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This report was prepared under the direction of Jack Blacksin, Chuef, Individual Income Statistics Staff, Income, Finance, and Wealth Branch. Important contributions were made by Frank M. Malanga.
Other branches of the Statistics Division assisted in the development of the sample design, the preparation of processing procedures, and the post tabulation review of the data. Statistical abstracting of the data was conducted by the service centers at Andover, Massachusetts: Austin. Texas; Chamblee, Georgia; Cincinnati. Ohio; Kansas City, Missouri; Philadelphia, Pennsylvania; and Ogden, Utah. The data center in Detroit, Michigan developed the computer system design and conducted


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Treasury Department, Office of the Commissioner of Internal Revenue, Washington, D.C., June 21, 1968.

## Dear Mr. Secretary:

I am transmitting the complete report, Statistics of Income-1966, Individual Income Tax Returns, which supersedes the preliminary report issued earlier this year. This report was prepared in partial fulfillment of the requirements of section 6108 of the internal Revenue Cole, which prescribes that statistics be published annually with respect to the operation of the income tax laws.

In order to obtain the most useful information for evaluating our voluntary system of taxation, the content of this publication reflects the suggestions received from staff members of the Treasury Department, the Joint Committee on Internal Revenue Taxation, and other Government agencies that find the data useful in the planning and implementation of policy. As a rcsult of these comments, statistical data are presented for the first time reflecting the new system of graduated withholding, the increased Social Security taxes on selfemployment income, the temporary suspension of the investment tax credit, and the revised method of reporting credit for nonhighway use of gasoline and lubricating oil.

Many comments and suggestions were also received from State and Jocal governments, universities, business firms, and private organizations that find the data useful for a wide range of research purposes. These organizations, whose widest area of need is for geographic data, should find the added information classified by States most helpful.

As in other years, the publication presents basic data on the sources of income, exemptions, taxable income, and tax reported by individuals. In addition, the report contains a biennial series on itemized deductions by type of deduction. Major classifications include size of income, tax rate, and marital status.

We continue to seek new ways to make the Statistics of Income publications more responsive to needs of users. I express my appreciation to all those users who have cooperated so ably and wholeheartedly to the development of this report.


Commissioner of Internal Revenue.

Hon. Henry H. Fowler, Secretary of the Treasury.

Income and tax data presented in this report were estimated from a sample of individual income tax returns and represent complete coverage of all returns filed by the Nation's taxpayers for income year 1966.

To enhance its usefulness, this report has been organized in ten sections. Each of the first five topical sections include text, text tables and charts, followed by detailed basic tables. A table of contents is provided for each section.

Readers interested in learning more about the items appearing in the tables will find explanations of the classifications and terms in section 6 . The sources and limitations of the data as well as the return sampling procedures used are described in section 7 . The reproductions of the 1966 tax forms and instructions (section 8) as well as the index (section 10) are included to further aid readers in understanding and using the data. Historical data are presented in section 9 .

The Internal Revenue Code of 1954, as amended, provides the legal basis for the tax activity detailed in this report. Recent amendments affecting some of the data provided for--
(1) increased social security taxes on self-employment income,
(2) a system of graduated rates for taxes withheld from salaries and wages,
(3) a temporary suspension of the investment tax credit, and
(4) a refundable tax credit for nonhighway use of gasoline and lubricating oil.
These changes in tax law are explained in so far as they may affect items in the tables.

In addition to statistical data reflecting the changes in law, new information provided from 1966 individual income tax returns includes:
(1) Estates and Trusts income or loss (formerly included in "Other income').
(2) Dividends or interest reported on Form 1040A (also included in "Other income" in former years).
(3) Interest received by type of payer.
(4) Small Business Corporation net profit or loss (formerly included in
"Partnership net profit or loss").
(5) Excess social security tax withheld and tax withheld from regulated investment companies (formerly included in "Tax withheld').
Obtaining data on the last four items has been facilitated by changes in tax form design. These items are explained further in the text of each topical section.

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## RETURNS AND INCOME SHOWED RECORD INCREASES

Taxpayers filed 70.2 million returns for 1966 , or 3.8 percent more than were filed for the previous year. On these returns an aggregate of $\$ 468.5$ billion of adjusted gross income was reported, 9.1 percent more than the record level previously established in 1965. These percent increases in returns filed and in adjusted gross income were the largest experienced under the Internal Revenue Code of 1954.

The increase in returns filed only partly accounted for the sharp increase in adjusted gross income. There continued to be a marked upward shift in income distribution. Of the total increase of 2.6 million returns filed for 1966 , about 1.5 million were filed by taxpayers with adjusted gross income of $\$ 10,000$ under $\$ 15,000$. Returns filed by individuals with adjusted gross income of $\$ 15,000$ or more increased by 755,000 . The large increase in these two income classes contrasted with the decrease in returns filed by taxpayers with income under $\$ 5,000$ and the modest increase in returns filed by individuals with income of $\$ 5,000$ under $\$ 10,000$. The long-term upward shift in incomes is traced in chart 1 A .

Married couples filing jointly led the advance in income levels in 1966. While they registered in total only a modest advance of 600,000 returns over the previous year, there were some marked shifts by income size. Husbands and wives with adjusted gross income of $\$ 10,000$ or more filed 2.1 million more returns for
1966. This gain was partially offset by the 1.5 million decrease in joint returns with income under $\$ 10,000$. Table 1.1 shows the changes between 1965 and 1966 in returns filed by income class and marital status of taxpayer.

$$
\text { Table } 1.1 \text { - NIMBER OF RETURNS BY MARITAL STATUS AND ADJISTED GROSS }
$$ income classes, 1965 AND 1966



## refurns

by size of adjusted
gross income, 1957-1966



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Table l. - NIMBER OF RETURNS, SELECTED INCOME SOURCES, AND TAXES:


## MOST INCOME SOURCES INCREASED

The record increase in adjusted gross income was matched by notable increases in income from several sources, lncome from salaries and wages which table 1.2 shows was the largest component of adjusted gross income increased by 9.8 percent to the $\$ 381.1$ billion level. Other sources of income which grew at a faster rate than adjusted gross income included farm income (less loss), up 21.0 percent and interest income, up 17.1 percent.

The only major type of income which declined in 1966 was sales of capital assets which dipped below the $\$ 10$ billion level. The decline in net gain from sales of capital assets can be partially associated with the decline in stock prices during 1966. Although the amount of net capital gain declined, both the number of returns showing a net capital gain and the number showing a net capital loss increased for the year.

In addition to the sources of income regularly tabulated, information is available for the first time on the ordinary income received by individuals from electing Small Business Corporations. These corporations elected not to be taxed directly, but instead through their shareholders, in much the samemaner as partnerships. Prior to 1966, amounts of Small Business Corporation profit or loss were reported with partnership
profit or loss. In 1966, individuals reported a net total of $\$ 1.2$ billion of ordinary income (less losses) from these corporations on 305,000 individual income tax returns.

Data on income or loss from estates and trusts were last avalable for 1963, when a net total of about $\$ 679$ million was reported on 487,000 returns. In 1966, receipts of such income totaled $\$ 1.0$ billion on 550,000 returns.

## PROPRIETORS AND PARTNERS NETTED \$4I BILLION

Taxpayers engaged either as proprietors in the operation of businesses, farms and professional practices, or as partners in these fields reported net profit (less net loss) of $\$ 41.0$ billion for 1966 . Net profits from businesses or professions amounted to $\$ 26.2$ billion, followed in importance by partnership profits of $\$ 10.7$ billion and farm profits of $\$ 4.1$ billion.

As shown in chart 1B, taxpayers reported profits more often than losses. For example, profits were reported five times as trequently as losses by proprietor businessmen and professionals and twice as frequently by proprietor farmers.

Profit levels of $\$ 10,000$ or more were more prevalent among partners than among proprietors. One out of every five individual returns filed by partners showed a profir equaling or exceeding $\$ 10,000$. In contrast, proprietor businessmen and professionals reported profits equaling or exceeding $\$ 10,000$ on one out of

## Chart 1B

## Profit or loss from business enterprises


eight of their returns and profits reached the $\$ 10,000$ tevel on onty one farm return in every thirty. Those proprietors and partners reporting losses, typically, had losses of less than $\$ 1,000$.

Of the 5.0 million returns filed by taxpayers with a net profit from husiness or profession, table 8 shows that 3.0 million of these returns reflected business or professional income as the major source of income. Farm profit was the major source for taxpayers filing 1.2 million of the 2.0 million returns with net gains from farming operations. D'artnership profit was greater than any other source of income for partners filing 820,000 of the 1.5 million returns recording a profit.

## INTEREST AND DIVIDENDS ON FORM 1040A WERE RECORDED FOR THE FIRST TIME

Use of Form 1040A is himited to taxpayers having adjusted gross income of less than $\$ 10,000$ consisting of salaries and wages subject to withholding and not more than $\$ 200$ of dividends, interest, and other salaries and wages. This is the first year data are available for the dividends and interest reported by taxpayers filing this card form. Prior to 1966, dividends (after exclusions) and interest were combined on the same line of the Form 1040A making it impossible to allocate such income by source. These amounts were tabulated as "Other income". The form was redesigned for 1966 to include separate lines for dividends and interest.

Table 1.3 -RETURNS WITH INTEREST INCOME BY FORM OF RETURN AND by ad risted gross income classes (Taxatle and montaxable returne)


Taxpayers filing Form 1040A returns accounted for 2.9 million or 10 percent of all individual returns with interest. However, as shown in table 1.3, their $\$ 160$ million of interest income was only 1 percent of all interest income reported. On the average, taxpayers with interest income on Form 1040A received only $\$ 55$ of interest, contrasted to the $\$ 514$ received by taxpayers filing Form 1040. Almost half of the Form 1040A returns with interest were in the under $\$ 3,000$ adjusted gross income class, accounting for 45 percent of the interest income shown on this form.

Gross dividend income (before exclusion) on Form 1040A ampunted to $\$ 32.5$ million or less than one-half

Table I. 4 - RETURNS WITH DIVIDENDS BY FORM OF RETL'RN AND BY ADJUSTED GROSS INCOME CLASSES Taxutio aid buntana: ......

| Adjustad gross inccome clacses |  |  |  | (Thowsend whilhare) |  |  |
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|  |  | $\overline{F M \\|,}$ |  | Thtal |  | $\begin{aligned} & \text { Forma } \\ & \text { lomita } \\ & \text { returne } \end{aligned}$ |
| FOREIGN ANI DCAEATE DIVIDEILS RECEIVEI <br> T |  |  |  | $\rightarrow 1$ |  | 1.1 |
|  | . |  |  |  |  |  |
| \% 3, $\cdots$ |  |  |  |  |  | 14.505 |
| 3, |  |  |  |  |  | : |
| \# ${ }^{-}$, |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  | $\cdots$. ${ }^{\text {- }}$ |  |  | , $+3-2+8$ | 12, $2 \times$ |
|  |  |  |  | $\therefore 1,4$ |  | 5, 15. |
| C Sust |  |  |  | 22, 5 | $550,-14$ | 1, 3 , 54 |
| \%', -r \%-re.......... | 2, -1 |  |  | 13, 11 | 11,163,110 | 3, |

of 1 percent of total dividends received by individual taxpayers. Taxpayers with dividends reported on Form 1040A filed 2.4 percent of all returns with dividends (table 1.4). After deduction of the dividend exclusion, taxpayers on 52 percent of the Form 1040A returns reflected dividends in adjusted gross income. Since the dividend exclusion covered all or most of the dividends received by taxpayers filing Form 1040A returns, only $\$ 11$ million or 34 percent of the total dividends they received were reflected in adjusted gross income. In contrast, taxpayers filing Form 1040 returns carried 93 percent of the dividends they received into adjusted gross income.

## INDIVIDUALS RECEIVED \$I6.2 BILLION OF DIVIDENDS AND OTHER DISTRIBUTIONS

As shown in table 1.5, domestic and foreign dividends received, capital gain dividends and nontaxable distributions reported by taxpayers on their individual income tax returns totaled $\$ 16.2$ billion in 1966. These receipts were, for the most part, distributions to individuals by corporations but did not include profits of Small Business Corporations electing to be taxed through their shareholders. Domestic and foreign dividends received, including small amounts of such dividends reported on Form 1040A, accounted for $\$ 15.1$ billion of the $\$ 16.2$ billion total.

Nearly a billion dollars of capital gain dividends was distributed or allocated to investors in 1966. These represented long-term capital gains realized by regulated investment companies, mutual funds, and real estate investment trusts on sales of capital assets and were included by the individual in his total of long-term gains on schedule B of Form 1040 in computing capital gain net income or loss. The $\$ 974$ million of capital gain distributions in 1966 was 15 percent higher than the 1965 total.

Nontaxable distributions declined by more than onethird from their 1965 level to $\$ 141$ million while the number of returns showing such distributions increased slightly. Nontaxable distributions represented a return of the taxpayer's capital in a corporation or partnership and generally were not considered part of his gross income for tax purposes. However, whenever he received more than the value of his investment the excess was taxed as capital gain.

Table 2.5 - RETURNS WITH DIVIdends and other distributions: number of returns and amount, by adjusted gross income classes


## SOURCES OF INTEREST INCOME REPORTED

For 1966 , individuals filing Form 1040 reported their interest income according to the source of payment. interest income was classified in three categories. The first classification included interest payments from savings and loan associations, mutual savings banks, credit unions, and similar organizations. The second category consisted of interest on savings accounts in commercial banks. The third category, referred to in table 1.6 under "All other payers," included interest from Government and nongovernmental honds, mortgages, life insurance policies, and notes.

Of the $\$ 13.1$ billion of interest income reported by individual taxpayers on Form 1040, interest received from savings and loan associations and similar organizations amounted to $\$ 5.0$ billion. Interest on bank deposits (other than mutual savings) totaled $\$ 3.7$ billion. Although interest received from "All other payers" was much less frequently reported, it totaled \$4.4 billion, and for taxpayers with income of $\$ 50,000$ or more, accounted for three-fifths of all interest income they received.

