

## Section 2

# Individual Income Tax Returns, 2016

**T**axpayers filed 150.3 million individual income tax returns for Tax Year (TY) 2016, a decrease of 0.1 percent from the 150.5 million returns filed for TY 2015. Total income reported on these returns totaled \$10.4 trillion, a 0.2-percent increase from the previous year. Salaries and wages, the largest component of total income (69.5 percent in 2016), rose 1.5 percent from 2015 to \$7.2 trillion. Statutory adjustments, which are subtracted from total income to arrive at adjusted gross income (AGI), increased 2.2 percent to \$153.4 billion. AGI rose 0.2 percent to \$10.2 trillion for the year. Total income tax fell 0.8 percent to \$1.4 trillion. After subtracting the refundable portion of refundable credits and the portion that offset all other taxes from total income tax, total income tax was \$1.3 trillion, and the effective tax rate decreased 0.1 percentage points to 13.2 percent for 2016.

### Total Income

Total income increased 0.2 percent to \$10.4 trillion for 2016 (Figure A). Salaries and wages, the largest component of total income, increased 1.5 percent, from \$7.1 trillion to \$7.2 trillion. Within total income, the share of salaries and wages increased slightly to 69.5 percent for 2016, up from 68.6 percent for 2015. One of the largest components of total income, net capital gains (less loss), showed a substantial decline of 11.6 percent for 2016. Capital gain distributions, a component of net capital gains, fell 42.6 percent. Taxpayers report capital gain distributions on either Schedule D with other sales of capital assets or alone on Forms 1040 or 1040A. In 2015 and previous years, net capital gain less loss was the second largest component of total income, however for 2016, both taxable pensions and partnership and S corporation net income less loss have passed net capital gains in percent of total income.

The minimal increase in total income was supported by the small increase in salaries and wages in 2016; and decreases in partnership and S corporation net income (less loss) of 0.1 percent to \$628.7 billion for 2016, and business

or profession net income (less loss), which fell 1.1 percent to \$328.1 billion.

In general, all retirement income items increased for 2016. These retirement income items include the taxable portions of individual retirement account (IRA) distributions (up 1.7 percent), Social Security benefits (up 3.1 percent) and pensions and annuities (up 0.5 percent).

A notable change in other total income items was in unemployment compensation, which decreased 6.6 percent to \$25.4 billion as the number of returns claiming unemployment fell 10.3 percent to 5.6 million.

### Statutory Adjustments

Statutory adjustments increased 2.2 percent to \$153.4 billion for 2016 (Figure B). The three largest adjustments were all related to self-employment. These three items together increased 1.6 percent and accounted for 55.2 percent of the total increase in statutory adjustments. Taxpayers subtract these adjustments from total income when computing adjusted gross income. For 2016, taxpayers filed 150.3 million tax returns with a reported AGI of \$10.2 trillion, a 0.2-percent increase from the previous year.

### Deductions

Total deductions (the sum of the total standard deduction and total itemized deductions) increased 1.3 percent to \$2.2 trillion (Figure C). The number of returns claiming a standard deduction decreased 0.8 percent for 2016, accounting for 68.6 percent of all returns filed. The average standard deduction for 2016 (\$8,675) remained almost unchanged over the 2015 average (\$8,673).

Taxpayers claimed itemized deductions on 30.0 percent of all returns filed, representing 59.1 percent of the total deduction amount for the year.<sup>1</sup> The average for total itemized deductions (after limitation) was \$28,645 for 2016, up from the \$28,214 average total claimed for 2015. The number of

<sup>1</sup> Of the 150,272,157 total returns filed, 1.4 percent did not need to claim either a standard deduction or itemized deductions because no positive AGI was reported, or taxpayers were married filing separately with no deductions but spouse itemized on their returns.

