reduce their tax. Previously, only farmers could have taken this benefit. Also, the benefit of income averaging was extended to farmers and fisherman who owed the alternative minimum tax.

Section 179 Deduction

The maximum section 179 deduction (full expensing of certain depreciable property) that could be elected for property placed in service in 2004 increased from \$100,000 to \$102,000 for qualified section 179 property (\$137,000 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 \$410,000 (increased from \$400,000).

Self-employment Tax

The ceiling on taxable "self-employment income" was raised, for 2004, to \$87,900 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$87,000 for 2003.

Standard Deduction

For married persons filing jointly or surviving spouses, the standard deduction was increased in 2004, from \$9,500 to \$9,700 (the amount is now twice that for single filers).

For single filers and married persons filing separately, the standard deduction rose from \$4,750 to \$4,850; and for heads of household, from \$7,000 to \$7,150. 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 \$950 or \$1,200 depending on marital status.

Figure 3.-Calculation of the 1979 Income Concept for 2004

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 2004.

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 2004.

⁶ Not included in AGI for Tax Year 2004.

Tuition and Fees Deduction

A taxpayer was able to deduct in 2004 up to \$4,000 (\$3,000 in 2003) of the qualified tuition and fees paid for themselves, a spouse, or dependents if the taxpayer's modified AGI was under \$65,000 (\$130,000 if married filing jointly). New for 2004, a taxpayer was able to deduct up to \$2,000 if their AGI was higher than the limit but not more than \$80,000 (\$160,000 if married filing jointly). This deduction could not be taken if the person could be claimed as a dependent on another taxpayer's return or if they claimed the education credit for the same student.

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

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2004

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

Size of income	Income				Salaries and wages			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	132,226,042	6,788,805	132,226,042	6,955,345	112,369,812	4,921,806	112,369,812	4,921,806
Under \$10,000.....	25,660,747	35,654	25,023,168	31,512	19,366,860	114,528	19,111,609	109,632
\$10,000 under \$20,000.....	22,937,484	342,224	23,051,909	344,386	18,157,217	253,887	18,282,888	257,760
\$20,000 under \$30,000.....	18,217,305	451,385	19,074,629	472,995	15,822,522	369,232	16,271,699	381,665
\$30,000 under \$40,000.....	13,915,452	482,760	14,319,762	496,094	12,444,031	403,103	12,553,016	407,802
\$40,000 under \$50,000.....	10,571,408	473,381	10,597,884	474,200	9,491,467	389,371	9,514,219	392,591
\$50,000 under \$60,000.....	8,302,132	455,276	8,214,568	450,212	7,479,563	370,310	7,436,946	373,168
\$60,000 under \$70,000.....	6,837,221	443,746	6,448,354	418,463	6,184,054	357,976	5,932,128	351,052
\$70,000 under \$80,000.....	5,467,391	408,739	5,117,229	382,891	4,962,437	328,727	4,721,706	319,031
\$80,000 under \$90,000.....	4,255,373	360,943	3,958,181	335,786	3,900,922	291,316	3,676,280	277,983
\$90,000 under \$100,000.....	3,304,524	313,310	3,140,548	297,573	3,055,569	256,647	2,898,413	243,188
\$100,000 under \$125,000.....	4,791,645	532,483	4,680,227	520,652	4,418,210	426,367	4,349,684	417,462
\$125,000 under \$150,000.....	2,592,224	353,175	2,673,449	364,408	2,366,960	273,355	2,463,142	279,199
\$150,000 under \$175,000.....	1,439,695	232,253	1,509,163	243,630	1,299,704	172,978	1,351,125	172,760
\$175,000 under \$200,000.....	912,005	170,408	979,150	182,764	820,686	120,826	877,925	121,695
\$200,000 under \$300,000.....	1,520,273	364,745	1,663,269	401,006	1,335,226	239,157	1,446,883	242,792
\$300,000 under \$400,000.....	556,228	191,236	650,892	223,920	475,287	113,852	549,282	117,238
\$400,000 under \$500,000.....	271,662	120,814	329,248	146,421	230,603	67,607	276,362	71,379
\$500,000 under \$1,000,000.....	433,145	293,370	524,843	355,814	362,105	144,318	437,385	152,097
\$1,000,000 under \$1,500,000.....	103,964	125,553	122,025	147,937	84,657	51,194	98,377	53,549
\$1,500,000 under \$2,000,000.....	45,104	77,755	51,505	88,908	36,876	29,523	41,847	30,351
\$2,000,000 under \$5,000,000.....	65,548	194,471	69,962	206,434	53,776	63,980	57,407	65,279
\$5,000,000 under \$10,000,000.....	15,835	108,192	16,300	111,151	13,090	31,985	13,405	32,477
\$10,000,000 and over.....	9,677	256,933	9,776	258,185	7,987	51,566	8,082	51,657