Interest receipts were frequently modest as can be seen from table 14 in the basic tables for this section. Individuals with interest income reported payments

received of $\$ 5,000$ or more on only 1 percent of the returns they filed. In fact, on 47 percent of the returns with interest income, these payments totaled less than $\$ 100$. Interest income was the major source of income on 1.4 million of the 28.3 million individual returns filed by taxpayers with interest income. Over 83 percent of the returns filed by taxpayers with interest income as their major source reflected adjusted gross income of less than $\$ 5,000$.

## DEPRECIATION ALLOWANCES OF $\$ 244$ MILLION ARE RECAPTURED AS ORDINARY INCOME

Under sections 1245 and 1250 of the Internal Revenue Code, all or a portion of the gain from sales or dispositions of certain depreciable property, which under prior law could be treated as long-term capital gain, was taxable as ordinary income in 1966. The portion of the gain that was taxable as ordinary income was dependent, in general, upon the type of depreciable asset sold, the amount of depreciation taken on that asset, and the length of time the asset was held after the date of enactment of the law. Amounts of gain treated as ordinary income were designed to represent the "recapture" of depreciation deducted in prior years. A detailed explanation of these provisions is contained in the "Explanation of Classifications and Terms".

On their 1966 returns, taxpayers reported gain from sales of depreciable property totaling $\$ 828$ million. As shown in table 1.7 , the total gain received by individ-

Table 1.7-RETURNS WITH GAIN FROM DISPOSITION OF DEPRECIABT.E PROPERTY: NIMBER OF RETURNS AND AMOUNT, BY ADJUSTED GROSS INCOME CLASSES

uals consisted of $\$ 244$ million of ordinary gain, and $\$ 585$ million of other gain which was eligible for capital gains treatment. Total gain was $\$ 46$ million less than the 1965 figure. This was the net result of a decrease of $\$ 95 \mathrm{million}$ in other gain which was partially offset by the $\$ 49$ million increase in ordinary gain.








[^0]






Table 6. -SEPARATE RETURNS OF HUSBANDS AND WIVES AND RETURNS OF SINGIE PERSONS: SOURCES OF INCOME AND LUSS, EXEMITIONS, TANABLE INCOME
AND TAX ITEMS, BY ADIUSTED GROSS INCOMF CIASEES



Table 6. - SEPARATE RETURNS OF HLSBANDS AND WIVES AND RETURNS OF SINGIE PERSONS: SOUCES OF INCOME AND IOSS, EXEMPTIONS, TAKABLE INCOME,





Table 7. -ALL RETURNS SOURCES OF INCOME AND LOSS, EXFMPTIONS, TAXABLE INCOME, AND IAX ITHMS, BY AD.RISTED GROSS INCOME CLASSES -COHEINURA




313-472 O-68-3





[^1]Table 11.-RETURNS WITH DIVIDENDS AND Other distriblitiong received: type of dividends, dividend exclusion, and dividends in ad Justed gross income BY AD.JUSTED GROSS INCOME CLASSES - Cont intued






[^2]Table 14. -returns with interest received: number of returns and amount of interest received, by ad fusted gross income ciasses and size of interest received

See text ior "Explanationt denotes thet the estimate is
i- An asterisk in a cell d total because of rounding.
NTE: Metail may not add to total

Table 15. - RETURNS WITH BUSINESS OR PROFESSION NET PROFIT OR LOSS: SOURCES OF INCOME AND LOSS, EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS, BY ADJUSTED GROSS INCOME ClASSES

| Adjurted gross income classes | Mumber of return: | Number of Exemptions | w justed Eross income <br> (thournd coliars) |  | Salarie:s and wages |  |  |  | Euriness or protession |  |  |  |  |  |  |  | Fautir |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  | Net prusit | Net loss |  |  |  | Net profit ${ }^{2}$ |  | Het loss: |  |
|  |  |  |  |  | Wumber of returns | Nimount <br> (Theusand dollars |  | thaniver of returts |  | Mrumit <br> (Thursind dollars) |  | $\begin{aligned} & \text { Number of } \\ & \text { retartis } \end{aligned}$ |  | Anrount <br> (Thousand dohlars) |  | Number of returns | Anount <br> (Thous.end dollars) | Number of returns | Amount <br> (Thousma dohlars) |
| arand total.... | (1) | (1) | 3) | $(-)$ |  |  | (5) |  | n |  | 17) |  | (8) |  | (9) |  | (10) | (11) | 121 | (13) |
|  | 5,907, | -0.153.4 | 55 |  |  |  |  |  | , . 2.921 |  | 19,542, 103 |  | $4,98.4 .48$ |  |  |  | 937.0.93 |  | 1.952, 24? |  | 154,875 | 344, 040 | 163,970 | $\underline{-20,2 m 2}$ |
|  | 4.062, 9003 | ,759, $33 \cdot$ | 0 |  | . 305,472 |  | 18,527.69\% |  | 4.0 .3 .235 |  | $\therefore . . .9,001$ |  | 18, 15 ? |  | 559, 291 |  | 11t, 50 r | 295.042 | 11. . 48 | 252,293 |
|  |  |  |  |  | $\begin{array}{r} 2,8091 \\ 39,0721 \\ 34,110 \\ 155,789 \\ 41,0 \end{array}$ |  | $\begin{array}{r} 1,791 \\ -1 ., 24 \\ 154,009 \\ 3+8.002 \\ 711,298 \end{array}$ |  | $\begin{array}{\|c\|} \hline 11,376 \\ 111,817 \\ 195,354 \\ 194.133 \\ 34,864 \end{array}$ |  |  |  | $\left\{\begin{array}{c} 13,05 m \\ 2 \alpha, 1,03 \\ 38,2, \\ 54, \end{array}\right\}$ |  | $\begin{gathered} 9,57 \\ -1,083 \\ 32,040 \\ 50,014 \end{gathered}$ |  | $\begin{array}{r} \therefore, 258 \\ 5,153 \\ 12,848 \\ 13,-45 \end{array}$ | $\left.\begin{array}{r} 1, r \alpha 1 \\ 1,1,4 \\ 14, \\ 21,7,1 \end{array} \right\rvert\,$ | $\left\{\begin{array}{r} - \\ \ldots, 07 \\ 10 . \\ 10.34 \\ 1 \end{array}\right\}$ | $\begin{array}{r} - \\ 1,0,20 \\ 3,054 \\ 7,832 \\ 15,874 \end{array}$ |
|  |  |  |  |  |  |  | $\begin{aligned} & 1,003,+37 \\ & 1,297,471 \\ & 1,552,12 \\ & 1,1,8,, 950 \\ & 1,12,939 \end{aligned}$ |  | $\begin{aligned} & 3 m, 5 n+1 \\ & 3,7,158 \\ & 3,10,240 \\ & 30, \ldots 13 \\ & 154,693 \end{aligned}$ |  | $\begin{aligned} & 1,10 \ldots, 350 \\ & 1,120,003 \\ & , 10,31 \\ & 1,20,10 \\ & 1,17,301 \end{aligned}$ |  | $\begin{array}{\|l} 1,7,41 \\ 57,219 \\ 1,3,23 \\ 6,383 \\ 48,770 \end{array}$ |  | $\begin{aligned} & 58,10 r_{1} \\ & 54,677 \\ & 55,409 \\ & 53, .74 \\ & 47.743 \end{aligned}$ |  | $\begin{aligned} & 11,190 \\ & 10,53 \\ & 10,436 \\ & 2,-25 \\ & 4,114 \end{aligned}$ | $\left.\begin{aligned} & 17,768 \\ & 17,17 \\ & \hdashline, 037 \\ & 14,3,5 \\ & 13,-40 \end{aligned} \right\rvert\,$ | $\begin{array}{r} 10.034 \\ 8.027 \\ 2.935 \\ 7.425 \\ +.823 \end{array}$ | $\begin{array}{r} 9,737 \\ 7,508 \\ 15,250 \\ 7,793 \\ 10,772 \end{array}$ |
|  | 861,472 31.573 -4.375 -0.858 9,230 |  |  |  | $\begin{gathered} 59, .5 m \\ 193,3,5 \\ 210,-10 \\ -5,19,7 \\ 4,834 \end{gathered}$ |  | $\begin{gathered} 5.003 .370 \\ 1.937 .354 \\ 2.517 .401 \\ 557.14 \\ 108.383 \end{gathered}$ |  | $\begin{array}{r} 74.1124 \\ 41, .574 \\ 401.478 \\ 53.734 \\ 7.044 \end{array}$ |  |  |  | $\begin{array}{r} 11 m, 358 \\ 37,199 \\ 3 \mathrm{r}, 397 \\ 7,149 \\ c^{\prime}, 185 \end{array}$ |  | $\begin{array}{r} 7.13,904 \\ 517,099 \\ 123.042 \\ 59,022 \\ 3+,-29 \end{array}$ |  | $\begin{array}{r} 19.575 \\ 0.730 \\ 10.790 \\ 1 ., 47 \\ 247 \\ 50 \\ 9 \end{array}$ | 0.173 <br> 29.757 <br> 00.467 <br> 10,283 <br> 2.494 <br> 289 <br> 174 <br> 121 | $\begin{array}{r} 1 ., 068 \\ 9,098 \\ 14,400 \\ 3,233 \\ 710 \\ 205 \\ 59 \\ 30 \\ \hline \end{array}$ | $\begin{array}{r} 28,581 \\ 24,1 \times 4 \\ 03,465 \\ 28,052 \\ 13,117 \\ 10,336 \\ 2,297 \\ 1,935 \\ \hline \end{array}$ |
|  :500, won irite: i $1,000,000$ \$1,000, (noc or more..... | $\begin{array}{r} 2,101 \\ 3+2 \\ 250 \end{array}$ | $\begin{aligned} & 7.871 \\ & 1.310 \\ & 523 \end{aligned}$ |  |  | $\begin{array}{r} 1,2 \in 1 \\ 210 \\ 90 \\ \hline \end{array}$ |  |  |  | $\begin{array}{r} 1.231 \\ 189 \\ 57 \\ \hline \end{array}$ |  | $\begin{aligned} & 101,809 \\ & 20,187 \\ & 12,1+\cdots \end{aligned}$ |  | $\begin{array}{r} 571 \\ 179 \\ 93 \\ \hline \end{array}$ |  | $\begin{array}{r} 27,700 \\ 8,155 \\ 2,350 \\ \hline \end{array}$ |  |  |  |  |  |
| Plat | 1,245, | 4,305 | ${ }^{3} 1.848$ |  | 422,440 |  | 1,0:0, 1.8 |  | 9, 4.948 |  | 1, 40, 011 |  | 318,725 |  | -1,072,500 |  | 38.369 | 42.357 | 51,482 | 107,970 |
|  |  | -78, 889 |  |  | 44,957$\therefore 1,575$30,5579.79080,72540.90241,08950,464 |  | $\begin{array}{\|c\|} \hline 121.23 \\ 30,21 \\ 35,059 \\ 11, .92 \\ 171,451 \\ 143,172 \\ 120,85 \\ 208,985 \\ \hline \end{array}$ |  | $\begin{array}{r} 22.110 \\ 10, .505 \\ 111.69 \\ 55,301 \\ 175,51 \\ 110,53 \\ 70.05 \\ 78.25 \end{array}$ |  | 17.13550,40178,143243.701309,31$.71,23$203,274410,001 |  | 142,74$31,7 \ldots 1$20,54823,51230,3210,72315,57318,25 |  | $\begin{aligned} & 740,007 \\ & 43, r .717 \\ & 24,331 \\ & 55,347 \\ & 53.250 \\ & 8.5=0 \\ & 43.288 \\ & 103.535 \end{aligned}$ |  |  | 4,711 | 11, r :5 | 8,305 |
|  | 138,23 132,157 277,373 20.1255 127,255 35.238 70,951 |  |  |  |  |  | 3.12 3,123 11,037 5,819 3,3424 3,211 5,100 | 2,510 2,718 0.13 0.792 3,039 5,12 14.172 |  |  | 0,022 4,214 9,884 8,127 2,860 2,860 5,250 | $\begin{array}{r} 11,368 \\ 2,700 \\ 9,428 \\ 19,987 \\ 8,812 \\ 3,929 \\ 33,381 \end{array}$ |  |  |  |  |  |  |  |  |
|  | 207.0 $8,8,7$ 869 | $6,29,318$ $7,20,5,3$ $3,400,728$ $3,39,487$ | (1) 1031 |  | $\begin{array}{r} 975,90 \\ 1.315,205 \\ 545,370 \\ 4+40,482 \end{array}$ |  |  |  | $\begin{aligned} & \therefore, 029,506 \\ & 2.371,199 \\ & 5,091,039 \\ & 5,365,450 \end{aligned}$ |  |  |  | $\begin{array}{r} 1,812,8 t+\pi \\ 1,40,320 \\ 752,391 \\ 743,907 \end{array}$ |  | $\begin{array}{r} 3.270,478 \\ 2.071,748 \\ 14.559,038 \\ 14.576 \end{array}$ |  | $\begin{array}{r} 419,151 \\ 30 n, 737 \\ 115.803 \\ 85,932 \end{array}$ |  | $\begin{array}{r} \hline 1.117 .338 \\ 325.252 \\ 140.939 \\ 365.752 \end{array}$ |  | $\begin{aligned} & 67,967 \\ & -7,252 \\ & 20,177 \\ & 19,479 \end{aligned}$ | 78.734 97.558 02.063 105.091 | 73,594 45.07 20,399 28.370 | $\begin{array}{r} 103,909 \\ 69,159 \\ 30,258 \\ 156,870 \end{array}$ |
|  | Fartnership |  |  |  |  | Sales of capital ascets |  |  |  |  |  |  |  | Ordinary gain from cales of depreciable property |  |  | Sales of property other than. eapital assets |  |  |  |
| juct | Net profit |  | Net loss |  |  | Net gain |  |  |  | Net loss |  |  |  |  |  |  | Net gain |  | Net loss |  |
|  | Thumber of returnis | Amount <br> (Thousand <br> dodlars) | thumber of returs | Anourt <br> Thousand dollars) |  | Number or returns |  | Amount <br> (Thousand dollars) |  | Number of returns |  | Annount <br> (Thousand doliors) | Number of returns |  |  | Amount <br> (Mousand <br> dolyars) | Mumber of returns | Anount <br> (Thuosand <br>  | Number on returns | Amount (Thousand dollars) |
|  | 4) | (1) | (1F) |  | (17) | (18) |  | (12) |  | (20) |  | (21) |  | (22) |  | (23) | 24) | ( 5 ) | (\%7) |  |
| end | 246, 151 | 1, | 122, |  | 487, 54 | 1,034,475 |  | 2.445.81\% |  | 349,581 |  | 245.734 |  | 118, 51 |  | 136.084 | 19,380 | - 6,580 | 74,148 | 150,679 |
| \%abla | <14, $83 \%$ | 1,314, 387 | 95.320 |  | 22,283 | 893,404 |  | . 140.834 |  | 197.845 |  | $20 \cdot .45$ |  | 95.071 |  | 00. 542 | 15,014 | . 18,940 | - 50,205 | 10,441 |
|  | 1,439 3.511 1.421 8.829 | 1,400 7.712 4.895 17.955 | $\therefore, 3$ 5.417 |  | - $=.205$ 5.081 |  | 211 <br> 997 <br> 492 | $\begin{array}{r} 3.51 .5 \\ 8.208 \\ 23.503 \\ 33.530 \end{array}$ |  | $\begin{array}{r} 3,813 \\ 4.99 \\ 4.438 \\ 15.15 \end{array}$ |  | $\begin{aligned} & \therefore .89 \\ & 1.50 \\ & 3.90 \end{aligned}$ |  |  |  |  | $\left\{\begin{array}{r} - \\ 3,211 \\ \left\{\begin{array}{r} 109 \\ 1 \\ \therefore .007 \\ 3.3+0 \\ 1.158 \\ 2.010 \\ 248 \\ 108 \\ 40 \\ 7 \\ \hline \end{array}\right. \\ \hline \end{array}\right.$ |  |  | 1,003 1,657 3,763 |
|  | 5,29 10.88 14,1023 11.830 10,184 | 18,756 29,48 41,240 37,484 $\therefore, 101$ |  |  | 5.850 $1,0.15$ $5 \times 57$ 8.12 |  | 1,217 1,287 $4.28 t$ $3,-298$ 4,290 |  | 8.04. .350 .398 .934 .089 |  | .1 .45 .545 .714 .175 .345 | 1:. 133 <br> 1.4. 3 . <br> 1C. 54 <br> 1. <br> .c.3 <br> 37, 845 <br> $+3.797$ <br> 11.50\%: <br> 2. |  |  |  | 2,880 4,303 $\therefore, 028$ $\therefore, 914$ 1,700 |  |  |  |  |
|  | 39,857 27.795 4,004 12,979 2,430 | 140,989 151.151 $505,7.2$ -35.771 89.757 | 17.11 12.025 -3.09 7.094 |  |  |  | 3,597 1,33 3,777 3,721 |  | 1.088 .030 .130 .187 .419 |  | .704 .351 .151 .037 .415 |  |  | 7.135 7,374 7.0 .01 5.250 2.126 |  |  |  |  |  |  |  |
|  | $\begin{gathered} 5.017 \\ 80 \\ 40 \end{gathered}$ | $\begin{aligned} & 38,7 \%- \\ & 15,750 \end{aligned}$ | $\begin{array}{r}457 \\ 101 \\ 54 \\ \hline\end{array}$ |  | $\begin{array}{r}12.806 \\ 4.100 \\ 4.54 \\ \hline .4 .54 \\ \hline\end{array}$ |  | 310 130 |  | $\begin{aligned} & 0,248 \\ & 3,2<5 \end{aligned}$ |  | $\begin{array}{r} 295 \\ 37 \\ 17 \end{array}$ |  |  | $\begin{array}{r}1,743 \\ 4.3 \\ 7.9 \\ \hline\end{array}$ |  |  |  |  |  |  |  |
|  | 31,311 | $78.97 \times$ | $\cdots 7$ |  | $45.37 \%$ | 141.070 |  | 353.57 |  | \%1.73r |  | 34, 283 |  |  |  |  | 150 | 10.545 | $\cdots, 3 n$ | 5 | - 3 2,942 | 90,238 |
|  | 5,57 | 12, 1 | .11 7 |  | - $2^{\prime \prime}, 011$ | $\begin{array}{r} 5,800 \\ 9,76 \\ 8,583 \\ 25,53 \\ 24,737 \\ 12,20 \\ 1,131 \end{array}$ |  | $\begin{array}{r} 119, .71 \\ 8.783 \\ 3.880 \\ 12.79 \\ 1.34 \\ 18.108 \\ 37.484 \\ 131.95 \end{array}$ |  | $\begin{array}{r} 30,124 \\ 2.14 .3 \\ 3.79 .1 \\ 8,935 \\ 8,1248 \\ 1,0,7 \\ \hdashline 1,54 \\ \hline \end{array}$ |  |  |  |  |  |  | 10.057 | 0 | - | - 5 | 10,245 |
|  |  |  |  |  |  |  |  | (10. | $\begin{aligned} & 3,028 \\ & 3,508 \\ & 3,904 \\ & 9,1 m ? \end{aligned}$ |  |  | $\begin{cases}\{ & \therefore 057 \\ 1,288\end{cases}$ | 1-.52 |  |  |  | 10.711 5.875 8.207 4.995 |  |  |  |
|  |  |  |  |  |  |  | $\begin{aligned} & 14+2 \\ & .911 \\ & 401 \\ & .09 \end{aligned}$ |  |  |  | $\begin{aligned} & 1,51 \\ & \therefore, 311 \end{aligned}$ |  |  |  |  | $1.04$ |  | 4' |  | 100 70 .33 | 111 | $\begin{aligned} & 3.045 \\ & 5.017 \\ & 3.216 \\ & 3.955 \end{aligned}$ | $\begin{array}{r} ?, 15 \\ \therefore, 230 \\ 3, .010 \\ \hline \end{array}$ |  | $\begin{array}{r} 9,0.45 \\ 18,633 \\ 8,49 \\ 31.483 \\ \hline \end{array}$ |