**Figure A. Total Income and Selected Sources of Income, Tax Years 2015 and 2016**

[Number of returns is in thousands—money amounts are in millions of dollars]

Item	2015		2016		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total Income [1]</b>	<b>149,938</b>	<b>10,360,403</b>	<b>149,737</b>	<b>10,379,352</b>	<b>-0.1</b>	<b>0.2</b>
Salaries and wages	124,591	7,112,223	124,472	7,217,426	-0.1	1.5
Taxable interest	42,637	95,881	42,583	96,640	-0.1	0.8
Ordinary dividends	27,607	260,253	27,470	254,065	-0.5	-2.4
Qualified dividends	25,756	203,188	25,630	202,034	-0.5	-0.6
Business or profession net income (less loss)	24,727	331,814	25,064	328,082	1.4	-1.1
Business or profession net income	18,791	391,976	18,961	389,079	0.9	-0.7
Business or profession net loss	5,936	60,161	6,103	60,997	2.8	1.4
Net capital gain (less loss) [2]	24,278	706,515	24,043	620,975	-1.0	-12.1
Net capital gain	15,998	725,161	14,988	641,101	-6.3	-11.6
Net capital gain loss	8,280	18,646	9,054	20,126	9.4	7.9
Capital gain distributions [3]	14,056	74,060	13,233	42,534	-5.9	-42.6
Sales of property other than capital assets, net gain (less loss)	2,217	11,943	2,082	6,293	-6.1	-47.3
Sales of property other than capital assets, net gain	1,064	33,037	978	27,611	-8.1	-16.4
Sales of property other than capital assets, net loss	1,153	21,094	1,105	21,319	-4.2	1.1
Total rental and royalty net income (less loss) [4]	11,300	56,813	10,986	51,250	-2.8	-9.8
Total rental and royalty net income	6,768	103,059	6,677	98,193	-1.3	-4.7
Total rental and royalty net loss	4,532	46,246	4,308	46,943	-4.9	1.5
Partnership and S corporation net income (less loss)	8,744	629,005	8,711	628,666	-0.4	-0.1
Partnership and S corporation net income	6,044	755,623	6,038	754,312	-0.1	-0.2
Partnership and S corporation net loss	2,700	126,618	2,673	125,646	-1.0	-0.8
Estate and trust net income (less loss)	688	27,420	652	26,571	-5.3	-3.1
Estate and trust net income	630	32,453	603	30,428	-4.3	-6.2
Estate and trust net loss	58	5,033	49	3,857	-15.5	-23.4
Farm net income (less loss)	1,800	-13,964	1,751	-17,666	-2.7	-26.5
Farm net income	521	13,534	481	11,506	-7.6	-15.0
Farm net loss	1,279	27,498	1,270	29,172	-0.7	6.1
Unemployment compensation	6,207	27,225	5,567	25,420	-10.3	-6.6
Taxable social security benefits	19,661	277,411	19,967	285,939	1.6	3.1
Taxable pensions and annuities	28,199	689,992	27,861	693,627	-1.2	0.5
Taxable Individual Retirement Account distributions	14,159	253,213	14,387	257,508	1.6	1.7
Net operating loss	1,138	197,513	1,110	185,805	-2.5	-5.9
Other net income (less loss) [5]	6,454	40,075	6,228	38,245	-3.5	-4.6
Other net income	6,122	46,769	5,898	45,214	-3.7	-3.3
Other net loss	333	6,694	330	6,969	-0.8	4.1

[1] Sources of total income shown are not comprehensive and, therefore, do not add to total income.

[2] Includes capital gain distributions.

[3] Includes both Schedule D and Form 1040 capital gain distributions.

[4] Includes farm rental net income (less loss) and Real Estate Mortgage Investment Conduit (REMIC) residual holder taxable income or loss.

[5] Other net income (less loss) represents data reported on Form 1040, line 21, except net operating losses (shown separately in this figure), foreign-earned income exclusions, and cancellation of debt, taxable health savings account distributions, and gambling earnings (not shown separately in this figure).

returns with itemized deductions increased 1.3 percent to 45.2 million returns. Table 2.1 presents detailed statistics for individual returns with itemized deductions, by type of deduction and size of AGI.