Size of income	Taxable interest received				Ordinary dividends		Ordinary dividends received	
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	57,605,888	125,474	57,605,888	125,474	30,687,178	146,839	30,687,178	146,839
Under \$10,000.....	6,388,309	8,260	6,055,499	8,189	3,552,378	5,791	3,362,483	5,626
\$10,000 under \$20,000.....	6,294,430	8,776	6,159,697	8,774	2,899,685	5,013	2,827,403	5,275
\$20,000 under \$30,000.....	5,327,211	6,622	5,820,151	7,930	2,425,039	4,661	2,683,108	6,104
\$30,000 under \$40,000.....	5,309,774	6,173	5,727,946	7,521	2,342,212	4,563	2,591,665	5,303
\$40,000 under \$50,000.....	5,048,771	5,819	5,169,607	6,701	2,247,565	4,790	2,352,897	5,184
\$50,000 under \$60,000.....	4,642,850	5,376	4,615,044	6,083	2,230,720	4,675	2,202,837	5,627
\$60,000 under \$70,000.....	4,203,154	5,812	3,904,355	4,287	2,097,109	5,420	1,891,516	3,911
\$70,000 under \$80,000.....	3,764,707	4,480	3,454,234	3,556	1,993,447	4,140	1,780,162	4,199
\$80,000 under \$90,000.....	3,097,225	4,049	2,882,203	3,675	1,647,573	4,695	1,498,902	4,392
\$90,000 under \$100,000.....	2,518,727	3,644	2,364,110	3,507	1,440,396	3,659	1,355,905	3,748
\$100,000 under \$125,000.....	3,846,816	6,749	3,756,559	6,206	2,378,055	8,443	2,306,833	7,561
\$125,000 under \$150,000.....	2,234,597	5,381	2,264,298	4,332	1,470,065	6,599	1,470,301	5,106
\$150,000 under \$175,000.....	1,256,321	3,286	1,326,394	3,348	931,417	4,728	983,542	4,726
\$175,000 under \$200,000.....	815,057	2,621	865,551	2,480	627,546	4,016	662,848	3,881
\$200,000 under \$300,000.....	1,405,231	7,157	1,537,741	6,935	1,118,037	9,907	1,218,537	9,709
\$300,000 under \$400,000.....	531,927	4,158	615,762	4,320	451,703	6,077	520,071	6,131
\$400,000 under \$500,000.....	260,956	2,553	311,933	2,688	231,441	4,332	273,992	4,416
\$500,000 under \$1,000,000.....	422,420	7,385	509,541	7,567	380,444	11,259	455,642	11,541
\$1,000,000 under \$1,500,000.....	102,419	3,648	119,538	3,764	94,725	5,694	110,068	5,833
\$1,500,000 under \$2,000,000.....	44,603	2,339	50,825	2,440	41,619	3,702	47,695	3,783
\$2,000,000 under \$5,000,000.....	65,002	6,477	68,952	6,524	61,403	9,770	65,622	9,905
\$5,000,000 under \$10,000,000.....	15,736	4,014	16,204	4,040	15,175	6,165	15,628	6,155
\$10,000,000 and over.....	9,646	10,695	9,743	10,610	9,423	18,741	9,520	18,724