TabIe 15. -RETURNS WITH BUSINESS OR PROFESSION NET PROFIT OR LOSS: SOURCES OF INCOME AND LOSS. EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS, BY ADJUSTED GROSS INCOME CTASSES-CONTinued


Table 15. -RETURNS WITH BUSINESS OR PROFESSION NET PROFIT OR LOSS: SOURCES OF INCOME AND LOSS, EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS,


Table 15. -RETURNS WITH BUSINESS OR PROEESSION NET PROFIT OR LOSS: SOURCES OF INCOME AND LOSS, EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS,


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|  |  |  |  |  |  |  | Eize us | vumaness | proreszio | n incortt | 10ss－\％ | －itinued |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Is．，doue una | der \＄＋． 500 | F2， 514.1 und | $\cdots{ }^{\text {a }}$－ | \＄3．0u0 und | ler tor，in | 为，（10）M | der $\ddagger$ ¢，U0U | $\$,$ | , mater | \$10, | $\text { und } e r$ |  |  | $\$ 12$ |  | \＄1．． 2 | ：$\quad \mathrm{F}$ |
|  | $\left\lvert\, \begin{gathered} \text { Pimper of } \\ \text { rot unc } \end{gathered}\right.$ |  | $\left.\begin{gathered} \text { thumber of } \\ \text { roturse } \end{gathered} \right\rvert\,$ | $\begin{array}{\|c} \text { Mrn unit } \\ \text { r Thousand } \\ \text { dollars) } \end{array}$ | $\left\|\begin{array}{c} \text { imtor of } \\ \text { rot } 10 n s \end{array}\right\|$ | Anvert Thousand dollats） | $\left\lvert\, \begin{gathered} \text { funber at } \\ \text { returns } \end{gathered}\right.$ |  | $\begin{array}{\|c\|} \hline \text { Munter ci } \\ \text { returne } \end{array}$ |  | $\left.\begin{array}{\|c\|} \hline \text { number of } \\ \text { ret uti } \end{array} \right\rvert\,$ | Amaurt <br> Thousend <br> sollars | Wimber uf Fet arne |  |  | $\begin{array}{\|c\|} \hline \text { Ans ix.t. } \\ \text { (Thou sard } \\ \text { do lisars) } \end{array}$ | $\left\|\begin{array}{ccc} 1: \text { ontur } \\ \text { Fur } \end{array}\right\|$ | thou and <br> doliars） |
| REITR：－： | （14） | （2－1） | （21） | （22） | （23） | （2．．） | （2．：） | （cia） | （2i） | （23） | （20） | （31） | 131） | 3. | U11 | 4） | 4.1 | $\therefore$ ． |
|  | 23． 458 | 41．－${ }^{-1}$ | 234， 23 | $\cdots 5$ | 20．5，促 | 1，475，21． | $30,0,3$ | 1，5＊ $3,1 \%$ ： | 373．4＇ | ，12a，10． | 572，－ 31 | $\because \cdots$ | $1-3 \cdot$ | － | 运，场 | 1，－4， | $\cdots$ | $4 \cdots$ |
| － | i． |  |  | ${ }^{\cdot 1}$ | ＊ | ＊） | ，1，165 | 5,105 | 1．：5 | $\stackrel{11,-5 m}{ }$ | 1，714 | ＇， |  |  | $\cdots$ |  |  |  |
|  | 2.07 | 2．2\％ |  |  |  |  | $\{* 1$. | $\cdot)$ | 1－）． |  |  |  | ［－ |  | － |  |  |  |
| \％．．fuck |  | 12，－－5 | 38 |  | 3.05 | 11＋2min | \％－ |  |  |  |  |  |  |  |  |  | $-$ |  |
| \％．$\quad 3 \cdots$ | $\cdots$ | ， | ， | \％ |  | 22，21－ |  |  |  |  |  |  |  |  |  |  | － |  |
| F $2 .$. |  | 1.120 | $4.31^{-1}$ | 124，zuc | 1－0，305 |  | 11， | 47， 4 － | $2,2=0$ | ［4， $\mathrm{El}^{\text {a }}$ |  |  |  |  |  |  |  |  |
|  | H | － | 20， 20 | 50.023 | －2，574 | ＜11） |  | 15t，574 | $\bigcirc .715$ | cols |  |  | － |  | ＊ | （＊） | － |  |
|  | 1． 0 | 32， | 12．112 |  | 30，200 | 11， | －5， 4.332 | cise， 11.313 | 1200， 130 |  |  |  | － | － |  |  |  |  |
| ¢． | i．，，${ }^{\text {a }}$ | $\therefore$ ， | 13，24 | 35，427 | 12， 4 jo | 20，4097 | 44， 3 7 | 122， 3 | 11\％，+21 | 224， 4, | 3，345 | Stes： | 1．－ |  | － |  | － |  |
| 豇，－3． | 14 | 21,35 | 11. | 30，944 | 12，314 | 01，258 | 1i， 50. | TE， | 122．u． | 123， 21.4 |  |  |  |  | － |  | － |  |
|  | 13， 3 2 | －．038 | \％\％： | $\therefore 1.328$ | 12，：13 | 1，\％20 | 13． 31 | ， 2,502 | 101，334 |  | 5．，＜1 |  |  | － | － |  | － |  |
| \％ |  | $\cdots, 313$ | 2． $3^{3}$ | －$\because, 21 \%$ | 42，401 | 1－4．32\％ | 3， 20 | T 5 ，，－ 3 | 100，+21 | 1，ze | 220，14n |  | －2 | 22，124 | － |  | － |  |
| 8，人域家， |  | 1． 1217 |  | 12，035 |  | 33，231 | 10，250 | －5， $5,3.24$ |  | 334， | 103，375 |  | 0.32 | －1， 2,3 | 51 | 3， 0 | － |  |
|  | 污 | 12，147 | $4,4 \pm 3$ | 24．313 | 3 Sb | 24，322 | 0,3 | 31，24？ | 35，078 | － $0<0,1 \ldots$ | 104，330 | ＜＜4， 3 3c | 13，${ }^{\text {a }}$ | 58， 027 | 1，214 | 4， 357 | － |  |
| \％．．．． $4.2 \cdots$ ： | ， | 813 | 4 | 1，21才 | Su | 2，230 | 720 | 3，268 | 2，577 | 18，908 | 5.414 | 12,48 | 14，575 | \％ | 20.107 | 1，45，189 | $4{ }^{4}$ |  |
| \＆－．．．． $\mathrm{z}^{\text {a }}$ | \％ | 2.3 | $\mathrm{E}^{4}$ | 2is | 15＊＊ | 555 | 137 |  |  | 3 ， 2 ， | $7 \%$ | 12，220 |  |  |  | 12？，735 | － |  |
|  | $\because$ | $\therefore$ | i． | $\rightarrow$ | \％ | 120 | 2 | 125 | 120： | \％ | 12 | 2，12 | 11. | ，， 52 |  | $\because$ | ja |  |
| －．$\therefore$ 小 31 | － |  | ： | 5 |  | 31 | \％ | 32 | $\cdots$ | 137 |  | nos | ， |  | ， |  |  | $\because$ |
|  | － |  | 1 | 3 | 3 | 14. | 1 |  | $\because$ | 0 |  | 15 |  | $\bigcirc$ | － | 4 | 12 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| TC： | 4 | 101， 962 | 57,083 | L．11，4．5 | 21，ust | 143，493 | 23，280 | 102，513 | －－，22e | 232，70： | $24,3<2$ | 24， | 5，ix 4 | 1：2，301 | \＆－ | － | 3 | － |
| 4．Aajuster grase it | $\bigcirc 353$ | Lu， 515 | 2， 12 | 40，388 | 14， 1 91 | 4，033 | 3,450 | 41，\％ 5 | 18，137 |  | 11，40゙9 | 171．469 |  | 3．，45， | 1．1．． | W，， 53 | 511 | 102，445 |
|  | 20.312 | 1,439 $4,2,3$ | 21，223 | 54.811 7.107 | $14.67 \%$ | \％，728 | 4.291 | 41，431 | ，12，031 | 42，830 | 3，41， | 4，040 | ） |  |  |  | 50 | $\bigcirc$ |
| \％， |  | 4,10 | 2，1，13 | 2，910 | 2， 2.254 |  | 2，5012 | 11，940 |  | 12，020 | ） 1,00 ： | 23，050 | 1. |  | （1）－ | － | － |  |
| \＄，，or tore．．．．．．．．．．．．．．．．．．．．．．．．．．．． | 2,18 | 5，909 | 1，491 | 5，124 | 3.782 | 13，088 | 2，042 | 9，128 | 4，50\％ | 31，003 | 3，298 | 51，755 | 1.189 | 42.04 | 43 | 36． 220 | 422 | 2,2 |