The largest itemized deduction for 2016 was taxes paid, followed by interest paid and charitable contributions. Taxes paid increased 2.4 percent to \$566.1 billion, accounting for 42.3 percent of total itemized deductions for the year. Interest paid, the second largest itemized deduction, increased to \$305.0

billion (up 0.2 percent) for 2016 and made up 22.8 percent of total itemized deductions. For 2016, the number of returns reporting the largest component of the interest paid deduction, home mortgage interest, increased 0.7 percent, while the amount reported decreased less than 0.05 percent. The deduction for charitable contributions rose 5.4 percent to \$233.9 billion, with much of this growth due to the increase in other than cash contributions (a 12.3-percent increase) to \$80.0 billion. The number of returns taking the deduction for charitable

**Figure B. Statutory Adjustments, Tax Years 2015 and 2016**

[Number of returns is in thousands—money amounts are in millions of dollars]

Item	2015		2016		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total statutory adjustments</b>	<b>38,586</b>	<b>150,093</b>	<b>38,858</b>	<b>153,414</b>	<b>0.7</b>	<b>2.2</b>
Payments to an Individual Retirement Account	2,641	13,044	2,667	13,387	1.0	2.6
Educator expenses deduction	3,721	950	3,853	983	3.5	3.4
Certain business expenses of reservists, performing artists, etc.	169	579	157	605	-7.1	4.5
Moving expenses adjustment	1,134	3,692	1,115	3,487	-1.7	-5.6
Student loan interest deduction	12,371	13,438	12,396	13,446	0.2	0.1
Tuition and fees deduction	1,656	3,919	1,687	3,910	1.9	-0.2
Health savings account deduction	1,392	4,323	1,721	4,967	23.7	14.9
Deductible part of self-employment tax	19,633	30,107	19,583	29,866	-0.3	-0.8
Self-employed health insurance deduction	4,098	28,852	4,057	30,112	-1.0	4.4
Payments to a self-employed retirement (Keogh) plan	1,012	24,378	989	24,683	-2.3	1.3
Penalty on early withdrawal of savings	467	77	416	108	-10.9	40.5
Alimony paid	599	12,345	586	12,639	-2.1	2.4
Domestic production activities deduction	696	12,792	720	13,377	3.4	4.6
Other adjustments [1]	n.a.	1,597	n.a.	1,844	[2]	15.5
<b>Adjust gross income (less deficit)</b>	<b>150,493</b>	<b>10,210,310</b>	<b>150,272</b>	<b>10,225,938</b>	<b>-0.1</b>	<b>0.2</b>

n.a.—Not available.

[1] Includes foreign housing adjustment, Archer medical savings accounts deduction, and other adjustments for 2015 and 2016.

[2] Percentage not computed.

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

**Figure C. Selected Itemized Deductions, Standard Deduction, Exemptions and Taxable Income, Tax Years 2015 and 2016**

[Number of returns is in thousands—money amounts are in millions of dollars]

Item	2015		2016		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total deductions [1]</b>	<b>148,412</b>	<b>2,158,046</b>	<b>148,166</b>	<b>2,187,066</b>	<b>-0.2</b>	<b>1.3</b>
<b>Total standard deduction</b>	<b>103,844</b>	<b>900,609</b>	<b>103,013</b>	<b>893,666</b>	<b>-0.8</b>	<b>-0.8</b>
Basic standard deduction	103,844	872,463	103,013	865,094	-0.8	-0.8
Additional standard deduction	15,097	28,146	15,316	28,572	1.4	1.5
<b>Total itemized deductions before limitation</b>	<b>44,567</b>	<b>1,305,268</b>	<b>45,153</b>	<b>1,339,134</b>	<b>1.3</b>	<b>2.6</b>
Medical and dental expenses after AGI limitation	8,777	86,931	8,934	90,195	1.8	3.8
Taxes paid [2]	44,191	553,016	44,803	566,098	1.4	2.4
State and local income taxes	33,063	335,060	33,423	337,680	1.1	0.8
State and local general sales taxes	9,627	17,641	9,746	18,328	1.2	3.9
Interest paid [3]	33,302	304,461	33,485	304,997	0.5	0.2
Home mortgage interest	32,716	283,004	32,933	282,953	0.7	[5]
Charitable contributions	36,624	221,850	36,937	233,867	0.9	5.4
Other than cash contributions	22,542	70,870	22,969	79,569	1.9	12.3
Casualty and theft losses	72	1,646	154	5,187	113.3	215.2
Miscellaneous deductions after 2-percent AGI limitation	12,776	113,175	13,014	115,544	1.9	2.1
Gambling losses and other unlimited miscellaneous deductions	1,235	24,188	1,238	23,245	0.3	-3.9
<b>Itemized deductions in excess of limitation</b>	<b>2,931</b>	<b>47,831</b>	<b>2,981</b>	<b>45,734</b>	<b>1.7</b>	<b>-4.4</b>
<b>Total itemized deductions</b>	<b>44,567</b>	<b>1,257,437</b>	<b>45,153</b>	<b>1,293,399</b>	<b>1.3</b>	<b>2.9</b>
<b>Exemptions [4]</b>	<b>291,939</b>	<b>1,140,740</b>	<b>289,753</b>	<b>1,146,206</b>	<b>-0.7</b>	<b>0.5</b>
<b>Taxable income</b>	<b>114,872</b>	<b>7,350,295</b>	<b>115,521</b>	<b>7,330,109</b>	<b>0.6</b>	<b>-0.3</b>