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, 2004--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			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	20,252,079	247,217	20,252,079	247,217	25,266,922	473,662	25,266,922	473,662
Under \$10,000.....	3,754,338	5,498	3,473,952	2,653	3,074,015	7,008	2,922,552	7,297
\$10,000 under \$20,000.....	3,187,236	23,258	3,160,612	20,201	2,172,787	1,384	2,126,867	1,326
\$20,000 under \$30,000.....	2,234,847	16,901	2,289,684	15,768	1,848,099	2,011	2,042,067	2,550
\$30,000 under \$40,000.....	1,719,908	13,724	1,788,292	12,239	1,799,122	2,108	2,024,158	2,675
\$40,000 under \$50,000.....	1,573,077	13,360	1,563,066	12,681	1,833,267	2,396	1,870,011	3,616
\$50,000 under \$60,000.....	1,370,617	11,079	1,417,897	11,758	1,727,950	4,011	1,764,827	4,094
\$60,000 under \$70,000.....	1,164,460	12,367	1,138,962	10,895	1,635,801	4,047	1,493,175	4,311
\$70,000 under \$80,000.....	971,054	11,006	981,842	10,795	1,599,886	5,058	1,370,851	4,947
\$80,000 under \$90,000.....	788,013	10,602	728,474	9,541	1,374,206	5,528	1,230,758	5,650
\$90,000 under \$100,000.....	622,324	9,299	622,410	9,373	1,128,217	5,054	1,114,470	4,860
\$100,000 under \$125,000.....	930,256	18,238	904,703	17,382	2,002,705	12,922	1,913,814	12,135
\$125,000 under \$150,000.....	561,797	14,752	613,690	14,952	1,312,227	12,015	1,293,435	11,094
\$150,000 under \$175,000.....	336,637	11,992	364,564	12,805	813,723	10,737	858,337	10,608
\$175,000 under \$200,000.....	220,464	8,925	249,564	10,131	566,544	10,167	593,390	9,513
\$200,000 under \$300,000.....	419,888	23,735	470,372	26,575	1,090,183	29,388	1,156,995	28,023
\$300,000 under \$400,000.....	146,513	10,913	181,616	13,046	447,042	21,365	514,697	21,374
\$400,000 under \$500,000.....	77,785	6,803	92,425	7,682	230,455	16,180	269,897	16,292
\$500,000 under \$1,000,000.....	112,965	13,310	141,615	15,784	383,017	50,449	454,144	50,757
\$1,000,000 under \$1,500,000.....	26,073	3,637	30,559	4,227	97,497	28,391	111,520	28,378
\$1,500,000 under \$2,000,000.....	10,836	1,696	13,066	2,352	42,513	19,016	48,547	19,127
\$2,000,000 under \$5,000,000.....	16,270	3,583	17,840	3,743	62,743	59,002	66,932	59,407
\$5,000,000 under \$10,000,000.....	4,144	1,057	4,294	1,144	15,408	39,732	15,859	39,937
\$10,000,000 and over.....	2,577	1,482	2,580	1,489	9,518	125,693	9,618	125,689

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	9,751,137	27,384	9,751,137	27,384	7,236,372	315,993	7,236,372	315,993
Under \$10,000.....	1,002,343	-2,922	952,522	-3,100	644,757	-31,085	623,465	-30,982
\$10,000 under \$20,000.....	945,479	1,309	931,730	869	449,894	496	427,089	142
\$20,000 under \$30,000.....	896,550	110	945,401	271	421,531	1,714	419,169	1,597
\$30,000 under \$40,000.....	851,653	-331	907,525	439	441,884	1,812	455,534	1,896
\$40,000 under \$50,000.....	783,641	-197	866,967	-105	436,997	3,390	458,408	2,967
\$50,000 under \$60,000.....	749,452	-688	747,360	-512	411,193	2,506	437,253	2,419
\$60,000 under \$70,000.....	710,209	-77	664,490	186	417,739	3,563	398,470	3,230
\$70,000 under \$80,000.....	604,155	856	559,933	457	437,918	3,850	406,330	4,082
\$80,000 under \$90,000.....	568,843	471	510,012	670	372,987	4,195	339,049	3,295
\$90,000 under \$100,000.....	402,077	386	400,053	353	304,703	4,341	311,398	4,270
\$100,000 under \$125,000.....	729,330	1,731	685,415	1,600	592,671	9,702	577,916	8,885
\$125,000 under \$150,000.....	436,412	2,004	421,205	1,630	414,213	10,201	401,686	9,660
\$150,000 under \$175,000.....	200,288	1,516	214,030	1,638	293,217	9,358	302,243	8,892
\$175,000 under \$200,000.....	146,155	1,595	146,229	1,464	227,919	9,534	232,684	9,189
\$200,000 under \$300,000.....	304,108	4,564	329,159	4,425	521,121	30,848	535,943	30,260
\$300,000 under \$400,000.....	130,467	2,676	145,115	2,495	257,305	25,284	270,887	24,435
\$400,000 under \$500,000.....	70,392	1,961	81,137	1,871	145,583	18,502	159,290	19,012
\$500,000 under \$1,000,000.....	131,610	4,368	145,939	4,534	265,482	55,229	289,167	56,982
\$1,000,000 under \$1,500,000.....	34,553	2,022	41,539	2,150	72,582	27,355	78,167	28,826
\$1,500,000 under \$2,000,000.....	16,390	1,226	17,175	1,215	33,242	18,218	36,385	18,932
\$2,000,000 under \$5,000,000.....	25,501	2,370	26,492	2,409	51,508	44,469	53,531	45,075
\$5,000,000 under \$10,000,000.....	6,820	1,024	6,957	1,015	13,312	21,531	13,621	21,874
\$10,000,000 and over.....	4,706	1,413	4,753	1,409	8,613	40,980	8,688	41,053