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|  | $\left\lvert\, \begin{array}{ll}\text { a } \\ \square\end{array}\right.$ |  |  |  | E |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | 连连 |  |  |  |  |  |  | 5 | ${ }^{\frac{\pi}{4}}$ ，$\ldots{ }^{3}$ |
|  | $\stackrel{\text { ® }}{ }$ |  |  | 5 |  |  | － |  |  |  |  | － |
|  | $\because$ |  |  |  |  |  | in | \％ |  |  |  |  |
|  |  |  |  |  |  |  | － | \％ |  |  | 3 |  |
|  | $\begin{array}{ll} 3 & \vdots \\ -1 \\ -1 \end{array}$ |  |  |  |  |  | $\vec{y}$ | 等 |  |  | － |  |
|  |  |  | $0$ |  |  |  | $\frac{\dot{2}}{m}$ | 20 |  |  |  |  |
|  | $\ddagger$ |  |  | $\text { y } 2 x=7$ |  |  | $\underset{\sim}{\underset{A}{A}}$ |  |  |  | \％ |  |
|  | $1$ |  | 3 |  |  |  | $0$ | 8 |  |  |  |  |
|  |  |  | （1） $\begin{aligned} & \text { a } \\ & \text { 令 } \\ & \text { ¢ }\end{aligned}$ |  |  |  | $\underset{\cong}{8}$ | \％ |  |  |  |  |
| 3 |  |  |  |  |  |  | － | 2 |  |  |  |  |
|  |  |  |  |  |  |  | $\sqrt{4}$ | 7 |  |  |  | － |
|  |  |  |  |  |  |  | 閏 | 考 |  |  |  |  |
|  |  |  | $\begin{aligned} & 0 \\ & 7 \\ & 7 \end{aligned}$ |  |  |  | $\bar{ভ}$ | \％ |  |  | （1000 |  |
|  |  | $\qquad$ |  |  | $\begin{aligned} & \hline 8 \\ & \hline 8 \\ & 0 \\ & m \\ & 4 \\ & 4 \\ & 4 \end{aligned}$ |  | $3$ | 骨 |  |  |  |  |
|  |  |  |  |  | $\begin{aligned} & \text { u } \\ & \vdots \\ & 8 \\ & 0 \\ & 2 \\ & \hline \end{aligned}$ |  | 䂞 | － |  |  |  |  |
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Footnotes at end of table. See text for "Exflanation of Classifications and Terms" and "Sources of Data, Description of the Sample and Limitations of the Data."

Table 19. -CAPITAI. GAINS AND LOSSES AND CAPITAL LOSS CARRYOVER, SHORT - AND LONG-TERM, BY ADJUSTED GROSS INCOME CLASSES -CONTINUEd



[^5]

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Presented in this section are those expenses against gross income incurred by an employee in the production of income. For example, an employee incurred a deduction for "'moving expense" if that expense was generated by the necessity to move to a new job location. In a like manner, an outside salesman incurred an "employee trade or business expense" for travel while away from home in the performance of his services. Also included in this section are data on those deductions from gross incom? for sick pay and contributions to self-employed pension plans. These four ''statutory adjustment" items--employee moving expenses, employee business expenses, sick pay exclusion, and self-employed pension deductions--were reported by the taxpayer in Part 1II, page 2, of the Form 1040. Each of the items is discussed in more detail in separate sections below.

Also included are those deductions from adjusted gross income which were generally personal in nature such as medical expenses and charitable contributions. For ease of administration and reduction of the burden of separate calculations, the taxpayer could take a 'standard" deduction rather than itemize each of his personal deductions. Election of a standard deduction
did not bar the taxpayer from taking any deductions allowed against gross income.

Also deductible from adjusted gross income were exemption allowances of $\$ 600$ for the taxpayer, his spouse, and his dependents. Additional exemption allowances of $\$ 600$ were allowed a taxpayer or his spouse for age ( 65 or over) or blindness.

Within this framework, deductions and exemptions are discussed in more detail below.

## SELECTED DEDUCTIONS AND EXCLUSIONS FROM GROSS INCOME

## Employee Business Expense and Moving Expense

In general, employee business expenses and moving expenses, reported by the taxpayer on page 2 of the Form 1040, were deductions from salaries and wages. As shown in table 2.1 , nearly 96 percent of the returns with employee business expenses and 98 percent of those with moving expenses were filed by taxpayers whose principal source of income was from salaries and wages.

Table 2.1-returns with employee business expense and moving expense deduction. all returns and returns with salaries and wages as principal SOURCE OF INCOME, BY ADJUSTED GROSS INCOME CLASSES


Employee business expenses, which averaged $\$ 1,030$ per return in 1966, included unreimbursed expenses of an employee for travel away from home in the performance of his duries, business transportation costs, and certain expenses of an outside salesman. The large amounts of employee expenses which were compensated for under reimbursement or other expense allowance arrangements with employers were not required to be reported on the return form and do not appear in the statistics. Certain other unreimbursed expenses, such as cost of work clothes and uniforms, subscription to professional journals, union dues, small tools and supplies, and employment agency fees, were taken as itemized deductions on the return.

An employee was also allowed a deduction, averaging $\$ 331$ per return in 1966, for unreimbursed expenses incurred in moving household goods and personal effects, as well as travel expenses for him and his household, to a new job location. As was the case with employee business expenses, the data on deductions for moving expenses do not include those moves that were fully covered by reimbursement. The proportion of those with high income that took a deduction was relatively low. In 1966, taxpayers with incomes of $\$ 15,000$ or more filed only 32,000 of the nearly 390,000 returns with moving expense deduction. Nearly three of every four returns with a moving expense deduction were filed by taxpayers with incomes less than $\$ 10,000$.

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Sick Pay Exclusion
An employee could exclude from salaries and wages up to $\$ 100$ for amounts received under a wage continuation plan for periods of absence due to injury or sick ness (See the "Explanation of Classifications and Terms" for the applicable limitations on the exclusion). As shown in table 2.2 , almost 44 percent of the sick pay exclusion was reported by taxpayers with salaries or wages ranging between $\$ 5,000$ to less than $\$ 10,000$. Another 23 percent was reported by those wage earners whose wages ranged from $\$ 10,000$ to less than $\$ 15,000$. Over four of every five returns filed by individuals with sick pay exclusion had an exclusion less than \$1,000.

## Self-employed Pension Deduction

Unlike the deductions mentioned above, the fourth statutory adjustment to gross income entered on page 2 of the Form 1040, the self-employed pension deduction, was generally a deduction against earned income from a proprietorship or partnership. The deduction was available to individuals for contributions to qualified retirement pians similar to the profitsharing, pension, or other types of employee benefit plans that were available to corporate employees. In addition to proprietors and partners, the deduction was applicable to certain ministers, Christian Science practitioners, commission salesmen, and persons performing services in their home for compensation.

As shown in table 2.3, more than half of the 62,000 returns filed by individuals with the deduction had income from a sole proprietorship as their principal source of income. Another 7,000 returns were filed

Table 2.3 - RETURNS WITH SELF-EMPLOYED PENSION DEDUCTION. RETURNS
AND DEDUCTION BY SIZE OF MAJOR INCOME SOURCE

by individuals whose major source of income was from a partnership. On the remaining 21,000 returns filed by taxpayers with a deduction, the major source of income was other than from a sole proprietorship or partnership. However, these taxpayers may have had a secondary source of income, from a sole proprietorship or partnership to which the deduction was appli-

cable. In general, these latter individuals had a lower average deduction than taxpayers whose principal source of income was from a sole proprietorship or partnership.

## PERSONAL DEDUCTIONS, STANDARD OR ITEMIZED

## Standard Deduction

Rather than itemize each of his personal deductions a taxpayer could elect a "standard" deduction. As shown in table 2.4, taxpayers elected to take a standard deduction on an additional 1.9 million returns for 1966 , approximately three-fourths of the 2.6 million increase in returns filed. In part, this increase in standard deduction returns can be traced to the increase in returns filed by single persons. For 1966, single persons filing tax returns increased by 1.8 million over the previous year, more than twice the increase of the other marital status.

Married persons with incomes of $\$ 10,000$ or more, also contributed to the increase in number of returns with standard deduction. However, the increase in returns filed jointly with incomes of $\$ 10,000$ or more was largely offset by a decline in returns filing jointly with incomes under $\$ 10,000$.
Of the two types of standard deductions available, nearly 57 percent of the returns were fited by taxpayers using the minimum standard deduction. However, tax payers using the 10 percent method accounted for 1.6
million of the 1.9 million increase in standard deduction returns due largely to the increases in the $\$ 10,000$ or more income classes mentioned above. Although all individuals using the minimum standard deduction filed only 346,000 more returns than in the previous year, those with incomes under $\$ 3,000$ filed nearly 588,000 more returns whereas taxpayers with incomes $\$ 3,000$ or more filed 242,000 less returns. The increase in returns with minimum standard deduction filed by taxpayers with incomes less than $\$ 3,000$ reflects the basic purpose of this provision of the tax law to furnish some tax relief for taxpayers with low income.

## Itemized Deductions

Although the 688,000 increase in returns filed by taxpayers who itemized for 1966 was less than the increase in returns filed by those who took a standard deduction, it represented a sizeable addition over the previous year's level. The increase can be attributed, for the most part, to the shifts in income experienced by married persons filing jointly. Couples filing jointly with income of $\$ 10,000$ or more filed 2.1 million more returns than for 1965 and nearly 1.5 million of the increase can be traced to taxpayers in this group who itemized.

On the average, itemized deductions claimed per return increased from $\$ 1,820$ for 1965 to $\$ 1,911$ for 1966. As shown in chart 2A, approximately 32 percent of total itemized deductions represented taxes paid to

State and local governments. Another 27 percent represented interest paid, the majority of it for mortgage payments on a home. In addition, contributions to charitable, religious, educational, and other suchorganizations accounted for 17 percent and medical and dental expenses for another 14 percent. The remaining 10 percent covered such other deductions as child care expense, educational expense, employee business expense, casualty losses, and alimony payments. Included in the 'other deduction'" statistics were small amounts of total itemized deductions where schedules for the detailed deduction items were not present with the return.

Chart 2A

## Average itemized deductions



State and local taxes
As well as accounting for 32 percent of total itemized deductions, State and local taxes was the most frequently reported deduction item. Nearly 99 percent of the itemized deductions returns filed by individuals indicated a taxes paid deduction. Real estate taxes represented $\$ 7.3$ billion or 42 percent of the $\$ 17.5$ billion in taxes deducted. As shown in chart 2B, real estate taxes were, on the average, the largest single tax paid by taxpayers with incomes less than $\$ 10,000$, followed by sales taxes. However, average income and personal property taxes deducted rose steeply as income rose. As a result, State and local income taxes were the largest single tax paid by those with high incomes and personal property taxes exceeded the sales tax. The gasoline tax deduction, on the average, remained relatively stable for all income classes.

Interest paid
As shown in table 2.5, interest paid by home owners on a mortgage, averaging $\$ 551$ per return, accounted for nearly 55 percent of the $\$ 15$ billion deducted for interest payments in 1966. The average deduction varied considerably by income class, ranging from $\$ 369$ for those with incomes less than $\$ 5,000$ to $\$ 812$

Chart 2B
Average deduction for State and local taxes by income classes


Table 2.5 -INTEREST DEDUCTION: TOTAL, HOME MORTGAGE, AND OTHER BY ADJUSTED GROSS INCOME CLASSES
[Taxable and nonitaxaule returns]

| Type or interest deduction and adjusted eross |
| :--- |
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for those with incomes of $\$ 15,000$ or more．llowever， as shown in basic table 31 of this section nearly one of every four returns filed by mortgage payers with incomes less than $\$ 15,000$ had payments of $\$ 800$ or more．

The remaining 4.5 percent or $\$ 7$ billion of interest deductions，averaging $\$ 340$ per return，was for payments on bank loans，installment purchases，and other charges on personal debts．Interest payments relating to busi－ ness，royalties，or rental income were deducted by the taxpayer directly from these income sources and are not reflected in the interest paid statistics．

## Contributions

Most individuals could deduct up to either 20 or 30 percent of their adjusted gross income for contributions to qualified charitable organizations．（See the＇Ex－ planation of Classification and Terms＇for the conditions to be met by the small number of taxpayers who are allowed unlimited deductions）．Whether the 20 percent or 30 percent ceiling applied depended upon the type of charitable organization．in general，gifts to private charitable foundations were subject to the 20 percent ceiling while contributions made to most other charitable organizations were deductible up to the 30 percent
ceiling．As shown in basic table 34 ，taxpayers filing approximately 150,000 of the 25.6 million returns with contributions could have been affected by either the 20 percent or 30 percent limitation on their deduction．For taxable years prior to 1965 ，contributions exceeding the percentage limitations were lost as deductions．For taxable years beginning in 1964 ，excess contributions to those organizations covered by the 30 percent ceiling could be carried over for a 5 －year period．