[1] Returns with no adjusted gross income or a return filed as married filing separately and the spouse itemizing did not need to claim either a standard deduction or itemized deduction.

For this reason, the sum of the number of returns with total itemized deductions and the number of returns with total standard deduction is less than the total number of returns for all filers.

[2] Includes real estate taxes, personal property taxes, and other taxes not shown separately.

[3] Includes investment interest, deductible mortgage "points," and qualified mortgage insurance premiums not shown separately.

[4] The number of returns columns represent the number of exemptions.

[5] Less than 0.05 percent.

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

contributions increased 0.9 percent. Almost three-quarters of the increase in charitable contributions was attributable to the 12.3-percent increase in noncash contributions.

For 2016, the number of personal exemptions for taxpayers and dependents decreased slightly to 289.8 million, while the amount increased 0.5 percent to \$1,146.2 billion.

Taxpayers subtract deductions (either itemized or standard) and exemptions from AGI to arrive at taxable income. With the minimal increase in AGI, the modest increase in total deductions, and the small increase in exemptions, total taxable income declined 0.3 percent to \$7.3 trillion for 2016.

## Tax Credits

Tax credits are used to offset taxes. Certain tax credits are also refundable in that if the credit exceeds the total tax owed, the excess credit can be refunded to the taxpayer. Figure D lists tax credits in two groups—nonrefundable and refundable. Furthermore, Figure D shows for the refundable credits the amounts of credit that offsets income taxes owed, the amount

used to offset other taxes, and the amounts of refundable tax credits that are refundable.

Total tax credits (used to offset income tax before credits) decreased 3.3 percent to \$75.4 billion for 2016 (Figure D). As noted above, these total tax credits exclude the “refundable” portions of the child tax credit, American opportunity tax credit, regulated investment company credit, earned income credit (EIC), and net premium tax credit, as well as any amount of these credits used to offset any other taxes. Nonrefundable credits used to offset income tax before credits decreased, largely driven by a 10.9-percent decrease in the foreign tax credit.

Overall, the child tax credit was the largest credit claimed, followed by the foreign tax credit. Some 22.1 million taxpayers claimed the child tax credit for a total of \$26.8 billion, accounting for 35.6 percent of the total tax credits reported for 2016. The foreign tax credit decreased to \$20.1 billion, accounting for 26.7 percent of the total tax credits reported for the year despite only being claimed on 5.2 percent (7.8 million) of all individual tax returns filed.

**Figure D. Total Tax Credits and Income Tax Before and After Credits, Tax Years 2015 and 2016**

[Number of returns is in thousands—money amounts are in millions of dollars]