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, 2004--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			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	1,531,911	19,769	1,531,911	19,769	542,718	14,001	542,718	14,001
Under \$10,000.....	129,701	2,928	156,139	5,788	48,267	-313	49,107	-312
\$10,000 under \$20,000.....	55,674	425	71,620	616	48,139	255	47,085	238
\$20,000 under \$30,000.....	68,911	432	66,843	255	27,604	105	38,118	203
\$30,000 under \$40,000.....	63,543	626	72,921	503	39,445	284	43,869	359
\$40,000 under \$50,000.....	61,648	477	63,687	333	42,330	334	40,975	220
\$50,000 under \$60,000.....	70,897	510	75,103	395	28,190	230	35,344	386
\$60,000 under \$70,000.....	62,007	641	46,818	294	38,667	460	26,345	294
\$70,000 under \$80,000.....	74,369	348	47,362	240	20,485	255	19,387	247
\$80,000 under \$90,000.....	39,852	394	41,911	245	37,632	290	35,654	376
\$90,000 under \$100,000.....	36,239	222	43,497	260	16,343	154	15,927	122
\$100,000 under \$125,000.....	99,870	714	97,426	805	41,018	465	41,222	400
\$125,000 under \$150,000.....	114,222	966	124,562	1,111	25,454	433	20,480	424
\$150,000 under \$175,000.....	131,468	1,244	120,263	919	23,084	469	18,786	356
\$175,000 under \$200,000.....	101,197	935	88,180	778	16,802	499	18,723	653
\$200,000 under \$300,000.....	184,757	2,161	170,260	1,635	31,032	1,187	29,321	1,032
\$300,000 under \$400,000.....	76,257	1,190	75,046	961	14,010	379	15,717	423
\$400,000 under \$500,000.....	44,191	836	45,365	636	8,716	452	9,397	453
\$500,000 under \$1,000,000.....	70,190	1,459	75,473	1,248	18,340	1,636	19,391	1,709
\$1,000,000 under \$1,500,000.....	18,606	614	20,192	465	5,941	1,049	6,358	996
\$1,500,000 under \$2,000,000.....	8,744	308	9,258	269	2,776	439	2,860	428
\$2,000,000 under \$5,000,000.....	13,475	789	13,840	659	5,187	1,505	5,294	1,568
\$5,000,000 under \$10,000,000.....	3,626	442	3,658	413	1,746	962	1,842	950
\$10,000,000 and over.....	2,469	1,109	2,487	939	1,512	2,473	1,517	2,473
Size of income	Pensions and annuities in AGI ¹		Pensions and annuities ¹		Total statutory adjustments			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	26,825,905	495,958	28,974,259	759,156	32,153,965	98,047	16,800,289	79,919
Under \$10,000.....	2,585,107	13,451	2,451,963	13,691	4,085,844	5,740	297,229	2,403
\$10,000 under \$20,000.....	4,697,904	46,139	4,693,767	46,819	4,142,088	5,751	815,751	4,885
\$20,000 under \$30,000.....	3,377,387	44,817	3,985,931	56,617	3,507,783	6,387	1,498,645	7,658
\$30,000 under \$40,000.....	2,808,475	43,022	3,334,023	59,172	3,088,575	6,151	1,790,417	8,377
\$40,000 under \$50,000.....	2,368,559	43,102	2,542,266	51,909	2,917,368	6,401	1,785,205	7,260
\$50,000 under \$60,000.....	2,111,066	43,670	2,167,670	48,121	2,419,605	5,545	1,802,955	7,195
\$60,000 under \$70,000.....	1,834,758	40,425	1,697,087	41,504	2,132,489	5,235	1,667,310	6,759
\$70,000 under \$80,000.....	1,535,382	37,869	1,388,069	35,811	1,751,366	4,833	1,330,049	4,985
\$80,000 under \$90,000.....	1,180,542	30,945	1,132,028	30,699	1,523,871	4,400	1,154,877	4,573
\$90,000 under \$100,000.....	917,996	25,838	992,088	29,534	1,252,125	4,546	954,243	3,886
\$100,000 under \$125,000.....	1,320,226	39,170	1,445,266	49,442	2,061,001	8,290	1,438,153	6,122
\$125,000 under \$150,000.....	699,678	24,451	907,424	38,675	1,114,127	5,667	886,524	4,035
\$150,000 under \$175,000.....	395,891	15,541	537,448	29,213	524,695	3,672	429,598	2,310
\$175,000 under \$200,000.....	256,335	11,170	379,888	24,110	298,671	2,862	261,172	1,572
\$200,000 under \$300,000.....	394,157	18,170	624,841	50,892	620,516	7,704	389,179	3,067
\$300,000 under \$400,000.....	130,729	6,163	255,068	33,342	246,761	4,062	129,559	1,319
\$400,000 under \$500,000.....	60,480	2,759	131,028	22,404	134,397	2,500	58,370	788
\$500,000 under \$1,000,000.....	95,160	5,240	209,195	53,317	208,574	4,903	77,925	1,422
\$1,000,000 under \$1,500,000.....	24,617	1,331	47,634	18,848	52,311	1,331	16,778	433
\$1,500,000 under \$2,000,000.....	10,304	752	19,622	9,348	23,143	600	6,419	186
\$2,000,000 under \$5,000,000.....	15,161	1,156	23,751	10,650	34,664	957	7,392	373
\$5,000,000 under \$10,000,000.....	3,636	377	5,095	2,584	8,483	256	1,715	162
\$10,000,000 and over.....	2,356	400	3,106	2,454	5,506	252	825	151