For 1966，individuals deducted over $\$ 9.1$ billion for contributions to charitable，educational，or religious organizations，an average of $\$ 338$ per return filed． As shown in table 2．6，approximately $\$ 8.3$ billion of all contributions was made in cash and only $\$ 0.8$ billion in other than cash．The latter deduction included，for the most part，the fair market value of donations of property． Also included in the 1966 deduction was $\$ 76$ million representing donations carried over from 1964－65 that were in excess of the 30 percent ceiling for those years．

The average contribution deducted by individuals varied considerably by income class ranging from $\$ 164$ for taxpayers with incomes under $\$ 5,000$ to over $\$ 45,000$ for those with income of $\$ 200,000$ or more．For tax－ payers with incomes of $\$ 200,000$ or more the value of property donations exceeded the cash contributions they made．

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Table 2.7 －MEDICAL EXPENSE DEDUCTION：GROUP I AND GROUP II DEDUCTIONS BY ADJUSTED GROSS INCOME CLASSES


## Medical and dental expenses

As shown in table 2．7，individuals who itemized claimed，after statutory limitations，almost $\$ 7.7$ billion of deductions for medical and drug expenses in 1966. If either a taxpayer or his spouse was 65 or older both could claim the full amount of their expenses．The expenses for a dependent parent also qualified for full deduction．However，if both taxpayers were under 65 or if the expenses were for a dependent（other than a dependent parent over 65），the deduction was computed by adding any drug expenses in excess of l percent of adjusted gross income to other medical expenses and then reducing that sum by 3 percent of adjusted gross income．

Expenses for persons in the first group are classi－ fied as Croup 1 expenses；in the latter group，as Group 11 expenses．Generally，this terminology and that used in table 2.7 follow the language of Form 2948 which is reproduced in section 8 ．

Taxpayers with Croup 11 expenses filed nearty 14.3 million of the 17.2 mitlion returns filed by individuals claiming a medical deduction. The $\$ 5.3$ billion of deductions for these individuals included $\$ 90 t$ million of drug expenses in excess of 1 percent of adjusted gross income. Although taxpayers with Group 1 expenses filed only 3.1 miltion of the medical deduction returns, their deduction of $\$ 2.4$ billion amounted to nearly 8 percent of adjusted gross income. In contrast, the deduction claimed by taxpayers with Group It expenses was only slighty more than 4 percent of income. Nearly 315,000 returns had a deduction for a dependent parent age 65 or over.

The medical deduction claimed was subject to maximam dollar allowances fased on the number of exemptions (other than those for age or hindiness). The maximum was $\$ 5,000$ per exemption but not more than $\$ 10,000$ for single persons or married persons filing separately and $\$ 20,000$ for taxpayers filing jointly. However, disabled taxpayers age 65 or over were each eligible for a maximum deduction of $\$ 20,000$.

For 1966, taxpayers deducted an average of $\$ 446$ for medical expenses. However, the average deduction of $\$ 770$ for individuals with Group 1 expenses was significantly higher than the average deduction of $\$ 371$ for taxpayers with Group ! 1 expenses. For taxpayers with Group I expenses, the average deduction climbed steadily from $\$ 5+4$ for those with incomes less than $\$ 5,000$ to $\$ 1,427$ for those with incomes of $\$ 15,000$ or more. For taxpayers with Group II expenses, however, the average deduction differed significantly only for taxpayers with incomes of $\$ 15,000$ or more.

## Child care expenses

In addition to the deduction allowed for a dependent's medical expenses, a limited deduction was allowed for expenses for the care of children under 13 years old or for any dependent who was mentally or physically incapacitated. The deduction was available to any woman, widower, or divorced person if such care was for the purpose of enabling the taxpayer to be gainfully employed.

A maximum deduction of $\$ 600$ was allowed for the care of one dependent and $\$ 900$ for two or more. For a working wife or a husband with an incapacitated wife, the deduction was reduced by any adjusted gross income over $\$ 6,000$. Prior to 1965 , the deduction was reduced by any adjusted gross income in excess of $\$ 4,500$.

As shown in table 2.8 , over 254,000 returns were filed by individuals with a deduction for child care. The $\$ 131$ million they claimed averaged $\$ 515$ per return. Over 92 percent of the amount was claimed by taxpayers with incomes of less than $\$ 10,000$.

Table 2.8 -CHILD CARE AND EDUCATIONAL EXPENSE: NUMEER OF RETURNS AND AMOUNT, BY ADJUSTED GROSS INCOME CLASSES

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Educational expenses
An employee could deduct educational expenses if they were incurred primarily for the purpose of maintaining or improving skilts required in his emptorment or meeting the express requirements of his emphoyer as a condition for retaining his salary and foh status. As shown in table 2.8, approximately $\$ 136$ miltion was deducted on nearly 750,006 returns.

## EXEMPTIONS

In the computation of taxahle income, exemptions were allowed for taxpayers and their dependents. Additional exmptions were allowed taxpayers for age ( 65 or over) and bindness.

A $\$ 600$ exemption was allowed a taxpayer for each child who was either uncer 19 years of age or a student, regardtess of the income they earned, if the taxpayer furnished more than lalf the support. If the child was 19 or over or not a student, an exemption was allowed only if the child had less than $\$ 600$ gross income for the year and the taxpayer furnished more than half the support.

A taxpayer was also allowed an exemption for dependents other than his children, if the dependent had less than $\$ 600$ of gross income and the taxpayer provided more than half his support. Tahle 2.9 shows that a total of 195.0 million exemptions were reported on the 70.2 million returns filed for 1966. Total exemptions included 110.7 million for taxpayers, 75.8 million for their dependents, 8.3 million for age 65 or over, and to0 thousand for blindness.

Exemptions for taxpayer and spouse (in general, the number of taxpayers) increased by 3.1 million over 1965. Exemptions for dependents increased by 0.7 million and for age by 0.4 million. Section 4 presents a more detailed discussion for taxpayers with an age exemption.

Basic table 40 presents additional information, not previously published, on income and tax classified by number of exemptions (other than age or blindness) and income class. Number of exemptions other than age or blindness is a concept closely related to family size. As reflected in table 40 , taxpayers claiming only one exemption (other than age or blindness), the ma jority of them single persons, had an average tax liability of $\$ 400$ on an average income of $\$ 3,112$. In contrast, taxpayers with six or more exemptions (other than age or blindness) had an average tax liability of $\$ 822$ on an average income of $\$ 9,490$. Almost all of these latter taxpayers were married and filing jointly.

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\text { Table } 2.9 \text {-NURBER OF EXEMPTIONS BY TYPE }
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| Ye：عяin．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．． <br> Se： $205 s . . . .$. ．．．．．．．．．．．．．．．．．．．．．．．．．．．．． | －，－＂， | ，二t， | ，＂n－ | ， $42,0, \ldots$ | ，， | I ， | +1 $\therefore$ ， | ，2， | ＋10 | 1， 3 | Cll， 1 | $\text { 1, }, 2,08$ |
|  <br> ciatle proptria．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．． | $1 \rightarrow 1$ | 1：，＋ic | 13＇，＇ | 14.45 | $1, \mathrm{KT}$ | 1，21 | ，－b | ，＇${ }^{\prime \prime}$ | $3:$ | $\cdots{ }^{+}$ | 1.1 ＇ric＇ |  |
|  nesets： |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $\cdots$ | 1－3，${ }^{\text {cos }}$ | 为 |  | $1, \ldots$ | ＋， $-\cdots$ | ＋r＊－12 | $1, \cdots$ | 51． |  |  | $\begin{array}{r} 4,8,8 \\ 27,184 \end{array}$ |
|  |  | 1．，，eremek | ，${ }^{2} \times, \ldots$ | $4,15,{ }^{-7}$ | $\cdots$ | C－30， 29 |  | $\therefore-1, \ldots$ | －＇， | 4,23 | 1， 35.5000 | －932，${ }^{\text {a }}$ |
| Interes：reséved． |  | 8，－3， | 2，，t：，，in | c， 17,54 | ：51，＇ $\mathrm{S}_{\text {c }}$ | 1．セ．110 |  | ，＇5．0． | $\therefore$ ，$\because$ | 5． 15011 | $\cdots, \ldots+3(x)$ | ．，1001．8\％ |
|  |  | ， 40.306 | 850.210 | $\cdots, 12,018$ | $1^{5}, 140$ | $\therefore 1,100$ |  | ， 0,158 |  | 14， 3.1 | － 3 | ＇ins， 438 |
| Bente： |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $\begin{aligned} & ,=2, \\ & 1,0,50 \end{aligned}$ | $\text { , },$ | $\begin{aligned} & 1,3 t, 25^{2}-1 \\ & 1,179,7511 \end{aligned}$ | $\begin{aligned} & 2,14,+3 \mathrm{c} \\ & 1,10,3-t \end{aligned}$ |  | 12.380 | ${ }^{5}$ | $\begin{aligned} & 37,34,-1 \\ & 31,884 \end{aligned}$ | ，＋64 | 1，54： | $\begin{aligned} & 5_{2}^{-}, \ldots+1 \\ & -001,+\infty, 5 \end{aligned}$ | $\begin{aligned} & 1+2,1 \\ & 1, x, \end{aligned}$ |
| Soyal：ies： |  |  |  |  |  |  |  |  |  |  |  |  |
| ソе：іпсетг．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．． <br> lie：Joss． | 32， 12,14 | com，Jut | －t， | －15，${ }_{\text {con }}$ | $5,1+0$ | 25，73 | ， 235 | $18,18 \%$ | $?$ | 1， 2 | $\begin{gathered} 5 t, 688 \\ 1,2404 \end{gathered}$ | $\begin{array}{r} 2.1, \mathrm{~kg} \\ 9, .83 \end{array}$ |
| Estates and tras：s： het income． | 3n－2000 | 230，vel |  |  |  |  |  |  |  |  |  |  |
| Set loss．．． | －， | －0，1＂ | 15，394 | 10， 2 | 4） 233 | 1 | 1，392 | 1，15 | 1,1407 | ， | －，bitue | $0, .45$ |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| NE： 10 as．．．．．．．．．．．．．．．．．．．．．．．．．．．． | －，， | －2is, ros | －，U1U | －．．4，25000 | 54 | is， | ＋ued | ，，tbod | .15 | 13＊ | －0， 8 | ${ }^{7}, 540$ |
| Uther sourves．．．．．．．．．．．．．．．．．．．．．．．．．．．．． | 11，－11，033 | 2，613，170 | 7，7U2，14ic | $\therefore$ ， 124,429 | 181，${ }^{\text {a }}$ | －1， 558 | $36^{\circ}, 70$ | 213， 4 | 4，191 | 12， 4 ， | $1,016, \therefore 2$ | 332.117 |
|  |  |  | ，max， | $\therefore$ ，－＋0， | －14，577 | $4{ }^{2}$ ， 4 | Sm， $\mathrm{Cu}_{4}$ | 31， 385 | 6， | ， $5 \cdot$ | 21， 27 | 267， 514 |

[^7]



Table 24, -RETURNS WITH ITEMIZED DEDUCTIONS: SOURCES OF INCOME AND LOSS, DEDUCTIONS, EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS BY ADJUSTED GROSS INCOME CLASSES



Footrotes at end or tabie. See text for "Explanation ar Clascifications and Terme' and 'Sarces of Data, Lescription af the Sample ada Limitatione ff the Data."
$313-4720-68-5$



[^8]

[^9]Table 26. -total itemized deductions as a percent of adusted gross income: number of returns and amount of deduction by adjusted gross income classes



 Estil dee returne nith ru ad heted rras insome.

Exeludes returnic inth to ad stej gross incume.
WTE: Detain may not edd to t tal because of rourdire