Item	2015		2016		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Income tax before credits</b>	<b>114,483</b>	<b>1,516,166</b>	<b>115,182</b>	<b>1,504,895</b>	<b>0.6</b>	<b>-0.7</b>
<b>Total tax credits [1]</b>	<b>48,981</b>	<b>77,927</b>	<b>48,478</b>	<b>75,381</b>	<b>-1.0</b>	<b>-3.3</b>
Child care credit	6,344	3,585	6,469	3,635	2.0	1.4
Foreign tax credit	7,968	22,560	7,798	20,090	-2.1	-10.9
General business credit	334	3,616	352	4,131	5.4	14.2
Prior-year minimum tax credit	307	973	321	907	4.7	-6.8
Nonrefundable education credits	9,606	10,234	8,998	9,653	-6.3	-5.7
Retirement savings contribution credit	8,109	1,441	8,458	1,536	4.3	6.6
Child tax credit [2]	22,377	27,100	22,097	26,800	-1.3	-1.1
Residential energy credits	2,593	2,088	2,613	2,336	0.8	11.9
<b>Total refundable credits [3]</b>	<b>39,348</b>	<b>105,342</b>	<b>38,019</b>	<b>101,946</b>	<b>-3.4</b>	<b>-3.2</b>
Earned income credit, total	28,082	68,525	27,383	66,723	-2.5	-2.6
American opportunity credit, total	9,630	8,623	8,763	7,865	-9.0	-8.8
Additional child tax credit, total	19,705	26,590	18,921	25,373	-4.0	-4.6
<b>Total refundable credits used to offset income tax before credits [3]</b>	<b>10,082</b>	<b>5,678</b>	<b>9,637</b>	<b>5,427</b>	<b>-4.4</b>	<b>-4.4</b>
Earned income credit, used to offset income tax before credits	4,626	1,490	4,437	1,403	-4.1	-5.8
American opportunity credit, used to offset income tax before credits	4,804	3,854	4,462	3,628	-7.1	-5.8
<b>Total refundable credits used to offset all other taxes [3]</b>	<b>9,446</b>	<b>10,049</b>	<b>9,100</b>	<b>10,238</b>	<b>-3.7</b>	<b>1.9</b>
Earned income credit, used to offset all other taxes	7,890	8,240	7,597	8,266	-3.7	0.3
American opportunity credit, used to offset all other taxes	557	257	563	301	1.0	17.3
Additional child credit, used to offset all other taxes	1,340	1,281	1,317	1,317	-1.7	2.8
<b>Total refundable credits, refundable portion [3]</b>	<b>30,418</b>	<b>89,615</b>	<b>29,138</b>	<b>86,280</b>	<b>-4.2</b>	<b>-3.7</b>
Earned income credit, refundable portion	24,172	58,795	23,353	57,054	-3.4	-3.0
American opportunity credit, refundable portion	5,256	4,513	4,611	3,935	-12.3	-12.8
Additional child credit, refundable portion	18,984	25,309	18,156	24,057	-4.4	-4.9
<b>Income tax after credits</b>	<b>99,022</b>	<b>1,435,849</b>	<b>100,038</b>	<b>1,426,595</b>	<b>1.0</b>	<b>-0.6</b>

[1] Includes credits not shown separately.

[2] Excludes the refundable additional child tax credit, which totaled \$26.6 billion for 2015 and \$25.4 billion for 2016.

[3] Includes net premium tax credit, regulated investment company credit, health coverage tax credit, and prior-year returns claiming the refundable prior-year minimum tax credit.

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

Refundable credits were broken out into three parts: the portion used to offset income tax before credits, the portion used to offset all other taxes, and the refundable portion. The first portion, which was included in total tax credits, offset income tax before credits. The second portion offset all other taxes besides income tax, such as the self-employment tax. The IRS treated the last portion, the refundable portion, as a refund and paid it directly to taxpayers who had no tax against which to apply the credits, or whose credits exceeded income tax (and other income-related taxes). The last two portions of refundable credits were not included in total tax credits.

In total, taxpayers claimed \$101.9 billion in refundable tax credits. Of this, \$5.4 billion was applied against income taxes and \$10.2 billion against all other taxes. The remaining \$86.3 billion in refundable credits was refunded to taxpayers. The portion applied against income taxes accounted for 5.3 percent of total refundable credits. Of this, the American opportunity credit accounted for 66.9 percent. The portion used to offset all other taxes accounted for 10.0 percent of the total, while the last portion, the refundable portion, was the largest component at 84.6 percent. The refundable amount of the additional child tax credit (\$24.1 billion), along with the EIC (\$57.1 billion), made up nearly all (94.0 percent) of this refundable portion.