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, 2004--Continued

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

Size of income	Total itemized deductions				Taxable income			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	46,335,237	998,238	46,326,183	947,596	102,737,959	4,670,166	102,737,959	4,670,166
Under \$10,000.....	970,209	13,525	1,025,306	13,228	5,339,267	8,745	5,300,133	9,270
\$10,000 under \$20,000.....	2,486,732	32,521	2,642,883	30,766	15,386,489	87,588	15,377,301	88,618
\$20,000 under \$30,000.....	3,489,566	46,079	3,903,920	47,849	17,060,120	201,215	17,728,150	213,747
\$30,000 under \$40,000.....	4,539,560	61,388	4,661,701	58,699	13,667,201	269,409	13,987,565	288,276
\$40,000 under \$50,000.....	4,654,789	67,717	4,619,018	63,586	10,483,803	290,236	10,484,231	302,177
\$50,000 under \$60,000.....	4,485,634	71,051	4,435,281	66,854	8,266,698	292,586	8,137,091	298,986
\$60,000 under \$70,000.....	4,224,993	73,671	4,007,591	65,495	6,797,803	293,630	6,390,333	281,862
\$70,000 under \$80,000.....	3,864,306	68,687	3,572,058	60,870	5,458,142	280,392	5,063,763	262,424
\$80,000 under \$90,000.....	3,309,372	64,857	3,055,947	56,778	4,240,713	250,841	3,929,607	233,769
\$90,000 under \$100,000.....	2,700,279	56,270	2,533,728	50,255	3,298,647	222,513	3,122,520	208,684
\$100,000 under \$125,000.....	4,177,414	96,461	4,028,097	88,283	4,785,413	388,191	4,658,549	371,623
\$125,000 under \$150,000.....	2,387,283	64,088	2,425,500	61,648	2,589,613	264,143	2,665,283	260,916
\$150,000 under \$175,000.....	1,356,340	41,349	1,379,760	39,460	1,436,322	177,152	1,499,136	175,955
\$175,000 under \$200,000.....	855,354	28,655	895,135	28,090	910,713	133,317	976,659	131,810
\$200,000 under \$300,000.....	1,434,459	57,270	1,522,363	56,593	1,518,322	296,802	1,656,813	298,368
\$300,000 under \$400,000.....	524,141	26,774	598,959	27,587	555,367	164,003	643,644	167,571
\$400,000 under \$500,000.....	257,075	16,054	302,317	16,812	271,077	104,798	328,222	109,806
\$500,000 under \$1,000,000.....	398,317	33,135	471,993	34,972	432,469	260,117	520,299	271,570
\$1,000,000 under \$1,500,000.....	93,599	12,808	108,850	13,427	103,839	112,689	121,808	117,046
\$1,500,000 under \$2,000,000.....	40,698	7,799	46,586	8,166	45,055	69,942	51,397	71,940
\$2,000,000 under \$5,000,000.....	60,674	18,568	64,248	18,740	65,421	176,064	69,422	178,718
\$5,000,000 under \$10,000,000.....	15,036	10,348	15,444	10,392	15,810	97,902	16,276	98,960
\$10,000,000 and over.....	9,404	29,164	9,498	29,047	9,656	227,893	9,756	228,072