| Aljustub rose incum ulasion | Teze : deatuctur |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Tital |  |  | Real 'state tas': |  | St fural balae tau |  | State way Le. al itwors |  |  |  | $\begin{aligned} & \text { tay } 1 \text { al } \\ & \text { an } \end{aligned}$ |  |  |
|  | Harlt ir id |  | $\begin{aligned} & \text { Anviult } \\ & \text { (Thousand } \\ & \text { sollares } \end{aligned}$ | Humber of retillime |  | $\begin{aligned} & \text { Number of } \\ & \text { retturrai } \end{aligned}$ | $\begin{aligned} & \text { Alsulut } \\ & \text { (Thounand } \\ & \text { dotiarar) } \end{aligned}$ | If यntw: <br> return |  | anmar | Thuusand dotitars) | $\begin{gathered} 14 \text { mat, } \\ \text { nom } \end{gathered}$ |  |  |
| Grand | (1) | (.) | (3) | (4) | (1) | (t.) | (\%) |  | (4) | (2.) | (11) | (1.) | 1 | (14) |
|  | N, 26, | $\frac{5}{2,30,}$ | $\frac{1,408,, 11}{}$ | 1, 2,45 | , 112, | - | , ' | +1, ${ }^{4}$ | , | 11, 1, , 4 | , "10 | , , , |  |  |
| axal le raturn, tuta | -6, $616,5+1$ |  |  | 1-238, | , , 11, "3n | , |  |  |  | $1 ., \cdot, 1$ | - , ${ }^{\text {a }}$ | $\cdots, \ldots$ |  |  |
|  | A+, 810 | 47, | 150, | 1. 3 , 3 | $\ldots$ | 1, $0,0,1$ |  |  |  |  |  |  |  |  |
|  |  | -,58, 5 | 114, | Lare | 24, |  |  |  |  |  |  |  |  |  |
|  | 1, 0,54, | , 5.45, | 4, 5 | 71, ${ }^{10}$ | 417, |  |  |  |  |  |  |  |  |  |
|  |  | 11, 31, | $7_{2}^{2}, 30$ | $\begin{aligned} & 1,0,124 \\ & 1,0, \\ & 1,13, \\ & 1,440,45 \end{aligned}$ |  | , \#, |  | 1, ', | , 4 | , | 1, | , 2, | $\begin{aligned} & 112, \\ & 2 \\ & 2 \end{aligned}$ |  |
| F, | $\cdots$, | $11.233^{2}, 54$ | Ter, |  |  | , , | 10, |  | 1-.. |  |  |  |  |  |
| \& | $\therefore$, 2,07 | - 2 , | 1, $1,3,8,31$ |  |  | , | , | 1,, 1 | 1-1.23 | $1, \ldots$, | , | , \%rsi4 |  | ,1... |
| $\$ 8,000 \text { urder } \$ 10,000$ | $\therefore$, | $\therefore$, ${ }^{\text {aran }}$, | $1,3,5,1$ |  |  | 2,4,20 | , | 1, , , , | -18, |  | $\because$ '1 | ,2,4, | z.2, | , |
| \$2, 000 urie: $\ddagger 1$, 0 | 0,536, 01 | -3,50, 811 | -,, 1.8 | 1, | $\therefore$, | 1, | $\cdots$ | 1, | 4, ${ }^{2}$, 3 |  |  | 1,, , | 5. , , | 212, ${ }^{\text {a }}$ |
| *1, Don urder f , ,000 | 1,934, 1 | 31, 58, 31 | 1,820, |  | , |  |  |  |  |  |  |  |  |  |
|  | 1,45, 2 , | $41, \mathrm{max}^{2}, 374$ | $\therefore 2$ xamel | $1, \ldots, 12$ |  | 1, $\quad 1, \ldots$ | '1', ', |  |  | $\cdots$, |  | 1, $\quad$, | ., , | ;, |
|  |  | 13,392, | i3, 2 lt | 17, R25i |  |  |  |  |  |  |  |  |  |  |
| \$120,000 mater \$ | 440 | $\therefore 2,26,463$ | 201, 05 |  | -, 1 , | 32, 135 |  |  |  | -, | 11, | ', | $\cdots$ | ',' |
| $\ddagger$.00,000 urder | $\begin{aligned} & 1,1,844 \\ & 1,512 \end{aligned}$ | $\begin{aligned} & 1,01,23 \\ & 1,02,311 \\ & 1,3<0,91: \end{aligned}$ |  | $\frac{8,9,}{1,}$ |  | $\begin{aligned} & 7,3 \% \\ & 1, \ldots 5 \end{aligned}$ |  |  |  | " |  | , |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Nontaxatle returnt, t | 1,010, 20 | , 34 | 65, | 1,187, ${ }^{\text {d }}$ | 40.715 | 1,34,34\% | 2, | -6, | , | - | ,2: | , , , | -a, 2 | 2, 3 \% |
| No edtinsted eruss inc |  |  |  |  |  |  |  |  |  |  | (\%) | (\% |  |  |
| Under $\$ 000 . .$. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$tice inder \$1, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$1, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $\begin{array}{r} 1,460,561 \\ 6,55,652 \\ 6,350 \\ \text { n,586,314 } \end{array}$ | $\begin{aligned} & 12,302,804 \\ & 9,34,3,343 \\ & 78,754,38 \\ & 2,712,091 \end{aligned}$ | $\begin{aligned} & 2,46,398 \\ & 5,828,521 \\ & , 6,3,31, \\ & 5,503,662 \end{aligned}$ |  |  |  |  |  |  |  | 边, | ,$\because$,$\because$, |  |  |
| Rinturms \$5,00u under \$10,001. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Ke turne $\$ 1.000$ under \$15, |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| tumas \$1, 000 4 most |  |  |  |  |  |  |  |  |  |  |  |  |  |  |




| $\begin{aligned} & \text { 啇 } \\ & \text { 品 } \end{aligned}$ |  | 2 | 3 |  | 为気安 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \begin{array}{l} 4 \\ 4 \end{array} \\ & 3 \\ & 4 \\ & 3 \\ & 3 \end{aligned}$ | 㬽 | \％ | - | $\cdots$ |
| $\begin{gathered} \because \\ \vdots \\ \vdots \\ \vdots \\ \vdots \\ \vdots \end{gathered}$ |  | ${ }^{4}$ | 景 |  |  |
| H |  | $\stackrel{-}{\mathrm{M}}$ | $\stackrel{\square}{\square}$ |  | 寺 |
| $\begin{aligned} & \text { H } \\ & \text { H } \\ & \text { U } \\ & 3 \end{aligned}$ |  | $\sqrt{3}$ | $\frac{3}{-1}$ |  |  |
|  |  | $\underset{\sim}{9}$ | $\underset{n}{5}$ |  | － |
|  |  | $\begin{aligned} & \pi \\ & 3 \\ & 3 \end{aligned}$ |  |  |  |
| $\begin{aligned} & \dot{4} \\ & \dot{\vec{y}} \\ & \text { 吴 } \end{aligned}$ |  | E |  |  | （encr |
| $\begin{aligned} & \text { 3 } \\ & \text { 3 } \\ & \text { 品 } \\ & \text { 2 } \end{aligned}$ |  | $\underset{\unlhd}{\underset{U}{3}}$ |  |  |  |
| $\begin{aligned} & \stackrel{4}{4} \\ & \underset{y y y}{3} \\ & \sim \end{aligned}$ |  | $\xrightarrow[2]{2}$ |  |  |  |
| $\begin{aligned} & \text { 范 } \\ & \text { en } \\ & \text { H } \\ & 0 \end{aligned}$ | $\begin{aligned} & 0 \\ & 0 \end{aligned}$ | $\underset{\sim}{\text { B }}$ |  |  |  |
| $\begin{aligned} & \text { 5 } \\ & \text { N } \\ & \frac{7}{7} \\ & 0 \end{aligned}$ |  | $\underset{\sim}{9}$ |  |  |  |
| $\begin{aligned} & \text { 菏 } \\ & \text { U } \\ & \text { K } \\ & \text { K } \end{aligned}$ |  | 里 |  |  |  |
|  | $\begin{aligned} & \text { 台品 } \\ & \text { 出 } \\ & \text { 苞 } \\ & \hline \end{aligned}$ | gl |  |  <br>  |  |
| $\begin{aligned} & \text { 步 } \\ & \text { 会 } \\ & \hline \end{aligned}$ |  | $\begin{aligned} & 0 \\ & 8 \\ & \hline \end{aligned}$ | $\begin{aligned} & 7 \\ & \vdots \\ & i \\ & i \end{aligned}$ |  |  |
| $\begin{aligned} & \text { 苞 } \\ & \vdots \\ & \infty \end{aligned}$ |  | $\stackrel{8}{\beth}$ |  |  |  |
| $\begin{aligned} & \text { ت } \\ & \text { U } \\ & \text { U } \\ & \text { U } \end{aligned}$ |  | － | 通 |  |  |
|  |  | $\overbrace{i}$ |  |  |  |



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Table 33．－CONTRIBUTION DEDUCTION：TOTAI．CONTRIBUTIONS，CASH AND OTHER THAN CASH CONTRIBUTIONS，AND CONTRIBUTIONS CARRYOVER，BY ADJUSTED GROSS INCOME CLASSES

|  |  <br> ＊M！ |  | *antrath,' 'I <br> Prove 3 and （1）\｜arv |  |  |  |  | Bontrolnticus carryow－s <br> fron luater |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | $\begin{gathered} \text { Haver } \\ \text { y+nan } \end{gathered}$ | Atturnit <br> （Thureand dolltar4） | $\begin{gathered} \text { Nunture if is } \\ \text { ret irrai: } \end{gathered}$ | Amous ： <br> （Mousend doilere） |
|  | （1） | （．） | （1） | （－．） | （ ${ }^{\text {）}}$ | （1） | （7） | （3） | （9） |
| T．tu2． | ，${ }^{2}$ ， $1^{4}$ |  | ，．．．．＂．${ }^{\text {＋}}$ | ，＂，＂ | ，8e， | $1, \ldots, n$ |  | ， | ＇＇， |
|  | －1， | ，＇t | $\cdots$ | $12 \times$ |  |  |  | － |  |
|  | 01， 1 | ，，1， | ， 2 | （1）！！ | ， | 1＋， | $1, \ldots 1$ | \｛－ |  |
|  | ， | ，1，，＋1 | 1，号 | 1，1，${ }^{\text {a }}$ ， |  |  |  | － 212 | 1， |
|  | 1，，： | ，16，＇， | ，，． 4 | 1，，，， | 1 ，＇， | $\therefore$ ，${ }^{2} \times 8$ | 1，， 40 | －1． |  |
|  | $1, \therefore 2,1$ | － $3, \ldots, 23$ | 3 31.4 ， h | 1，1＇， 23.3 | 3.10 | 4. | 1，ba，${ }^{\text {a }}$ |  |  |
| \＄：， | ，，12．0， | 11， | －心号 | ，10， | ，，， | 11， 1 | 11， 88 | $3 \quad 1,804$ | 1，14， |
|  | ， $63.3, \ldots$ | 1， 2 ， | －in， | ， 1 IU， | 1.1 | 12, | 1．，${ }^{\text {a }}$ | \} ,.,込 |  |
|  | ，，－n，$\cdot$ ． 1 | 1，3，，－＋ | （10）， 12 | ，il ，b | 58，，u | ］ 0 ，${ }^{\text {a }}$ | 12， 1 ， | ¢ ，，91 | 2，319 |
| ＊＊，whe wder＊＇，\％o． |  | A，7，3U5 |  | ，2， 208 |  | 16, | 12， 20 |  |  |
| \＄，xh |  |  |  |  | ${ }^{-11}$ ，${ }^{\text {a }}$ | $13+$ ，．． | 10．，${ }^{\text {a }}$ | （ 8，23． | 1．， 3180 |
| \＄1，un mader tri，be． |  |  | ，＇，${ }^{\text {a }}$ | ，Ce，tec | ．，3！，红 | － 4 － | $\cdots$ |  |  |
| \＄1：，000 under \＄－，Nu． | 1，21，${ }^{12}$ | 31， $1311,+61$ | $\therefore$ ․ 1 $, 4,1$ | 1，（02，U1， 0 | 31\％．．les | 14．111 | ， 01 | 1，whe | $\therefore 1$. |
| s．c．an | $1, \ldots 40$ | $\therefore 1,504,012.7$ | 1，11， 1 | 1，\％\％ | 1，Wi， | 14，514 | ＂乐，＇ts． | 3， 835 | 13， 11.8 |
|  | －OE，$=12$ | 1．：ee， 751 | 4,411 | $\therefore$＇U4， 053 | $\cdots$ |  | ${ }^{4} 1098$ | 1， 594 | 17,103 |
| \＄20， | ，wi | －，．．＇， | －ne11．r | ＇，．－it | 2u， 4,5 | 11，1 | ，${ }^{4}$ | \％ | 2．， 4 H |
| \＄：00， 000 inder | $\bigcirc$ ，${ }^{2}$ | －，5．532 | $\therefore 1$ ， | 1， 1 | T，（19 | 3，1t， | 201， $\mathrm{F}_{3}$ | 37. | 2．， 139 |
| \＄00， 000 Ind． 21.000 | 1， | ，，－ 0.11 | 106 | 1， 31 | 4．， 15 | － | 5un． | 85 | 「，＂er |
| \＄2，00，000 cr more．．． | cas | 1，＂，，53－4 | $\therefore 1 ., r_{\text {cor }}$ | $4{ }^{2}$ | $5 \mathrm{c}, \mathrm{A}$ | ＋ | $1: 1, \cdots$ | 40 | $\therefore$ ，50， |
|  | $\cdots 200,3$ | 10，耴， 310 | ， $801, \ldots 7$ | ＋，th，＂tsi |  | 18， 3 | 1．，${ }^{1}$ ． 5 | S，bli | －1，100 |
| Fhet imm \＄3，00 under $\$ 1$ ，000．．．．．．．．．．．．．．．．．．．．．． | 1．， $0^{4}, 6$ | W1，＊2．， 813 | 2，335，ঢ6 | 12，121，320 | $\cdots{ }^{\prime}, 28$ | 100， 540 | $\cdots$ | 4，me | 5，120 |
| Fetums \＄10， 00 siar $\ddagger 12,200$ | t，－1 ，in，t | T7，184，381 | ，， | 5， $0^{2}$ ，38 | ，035，451 | 4 4， 514 | 58，${ }^{\text {che }}$ | $\therefore \mathrm{Cb}$ | 4，18，4 |
| Fe：mms en 25000 On min， | ，二5゙， | 70，overs 3.5 | ， $3^{37}, 401$ | 3，15，118 | $\therefore 053,5$ | 411.060 | 601,487 | 9，310 | then 10 |






Table 35. -rettrans with standard deduction: soltres of income and loss. by marital statis of taxfayer


[^11]

Table 30. - RETURNS WITH STANDARD DEDLCTION: ADJISTED GROSS INCOME, RNEMPTIONS, TANABIE INCOME, AND INCOME TAX AFTER GRFDITS, BY ADJUSTED GROSS INCOME CLASSES AND BY MARITAT STATUS OF TAXPAYER - Continued


Table 37.-RETURNS With standard deduction sources of income and loss, deductions, exemptions, taxable income, and tax items, by adjusted


Table 37. -RETURNS WITH STANDARD DEDUCTION SOURCES OF INCOME AND LOSS, DEDUCTIONS, EXEMFTIONS, TAXABLE INCOME, AND TAX ITKMS, BY ADIUSTED GROSS INCOME CLASSES-Continued


[^12]Table 37. - RETURNS WITH STANDARD DEDUGTION: SOURCES OF INCOME AND LOSS, DEDUCTIONS, EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS, BY ADJUSTED GROSS INCOME CLASSES - Continued





Table 38. -characteristics of returns with minimum standard deduction: adjusted gross income, selected sources of income, exemplions, deduction, and tax,