A taxpayer could use a few other refundable credits besides the child tax credit and EIC to offset taxes. The largest of these other credits was the American opportunity credit, which taxpayers claimed on 8.8 million returns for a total of \$7.9 billion. Of these returns, 4.6 (12.3-percent decline from 2015) million returns claimed a refundable amount of \$3.9 billion (12.8-percent decline from 2015).<sup>2</sup>

### Total Income Tax and Average Tax Rates

Total income tax, as presented in these statistics, is the sum of income tax after credits (including the subtraction of

refundable credits such as the EIC, American opportunity credit, net premium tax credit, and regulated investment company credit) plus the net investment income tax and tax on accumulation distribution of trusts from Form 4970. With the decrease in taxable income and despite the decrease in total tax credits, total income tax decreased 0.8 percent to \$1.4 trillion for 2016 (Figure E).

For 2016, the tax generated by the alternative minimum tax (AMT) decreased 0.5 percent to \$31.0 billion. However, the number of returns with AMT liability increased, rising 3.7 percent to 4.6 million. Like the AMT, the net investment income tax showed a decrease for 2016 of 11.8 percent to \$19.5 billion, even though the number of returns on which it was applied increased 0.7 percent. This was largely due to the decrease in net capital gains cited above.

The average tax rate (total income tax divided by AGI for all returns) was 14.1 percent for 2016 (Figure F), a difference of 0.2 percentage points from 2015. Since by our definition total income tax is limited to zero (it cannot be negative), this calculation does not account for the impact of refundable credits, which have the potential effect of creating a negative tax liability for some taxpayers. Accounting for this (subtracting the portion of refundable credits that offset all other taxes and the refundable portion of credits from total income tax), the average tax rate was 13.2 percent, a difference of 0.1 percent for 2015. There was little to no difference in average tax rates with or without accounting for refundable credits for taxpayers with AGI of \$50,000 or more, while the rates for taxpayers with AGI under \$50,000 were markedly different. The greatest disparities in rates were in the \$1 under \$10,000 AGI class (9.5-percent difference) and \$10,000 under \$20,000 AGI class (12.2-percent difference), due to the combination of lower income taxes and the propensity for having refundable credits in these AGI classes.

**Figure E. Total Income Tax, Tax Years 2015 and 2016**

[Number of returns is in thousands—money amounts are in millions of dollars]

Item	2015		2016		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total income tax</b>	<b>99,041</b>	<b>1,457,891</b>	<b>100,052</b>	<b>1,446,048</b>	<b>1.0</b>	<b>-0.8</b>
Alternative minimum tax	4,468	31,166	4,634	31,016	3.7	-0.5
Net investment income tax	3,829	22,043	3,854	19,451	0.7	-11.8
All other taxes	35,544	82,388	34,102	81,984	-4.1	-0.5
Self-employment tax	19,633	60,174	19,583	59,702	-0.3	-0.8
Penalty tax on qualified retirement plans	5,454	5,976	5,170	5,489	-5.2	-8.1
Health care individual responsibility payment	6,692	3,109	4,955	3,606	-26.0	16.0
Additional medicare tax	3,487	8,020	3,648	8,011	4.6	-0.1
<b>Total tax liability</b>	<b>103,810</b>	<b>1,529,562</b>	<b>104,777</b>	<b>1,517,277</b>	<b>0.9</b>	<b>-0.8</b>

<sup>2</sup> To determine the portion applied against taxes and the amount refunded to the taxpayer among taxpayers who claimed multiple refundable credits, the credits were applied in the order in which they appeared on the IRS Form 1040.

**Figure F. Number of Returns, Adjusted Gross Income, Capital Gains and Dividends, Total Income Tax, and Total Income Tax Minus Refundable Credits, by Size of Adjusted Gross Income, Tax Years 2015 and 2016**

[Number of returns is in thousands—money amounts are in millions of dollars]