Size of income	Total tax credits				Total income tax			
	2004 Adjusted Gross Income		1979 Income Concept		2004 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.....	41,694,252	52,367	41,694,252	52,367	89,101,934	831,976	89,101,934	831,976
Under \$10,000.....	1,001,571	87	968,038	91	4,641,970	854	4,633,379	949
\$10,000 under \$20,000.....	5,130,899	1,551	5,105,097	1,560	11,816,659	7,710	11,823,325	7,847
\$20,000 under \$30,000.....	7,586,777	5,281	7,731,234	5,391	11,783,320	18,570	12,447,484	19,970
\$30,000 under \$40,000.....	5,544,138	5,697	5,609,247	5,735	11,283,839	28,213	11,613,338	30,897
\$40,000 under \$50,000.....	4,486,045	5,727	4,412,421	5,682	9,467,339	33,916	9,443,314	35,876
\$50,000 under \$60,000.....	3,378,970	5,414	3,455,493	5,395	7,871,026	36,678	7,779,390	37,693
\$60,000 under \$70,000.....	3,105,834	5,279	3,014,684	5,242	6,622,938	37,641	6,201,026	36,254
\$70,000 under \$80,000.....	2,584,722	4,618	2,493,165	4,446	5,389,219	36,874	4,985,162	34,719
\$80,000 under \$90,000.....	2,135,756	3,818	1,995,906	3,530	4,204,692	34,306	3,878,610	32,324
\$90,000 under \$100,000.....	1,637,645	2,716	1,549,918	2,625	3,283,900	33,013	3,104,071	30,865
\$100,000 under \$125,000.....	2,195,183	3,415	2,203,014	3,367	4,783,545	63,702	4,650,131	61,034
\$125,000 under \$150,000.....	1,026,556	1,091	1,062,553	1,113	2,586,527	48,415	2,655,892	47,521
\$150,000 under \$175,000.....	440,059	350	486,279	452	1,437,120	35,089	1,495,578	34,445
\$175,000 under \$200,000.....	254,345	234	294,644	295	911,239	27,999	973,963	27,293
\$200,000 under \$300,000.....	484,573	672	525,745	753	1,518,731	69,054	1,656,892	68,219
\$300,000 under \$400,000.....	205,594	523	228,557	525	555,709	42,199	643,771	42,312
\$400,000 under \$500,000.....	121,259	462	138,140	415	271,428	27,974	327,455	28,894
\$500,000 under \$1,000,000.....	225,054	1,227	255,114	1,475	432,783	71,339	520,309	73,605
\$1,000,000 under \$1,500,000.....	60,440	666	69,881	675	103,887	31,072	121,885	32,287
\$1,500,000 under \$2,000,000.....	27,102	428	30,303	441	45,065	19,436	51,416	19,977
\$2,000,000 under \$5,000,000.....	42,813	1,094	45,547	1,131	65,501	47,962	69,482	48,682
\$5,000,000 under \$10,000,000.....	11,481	625	11,750	634	15,827	25,756	16,289	26,059
\$10,000,000 and over.....	7,435	1,392	7,520	1,395	9,672	54,203	9,771	54,256

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

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

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 2004 using AGI and the 1979 Income Concept, classified by size of 2004 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 2004, 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 \$263.2 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, increased 9.6 percent for 2004; income for the \$200,000 and above group increased 27.1 percent. Total income tax for all returns increased 11.2 percent in 2004 after decreasing 6.1 percent for 2003; and total income tax reported for the \$200,000 and above income

group increased 23.8 percent for 2004, following a decrease of 3.2 percent for 2003. 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 2004 (based on the 1979 Income Concept) were 0.2 percentage points higher than those for 2003. Between 1986 and 2004, 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 2004 of 0.4 percentage points. Although the average tax rate for 2004 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, 1986-2004

Size of 2004 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
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
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
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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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	9.5
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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	24.7

Size of 2004 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
	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
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
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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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
\$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	21.8