Table 38. -Characteristics of returns with minimum standard deduction: ad fusted gross income, selected solirces of incoue, expmptions, deduction, and tax,


|  |  | A－ | $\cdots \cdots$ |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\because$ | a mousand dollars） | $\begin{array}{\|c} \text { I: } \\ \text { ata } \\ \text { Mhousind } \\ \text { (haliars) } \end{array}$ |  | $\begin{aligned} & \because \text { nuk }+\boldsymbol{r} \cup ? \\ & \because \text { mptin } \end{aligned}$ | （Thousind （t）（1ars） | $\begin{gathered} \text { Ir.come tar } \\ \text { alter } \\ \text { (red. } \\ \text { (Mousand } \\ \text { dullars) } \\ \hline \end{gathered}$ |
| All reet <br>  <br>  | （1） | （．） | （ ） | （．．） | （ $\because$ ） | （b） | （） | （r） | （ ${ }^{\text {（ }}$ |
|  | ＇， 16 ， | I＇．，4． 1 ，f 1 | 111，，．．， | いどット＂， |  | ，＋4．，12． | ，11．${ }^{\prime}$＇ | －＇，＇，＇，＇l， | ，＋ric） |
|  |  | $\left\|\begin{array}{c}\text { LI，＂U，} 1 \text {＋} i\end{array}\right\|$ | $\cdots, 4,4$,$\cdots$, |  | $\mu_{-},$ | $\text { , 6it, } t^{-}$ | $5 \text {, UN, .." }$ |  | $3, t 2+500$ |
|  |  |  |  |  | 1，146， 24－$^{\text {－}}$ | Lendeter | $1{ }^{\prime \prime} t, 1$ | $\begin{array}{r} 1,0,+\infty \\ , 1 \end{array}$ | 24， 025 |
|  |  | L．＇，＇1k． |  |  | Iut en | $10^{\circ}, 10$ | $16,1+$ |  | 1，511，071 |
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| 1 成 |  | $(*)$$(n)$ | －，151 | $\begin{gathered} \text { 4.N, tU } \\ (*) \end{gathered}$ | 5，517 | 2t，せ3，193 | $05,345,08$ ？ | 254，151， 0.45 | 20，347，123 |
|  |  |  | （＊） |  | （－） | 1，301， 578 | 3，101，\％4 | 5，557， 71 | 44， 435 |
| ＊ 24.8 |  |  |  | $1 E c, 4$ <br> （＊） |  |  | 350，2＇1 | 1，010， 10 | 105，540 |
|  | ．．．．．．．． | $35,080$ | $\begin{aligned} & \text { ( }) \end{aligned}$ |  | $\begin{aligned} & \therefore, 1 \div 0 \\ & (*) \end{aligned}$ | $\begin{aligned} & 1,010,55,5 \\ & 2,6+5,300 \end{aligned}$ |  |  | $\begin{array}{r} 573,830 \\ 1,153,080 \end{array}$ |
| ＂r ．U＇5 nd ut hro＂ |  |  |  |  |  |  |  |  |  |

[^13]


Table 40 . -ALL RETURNS: EXEMPTIONS BY TYPE, AND NUMBER OF RETURNS BY NUMBER OF EXEMPTIONS OTHER THAN AGE OR BLINDNESS, BY ADJUSTED GROSS


Table 41.-JOINT RETURNS: EXPMPTIONS BY IYPE, AND NUMER OF RETURNS BY NIMBER OF EXPMPTIONS OTHER THAN AGE OR BLINDNESS, BY ADJUSTED GROSS INCOME CLASSES



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In general, the total tax liability of individuals depended upon several factors. These included:
(1) their tax base (generally adjusted gross income less the personal deductions and exemptions described in section 2 ),
(2) the type of tax computation they used,
(3) their marital status (which governed the tax rate schedule applicable),
(4) any tax credits they were entitled to apply against income tax, and
(5) any additional tax, from self-employment or from recomputing prior year investment credit.

Each of these factors are described in greater detail below.

## TAX BASE AND TAX COMPUTATION METHOD

The 1966 individual income tax base totaled $\$ 286.3$ billion, a $\$ 31.2$ billion increase over 1965. For most taxpayers this income subject to tax consisted of adjusted gross income less personal deductions and exemptions, to which a graduated scale of rates was applied. However, a small numher of taxpayers found it to their advantage to elect an alternative method when they had long-term capital gains, or to average income.

Of the 57.4 million returns filed by individuals with ampunts of income after deductions and exemptions, nearly 56.9 million or over 99 percent indicated use of the "'regular"' method of applying the graduated combination of normal tax and surtax rates to brackets of "taxable income". As shown in chart 3A, individuals filing these returns accounted for over 93 per-
cent of the total tax base and nearly 88 percent of income tax before credits.

## Chart 3A <br> Tax base and tax, by method of tax computation, 1966

## Total tax base $=\$ 286.3$ billion



## Total tax before credits $=\$ 56.8$ billion

Altemative computation $\$ 3.8$
Tax resulung from -

Normal tax and
Nontiat tax
and surtax
only
$\$ 500$

Individuals with capital gains electing the alternative method filed 86,000 or only 0.1 percent of all tax returns. Those utilizing the alternative method found it to their advantage because the one-half of their net long-term gain in excess of net short-term loss that was taxable was taxed at a 50 percent rate. In effect this amounted to a maximum rate of 25 percent on the long-term gain. Any "taxable income", in excess of capital gain income was subject to the normal tax and surtax rates. For some individuals using the alternative method, capital gain income exceeded taxable income. Because it resulted in less tax, the capital gain income and not taxahle income became the tax base for these taxpayers.

In practice, relatively few taxpayers with capital gains used the alternative method. The 86,000 returns filed by taxpayers electing this method were only 1.8 percent of the 4.9 million taxable returns filed by individuals with a net long-term capital gain in excess of any net short-term capital loss. For most taxpayers with capital gains, total taxable income was low enough so that the highest marginal tax rate applicable to them was less than 50 percent. Hence, the normal tax and surtax rates were used for the whole of their taxable income.

As shown in chart $3 \mathrm{~A}, \$ 2.9$ billion out of the $\$ 8.3$ billion tax base for taxpayers electing the alternative
method was taxed at the capital gains rate resulting in a $\$ 1.4$ billion tax liability. The remaining $\$ 5.4$ billion which was taxed at regular rates added an additional $\$ 2.4$ billion to their tax bill.

Taxpayers electing the third method of computation, income averaging, filed nearly 382,000 returns for 1966. Although they accounted for less than 4 percent of the 1966 tax base and 5 percent of the income tax, the tax savings for taxpayers utilizing this method totaled over $\$ 210$ million.

The income averaging method was advantageous to an individual if he had an unusually large amount of taxable income in any one year. Briefly, the income averaging method operates to tax a part of an unusually large amount of income in the peak year at the same lower effective rate which applied to the first one-fifth of such income.

All types of income qualified for averaging except income fron gifts, inherited property, wagering, and net long-term capital gains. As shown in table 3.1, the largest number of returns for 1966 with the income averaging computation had salaries and wages as the principal source of income. However, taxpayers whose principal source of income was from a business or profession realized the greatest amount of tax savings-over $\$ 69$ million. The average tax savings per return was $\$ 550$. However, this average showed considerable

Table 3.1-RETURNS WITH INCOME AVERAGING - TAX SAVINGS BY MAJOR SOURCES OF INCOME BY ADJUTED GROSS INCOME CLASSES

variation by income size class, ranging from $\$ 95$ for taxpayers with income under $\$ 10,000$ to over $\$ 8,500$ for those with income of $\$ 500,000$ or more.

## TAX RATE SCHEDULES

Depending on his marital status for tax purposes, the taxpayer selected one of three rate schedules to compute tax. Schedule I, the most steeply graduated, was applicable to single persons and to married persons filing separate returns. Schedule II, the least steeply graduated, was applicable to married persons fillng jointly and to certain widows and widowers. Finally, Schedule 111 was used by unmarried or legally separated taxpayers who qualified as heads of households. On an equal tax base the tax ohtained by using Schedule 111 was halfway between the taxes computed from the other two schedules.

Table 3.2 - tax base and tax, by marginal tax rate and tax schedule

${ }^{2}$ Excludes ret min invome avamaging or a filling date

For convenience, the schedules issued by the Internal Revenue Service combine both the normal tax and surtax in presenting the various rates. For 1966, the applicable rates ranged from a minimum of 14 percent to a maximum of 70 percent. As shown in table 3.2, over 18 percent of the individual returns filed had no tax base remaining after subtracting deductions and exemptions. Another 64 percent computed tax at a rate of less than 20 percent on any of their income. Nearly two-thirds of the total tax was generated at a rate less than 20 percent.

On the other hand, tax rates of 50 percent or more applied to only 223,000 returns and the tax generated at these rates was less than 9 percent of all tax generated. A higher proportion of those using Schedule 11
rates (married persons filing jointly or surviving spouses) computed tax at a rate less than 20 percent than did taxpayers using schedule I rates (single persons or married persons filing separately). However, a higher proportion of those qualified to use Schedule 1 were nontaxable and had no tax base.

Data in basic tables 44 through 48 are classified by the marginal tax rate, the highest rate applied to any portion of an individual's tax base. With these tables it is possible to see the dispersion of marginal rates among returns in the same income class. for example, table 44 shows that of the 12,000 taxable returns filed by inctividuals with adjusted gross income of $\$ 200,000$ or more, over one out of four had a portion of their income taxed at the highest rate of 70 percent.

Table 48 presents greater detail classified by marginal tax rates and tax rate schedules, than tables $4 t$ through 47. The following explanations and illustrations show how the tax return data presented in tables 44 through 48 are derived from information available on the return:

Tax base for returns with normal tax and surtax only, was taxable income. For returns with the alternative tax computation, the tax base was either (l) taxable income, where that amount was greater than one-half the excess net long-term capital gain over net short-term capital loss, or (2) one-half the excess long-term capital gain, where that amount was equal to or greater than taxable income.

Tax rate was the rate at which all or a portion of an individual's tax base was taxed. Some of the tax rates are described below:
a. Returns with special tax computation--These were returns filed by taxpayers using the income averaging computation or prior year delinquent returns for which the current tax rates were inapplicable.
b. 0 percent (returns with no tax base)--This was the rate applicable to returns that showed deductions plus exemptions equal to or exceeding adjusted gross income, and returns with no adjusted gross income at all.
c. 50 percent (alternative tax computation returns with capital gains tax only)--This was the rate applicable to returns which showed one-half the excess of net long-term capital gain over net short-term capital loss, equal to or greater than taxable income. The one-half excess gain, therefore, was the tax base instead of taxable income.
d. 50 percent (alternative tax computation returns with capital gains tax and normal tax and surtax)-This was the rate applicable to returns where a portion of the tax base was subject to the capital gains rate, and $a$ portion to the normal tax and surtax rates.

Marginal rate was the maximum rate applied to any part of the tax base. For example, a joint return with $\$ 11,000$ of tax base (subject to the normal tax and surtax rates) had a marginal tax rate of 22.0 percent (see example 1). Returns with tax base subject to both the capital gains rate and the normal tax and surtax rates were classified in their marginal tax rate classes.

Total tax base (column 3, table 48) was the entire tax base on a return, rather than the part taxed at a specified marginal rate.

ILLUSTRATIONS OF THE PRESENTATION OF TAX RETURN DATA CLASSIFIED BY RATE，AS SHOWN IN TABLE 48

## Example 1

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Example 2


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|  | \＄7011 |
| Next 51.14 l of tas hase tared it 22， 3 | \＄5．017 |
| Next $\$ 4.1104$ of tax basce taxed at 25.41 ， | \＄1． 14 （1） |
| Neat 54. ches of tax base lased it 28.19 | \＄1．120 |
| Next \＄\＄，似碞 tax buse taved at 32．11 | \＄1，280 |
| Nex：\＄4，utul of tan base taned at 3n．6 | \＄1．4419 |
| Sext ss，（HW）of tax hase laxed at 34.4 | \＄1，5001 |
| Next $\$ 4.1401$ of tax hase taxes at t2．1t； | 51． 3 \％ 4 |
| were $\$ 4.0001$ of tas babe thed at 45.1 | \＄1． 814 c |
| Next \＄4，पtith of tax bunc taxed ut 48.11 | \＄1，920 |
| Next \＄5，06tio of tax base tared at Fu，19， | \＄4，1964 |
|  | \＄4．241 |

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Example 3
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S245．001－Tex base tor caplat gatn－tas
…－No tax base for normal tax and surtar
5245，Unt－Total tax hane

Derivation of Tad
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（abobe tax greater than capital gams tax－ taxpuyer ubes dermalion below＇

De2mathon of Capmal Gam：I ax：



Example l．－Data Reported on Joint Return With Normal Tax and Surtax Only


Example 2．－Data Reported on Joint Return With Capital Gains Tax and Normal Tax and Surtax


Example 3．－Data Reported on Joint Return With Capital Gains Tax Only

Summary of Data Reported on the Above Three Joint Returns


Total income tax before credits（column 4，table 48） was the reported tax before credits of each return classified by the marginal tax rate of the return．

Tax hase taxed at marginal rate（column 5，tahle 48） was that portion of the tax hase that was subject to a specified marginal tax rate．For example，a joint return with $\$ 11,000$ of tax base（for normal tax and surtax rates）would have the top $\$ 3,000$ taxed at the marginal rate of 22.0 percent．The remaining tax base was subject to the lower rates．

Tax generated at marginal rate（column 6，table 48） was that portion of the tax liability on a return that was computed at the highest rate applicable to the return．it was obtained by applying the tax rate in the stub to the amount in column 5 ．

Tax base taxed at tax rate（column 11，table 48） was the tax hase spread among the applicable tax rate classes．For example，a joint return with an $\$ 11,000$ tax base（subject to the normal tax and surtax rates） would have $\$ 1,000$ taxed at 14 percent，$\$ 1,000$ taxed at 15 percent，$\$ 1,000$ taxed at 16 percent，$\$ 1,000$ taxed at 17 percent，$\$ 4,000$ taxed at 19 percent，and $\$ 3,000$ taxed at 22 percent．

Tax generated at tax rate（column 12，table 48） was the total of the tax generated at each tax rate and was obtained by applying the tax rate in the stuh to the tax base amount in column 11 ．

## TAX CREDITS

After computing income tax，a taxpayer was allowed certain credits up to the amount of his tax．The major credits accounting for the $\$ 686$ million claimed for 1966 were for foreign taxes paid（ $\$ 71$ million），retirement income（ $\$ 181$ million），and investment in qualifying machinery and equipment（ $\$ 431$ million）．The retire－ ment income credit is discussed in greater detail in section 4．The investment credit and its temporary suspension in 1966 is discussed below．

## Investment Credit Temporarily Suspended

The investment credit was temporarily suspended as of October 10，1966．In general，during the suspen－ sion period，the credit was allowed only on the first $\$ 20,000$ of investment．However，some categories of property were exempted from the suspension including：
a．Certain water and air pollution control facilities．
b．Other facilities constructed in accordance with a plan in existence before October 9，1966，and on which construction had begun by October $10,1966$.
c．Property which the taxpayer was obligated to construct pursuant to a binding contract in effect on October 9， 1966.
d．Machinery or equipment for which the taxpayer held more than 50 percent of the parts and components on October 9， 1966.