Tax year, item	Total	Size of adjusted gross income						
		Under \$1 [4]	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Tax Year 2016:</b>								
Number of returns	150,272	2,093	20,988	22,745	18,735	26,753	33,199	18,858
Adjusted gross income (less deficit)	10,225,938	-201,506	109,318	338,004	464,947	1,047,405	2,367,475	2,552,481
Percent of AGI subject to reduced rate [1]	8.0	[5]	1.3	1.1	1.0	1.0	1.6	3.2
Total income tax	1,446,048	130	378	4,875	15,108	58,168	209,856	321,564
Refundable credits to offset all other taxes	10,238	123	1,240	4,531	2,088	1,833	410	13
Refundable credits refundable portion	86,280	442	9,228	36,974	24,475	13,514	1,584	64
Total income tax minus refundable credits [2, 3]	1,349,529	-434	-10,090	-36,631	-11,455	42,820	207,862	321,487
Average tax rate:								
Total income tax as a percentage of AGI	14.1	[5]	0.3	1.4	3.2	5.6	8.9	12.6
Total income tax minus refundable credits as a percentage of AGI	13.2	[5]	-9.2	-10.8	-2.5	4.1	8.8	12.6
<b>Tax Year 2015:</b>								
Number of returns	150,493	2,072	21,533	23,448	18,814	26,539	32,802	18,533
Adjusted gross income (less deficit)	10,210,310	-203,775	112,653	348,610	466,804	1,040,372	2,339,474	2,506,498
Percent of AGI subject to reduced rate [1]	8.8	[5]	1.4	1.2	1.1	1.1	1.8	3.4
Total income tax	1,457,891	242	409	4,905	14,944	57,698	205,693	316,350
Refundable credits to offset all other taxes	10,049	118	1,321	4,547	1,963	1,762	328	11
Refundable credits refundable portion	89,615	497	9,736	39,034	25,031	13,684	1,565	69
Total income tax minus refundable credits [2, 3]	1,358,227	-372	-10,647	-38,677	-12,050	42,252	203,801	316,270
Average tax rate:								
Total income tax as a percentage of AGI	14.3	[5]	0.4	1.4	3.2	5.5	8.8	12.6
Total income tax minus refundable credits as a percentage of AGI	13.3	[5]	-9.5	-11.1	-2.6	4.1	8.7	12.6

  

Tax year, item	Size of adjusted gross income—continued						
	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$1,500,000	\$1,500,000 under \$2,000,000	\$2,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 or more
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
<b>Tax Year 2016:</b>							
Number of returns	5,583	893	193	78	111	27	16
Adjusted gross income (less deficit)	1,588,349	599,624	232,560	133,633	329,911	181,670	482,067
Percent of AGI subject to reduced rate [1]	7.0	12.5	17.2	20.0	25.6	34.5	53.7
Total income tax	308,249	154,658	65,170	38,631	95,956	51,950	121,356
Refundable credits to offset all other taxes	[6]	--	--	--	--	--	--
Refundable credits refundable portion	[6]	--	--	--	--	--	--
Total income tax minus refundable credits [2, 3]	308,249	154,658	65,170	38,631	95,956	51,950	121,356
Average tax rate:							
Total income tax as a percentage of AGI	19.4	25.8	28.0	28.9	29.1	28.6	25.2
Total income tax minus refundable credits as a percentage of AGI	19.4	25.8	28.0	28.9	29.1	28.6	25.2
<b>Tax Year 2015:</b>							
Number of returns	5,428	884	196	80	117	29	18
Adjusted gross income (less deficit)	1,546,515	597,677	236,500	137,686	346,864	195,661	538,771
Percent of AGI subject to reduced rate [1]	7.6	13.5	18.3	21.5	27.1	35.7	54.4
Total income tax	299,832	154,389	66,324	39,672	101,489	56,334	139,611
Refundable credits to offset all other taxes	[6]	--	--	--	--	--	--
Refundable credits refundable portion	[6]	[6]	--	--	--	--	--
Total income tax minus refundable credits [2, 3]	299,832	154,389	66,324	39,672	101,489	56,334	139,611
Average tax rate:							
Total income tax as a percentage of AGI	19.4	25.8	28.0	28.8	29.3	28.8	25.9
Total income tax minus refundable credits as a percentage of AGI	19.4	25.8	28.0	28.8	29.3	28.8	25.9

[1] Includes the amount of long-term capital gains and qualified dividends

[2] Refundable credits includes only the portion that is refundable and the part used to offset other taxes.

[3] Includes net premium tax credit, regulated investment company credit, health coverage tax credit, and prior-year returns claiming the refundable prior-year minimum tax credit.

[4] Includes returns with adjusted gross deficit.

[5] Percentage not computed.

[6] Less than \$500,000.

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

Average tax rate peaked at 29.1 percent for returns in the AGI class \$2 million under \$5 million. For the classes above this level, the average tax rates declined to a low of 25.2 percent for taxpayers with AGI of \$10 million or more. The main reason for this decline was that individuals in the classes above \$5 million or more tended to report a larger percentage of their AGI as long-term capital gains and qualified dividends, compared to individuals in the lower AGI classes. This income was taxed at a maximum rate of 20 percent (23.8 percent including the net investment tax) as opposed to up to a 39.6-percent rate for ordinary income (43.4 including the net investment tax). For example, while individuals reporting AGI of \$1.5 million under \$2 million averaged 20.0 percent of their income as capital gains and dividends, this share increased in each succeeding class, reaching 53.7 percent for those individuals reporting AGI of \$10 million or more. More historical data on average tax rates are available in Section 3, Individual Income Tax Rates. In addition, a historical overview of different tax periods is provided there for more perspective.

### Affordable Care Act

A major tax law change that took effect in 2014 was the implementation of certain provisions of the Affordable Care Act (ACA) (Public Law 111-148). The ACA contained comprehensive health insurance reforms and included tax provisions that affected individuals. The ACA established the premium tax credit (PTC) for taxpayers who enroll in a qualified health plan (QHP) offered through a Marketplace. The PTC provided financial assistance to help pay QHP premiums by reducing the amount of tax owed or providing a refund. The PTC was claimed at the time the taxpayer filed his or her return. The Advanced Premium Tax Credit (APTC) was a payment during the year to the taxpayer's insurance provider that paid for part or all of the premiums. A taxpayer's APTC eligibility was based on the Marketplace's estimate of the PTC that the taxpayer would be able to claim on his or her tax return. Differences between the APTC that was paid during the year and final value of the PTC are reconciled on Form 8962,

*Premium Tax Credit*, filed with the taxpayer's return. If the APTC was more than the PTC, the taxpayer had to repay this excess, subject to a limit. If the PTC was more than the APTC, the excess was used to reduce the taxpayer's tax payment or increased the taxpayer's refund.

The total premium tax credit was taken on 5.4 million returns on the Form 8962 in 2016 (an increase of 8.5 percent from 2015), for a total of \$22.2 billion (up 22.7 percent) (Figure G). Also in 2016, some 6.2 million returns (up 7.7 percent) reported an APTC on Form 8962, totaling \$24.5 billion (up 21.7 percent). When the PTC and APTC were reconciled, 2.6 million returns (a 12.9-percent increase) received a net PTC totaling \$1.9 billion (up 24.3 percent), and 3.5 million returns (up 4.9 percent) had to repay excess APTCs of \$3.1 billion (up 16.6 percent). These data do not reflect amended returns or errors that were corrected after initial processing.

The Affordable Care Act required that individuals have health care coverage for 2016, qualify for a health coverage exemption, or make a shared responsibility payment with a tax return. A health care individual responsibility payment was made on 5.0 million returns, down 26.0 percent from the 6.7 million returns in 2015. The health care individual responsibility payment totaled \$3.6 billion, an average of \$728 per tax return paying this penalty. In 2015, the health care individual responsibility payment totaled \$3.1 billion, for an average of \$465 per tax return paying the penalty (see Changes in Law in Section 1). (Other ACA tax provisions, like the credit for small employer health insurance premiums and the additional Medicare tax, took effect in earlier years.)

For more 2016 changes in law and Internal Revenue Service administrative changes, see Section 1 of this publication. In Section 5 find definitions for all items appearing in tables. All the statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) filed during Calendar Year 2017. For more information on the data sources and limitations, see Section 6.

**Figure G. Affordable Care Act Items, Tax Years 2015 and 2016**

[Money amounts are in thousands of dollars]

Item	2015		2016		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total premium tax credit	5,002,765	18,081,434	5,426,187	22,183,074	8.5	22.7
Advance payment of premium tax credit	5,718,907	20,155,707	6,156,456	24,537,138	7.7	21.7
Net premium tax credit	2,343,256	1,544,319	2,644,433	1,919,003	12.9	24.3
Excess advance premium tax credit repayment	3,292,753	2,699,501	3,455,370	3,146,320	4.9	16.6
Health care individual responsibility payment	6,691,982	3,109,377	4,955,223	3,605,571	-26.0	16.0

NOTE: Data in the figure does not reflect amended returns or errors that were corrected after initial processing.