Additional information on the suspension period can be found in section 6 －－Explanation of Classifications and Terms．

Table 3.3 shows that in spite of the restrictions placed on the investment credit during the last quarter of 1966 both the total and average credit increased
＇able 3.3 －RETLRNS WITH INVFSTMENY \＆REDIT NIMBER OF RETURNS CREDIT．AND AVFRACE CRIDIT RY ADTUSTED GROSS INCOME CIASSFS

substantially over 1965，by approximately 15 and 9 percent respectively．Investment credit，the fastest growing credit，accounted for 63 percent of all credits in 1966.

In gencral，the investment credit was 7 percent of a taxpayer＇s qualified investment in certain depreciable assets with a useful life of + years or more．Qualified investment was computed as one－third of the cost of property with a life of 4 to 6 years，two－thirds of the cost of property with a life of 6 to 8 years，and the full amount of the cost of property with a life of 8 years or more．If the property qualifying for the credit was disposed of by the taxpayer before the end of its useful life，the tax for the year of disposal was increased by the difference between the credit originally allowed and the credit that would have been allowed if the computation had been based on a shorter useful life． For 1966，additional tax from recomputing prior year investment credit totaled $\$ 41$ million．

## SELF－EMPLOYMENT TAX INCREASES

In addition to income tax，taxes on self－employment income are also payable with individual income tax returns each year．Taxes on self－employment income are used to finance benefits for self－employed persons
Table 3．4－RETURNS WITH SELF－EMPLOMEITT TAX：NUMBER OF RETURNS AND AMOUNT， 1965 AND 1966 Bï ADJUSTED GROSS INCONE CLASSES

|  | －＇ | －＂ |  |
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|  | ．． $4.45,5$ | ，2ib， 5 | $-2,01$ |
|  | ＋20 | 1．${ }^{\text {ancta }}$ | $\cdots$ |
|  | $\therefore \therefore$ | －－－，－－－ | $\cdots$ |
|  |  | 453,258 | 13．5 |
|  | －${ }^{-1}$ | －，${ }^{\text {a }}$－ | $+\cdots$ |
|  | 1．，4．，${ }^{\text {a }}$ | －，${ }^{3}$ | －13．1 |
| ご2＝－3MPIME：T TH． | Thouserid | allars） |  |
|  | 1， $770, \ldots$ | $1.4 .4 ., 23$ | $\therefore .1$ |
| T¢．．． | Hus， 4. | 2，－1．，362 | W．．．${ }^{\text {a }}$ |
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|  | ＋5．37］ | くり11） 7 | － 5. |
|  | ＂ 5,20 ？ | 126， | 70.5 |
|  | 13：，＋4， | 132．494 | 「でい |
|  |  |  |  |
| ：．．． 9 | 1．0．${ }^{\text {a }}$ | －－ | － |

[^14]under the Federal Old Age Survivors Disability and Health Insurance Program, more commonly known as social security.

As shown in table 3.4, self-employment tax liability for 1966 totaled $\$ 1.5$ billion. This was nearly 40 percent higher than 1965. The marked increase in selfemployment taxes was largely the result of increases in the tax rate and taxable base provided by the Social Security Amendments of 1965 . The new law raised the maximum amount of self-employment income recognized for the tax computation from $\$ 4,800$ to $\$ 6,600$ effective January 1, 1966. The rate used in calculating the tax was increased from 5.4 percent to 6.15 percent. The substantial increase in income from business and professions, farms, and partnerships may also have contributed to the increase.

## PREPAYMENTS ON TAX

Individual taxpayers reporting on 63.5 million of the 70.2 million returns filed made some sort of prepayments on their income taxes during 1966. For an individual whose principal source of income was from business or investments, payments were made on declarations of estimated tax. For 1966, taxpayers filed nearly 5.6 million returns with such payments. For the majority of taxpayers, however, payments
were made by requiring the employer to withhold amounts from salaries or wages. These taxpayers filed nearly 60.4 million returns. Taxpayers filing on approximately 2.5 million returns used both methods of making payments on their tax liability.

## Graduated Withholding Introduced

Prior to May 1, 1966, taxes were withheld from salaries and wages at a flat rate of 14 percent. For salaries and wages paid on or after this date, a graduated rate ranging from 14 to 30 percent applied. The graduated withholding rate system may have contributed, in large part, to, the substantial increase in the number of returns with an overpayment of tax. As shown in table 3.5, a total of 49.4 million returns for 1966 showed an overpayment, 5.0 million more than the previous year. Single taxpayers with incomes under $\$ 10,000$ accounted for nearly two-thirds of the increase in returns with overpayment. However, married taxpayers filing jointly (or as surviving spouse) with incomes $\$ 10,000$ or more accounted for more than half of the $\$ 1.8$ billion increase in tax overpayment. Some of the increase in overpayment may also be attributable to the refundable credit, introduced in 1966, for Federal excise taxes paid on gasoline and lubricating oil purchased for nonhighway use. Further explanation of this credit is covered below.

Table 3.5-returns With overpayment; number of returns and amount of overfayment, by adjusted gross income classes and tax schedule
[Taxable and :mitaxable returis]

| Tax rat. Chen du | T tal |  | Unaer $\ddagger 5.00$ |  |  |  | \$10,000 or more |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { unter it } \\ \text { neturn } \end{gathered}$ |  | $\underset{\substack{\text { liumber if } \\ r \in t u r z i z}}{ }$ |  | Humber of returns | $\begin{aligned} & \text { Angiunt } \\ & \text { ( Thousand } \\ & \text { dollars) } \end{aligned}$ | Nimber of <br> returns | $\begin{aligned} & \text { Anourt } \\ & \text { ( Thous sind } \\ & \text { doulis. } \end{aligned}$ |
|  | (1) | (2) | (3) | (4) | (5) | (0) | (7) | (8) |
| All rutur | 49,380, 促 | *, 412,888 | 24,337,413 | 2,350,310 | 17.322, 920 | 3,4.2, 473 | 7,719,607 | 2,812,590 |
|  | 24 | 1,921,342 | 17, $2 \times 0,871$ | 1,321,303 | 2,705 ,4us | 380, U6 3 | 292,403 | 203,420 |
|  | 2, |  |  | $43_{1}^{2}, 400$ |  | $2,42,1,30$ | $\begin{aligned} & 7,3,5,5,5 \\ & 7 x, 060 \end{aligned}$ | $\begin{aligned} & 2,550,967 \\ & 5: 80,809 \end{aligned}$ |
|  |  | 1,780, 73 | Na, 2 | 100, | 1,40x, ceid | Snater | 2,074,782 | 1,087,024 |
|  thene |  | 2undisut |  | 23,52u | 1,445, 10.4 | 224,343 | 120, 500 | 08,038 |
|  |  | $\text { 1,10, } 140$ |  | -1ue, 2123 | $\begin{gathered} -10^{2}, 2.25 \\ 11^{2}, 1 \end{gathered}$ | $\begin{gathered} 278,9_{1} \\ 61,14 \end{gathered}$ | $\begin{gathered} 2,502,1222 \\ 4,254 \end{gathered}$ | $984,352$ |

Table 3.6 - CREDIT FOR NONHIGHWAY USE OF GASOLINE AND LUBRICATING OII. NLMBER OF RETURNS, AMOUNT, AND AVERAGE CREDIT, BY ADJUSTED CROSS INCOME CLASSES


## Refundable Credits

In aduition to prepayments through withbolding or declarations of estimated tax, taxpayers could also apply several prepayment credits against tax. These
credits differed from those credits discussed previously because any amounts in excess of tax liability were refundable. For 1966 , the nearly $\$ 400$ million of refundable credits included those for excess social security (FlCA) taxes paid ( $\$ 243$ million), capital gain taxes paid by regulated investment companies for shareholders ( $\$ 9$ million), and Federal excise taxes paid on gasoline and lubricating oil purchased for nonhighway use ( $\$ 143$ million). l'rior to 1966, a separate line entry was not available on the tax return form for the first two credits. Instead, the taxpayer was requested to include them on the line entry for taxes withheld from wages. Therefore, these amounts were reflected in the tax withheld data in prior year reports.

The credit for Federal taxes paid on the nonhighway use of gasoline and lubricating oil was a new credit on the tax return. Prior to 1966, such amounts could
be claimed only by making separate application. A taxpayer could claim the credit for Federal taxes paid on (a) gasoline used on a farm for farming purposes and (b) gasoline and lubricating oil used other than as fuel in a highway vehicle or in vehicles engaged in furnishing certain public passenger land transportation services. Since the credit was applicable for taxable
years beginning after June 30 , 1965 , taxpayers could claim amounts from the last 6 months of 1965 on their 1966 returns in addition to any amounts paid in 1966. On the 1.5 million returns filed by taxpayers claming the credit, the credit averaged $\$ 98$. As shown in table 3.6 , the average credit varied only slightly for taxpayers with incomes under $\$ 15,000$.

Table 42 -RETURNS WITH NORMAL TAX AND SURIAX ONLY ADJUSTED GROSS INCOME, DEDUCTIONS, EXPMYIIONS, TAXABIE INCOME, AND TAX ITRMS BY ADJUSTED GROSS INCOME CLASSES


[^15] CROSS INCOME CTASSES


[^16]


| Adjusted grose income classes | Marginal tex rate clasges-Continued |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 62 percent |  | 63 percent |  | 64. percent |  | 66 percent |  | 67 prrcent |  | 68 percent |  | the pereert |  | 70 percent |  |
|  | Number of returns | Taxable <br> income <br> (Thourand doflare) | Number of returys | Taxable income (Thourand dolfars) | Nunber or returns | Taxable income <br> f Thousand dolfars) | Number of returns | Tacalle <br> incotre <br> (Thousand doliar:) | Number of returne | Taxable <br> income <br> (Thousand <br> dellara) | Piunker of returtio | Taratip <br> 1 neome <br> (thousand <br> doltasa) | $\begin{gathered} \text { Number of } \\ \text { ret } \Delta r 7 \text { IS } \end{gathered}$ | Terable <br> Income <br> (Thow and doliars) | $\begin{aligned} & \text { Nunter of } \\ & \text { retiryis } \end{aligned}$ | Terable <br> Incume <br> (Thow and <br> doliara) |
| Grand tot | (75) | (76) | (77) | (78) | (79) | (80) | (81) | (82) | (83) | (84) | (85) | (86) | (87) | (88) | (89) | (90) |
|  | 9,347 | 956,728 | 90 | 7,98? | 5,301 | 629,170 | 3,020 | 407, 1.54 | 6. | 8, 2.2 | 1,937 | 284,005 | 1,2.15 | 213,195 | 4,521 | 1,630,0, |
| Taxable returns, total <br> Under \$1,000. | 9,338 | 4,6,133 | 90 | ,981 | 5,301 | 028,170 | 3,020 | 407,154 |  | , miver | 2, ${ }^{3+}$ | 284,005 | 1,224 | '12, 2 " | 4, 5 | 1, $4 i^{2}$ ? ${ }^{\text {a }}$ |
|  |  |  | - | - <br> - <br> - | $\begin{aligned} & 1,735 \\ & 3,4,3 \end{aligned}$ |  | - <br> - <br> - <br> - <br> - <br> - <br> - <br> - <br> - <br> - <br> - <br> - <br>  <br> 343 <br> 1,610 <br> 530 <br> 26 <br> 11 |  |  |  | $\square$ |  |  | $\begin{array}{r} - \\ - \\ - \\ - \\ - \\ - \\ - \\ - \\ - \\ - \\ - \\ , \\ 38, \\ 31,684 \\ 132,515 \\ 21,566 \\ 9,242 \end{array}$ |  |  |
| \$5,000 under \$6,000............. | - | - | - |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$6,000 under \$7,000............. | - | - | - |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$7,000 under $\$ 8,000 . . . . . . . . . . . .$. |  |  | - |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$9,000 under \$20,000.. | - | - | - |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$10,000 under \$15,000... | - | - | - | - |  |  |  |  |  |  |  |  |  |  |  |  |
| \$15,000 under \$20,000........... | - | - | - |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$20,000 under $\$ 50,000 \ldots \ldots . . . . . .$. |  |  | - | - |  |  |  |  |  |  |  |  |  |  |  |  |
| \$100,000 under $\$ 200,000 . . . . . . . .$. |  |  | 50 39 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$200,000 under \$ $500,000 . .$. | 476 |  | I | 74 | 473 | 88,581 |  |  |  |  |  |  |  |  |  |  |
| \$500,000 under \$1,000,000....... | 49 | 28,825 |  |  |  | 19,975 |  |  |  |  |  |  |  |  |  |  |
| \$1,000,000 or more.... | 19 | 23,279 | - |  | 11 | 14,503 |  |  |  |  |  |  |  |  |  |  |
| Sontaxable return | (*) | (*) |  |  |  |  | - |  | - |  |  | - | - |  | (-) | -) |


Note: Detail may not add to total because of roundine.
table is. - joint returns and returns of surviving spouse with taxable income: ntmber of returns and amoint of taxable income, by adjusted gross income classes and






See text for "Explanation of Classifications and Terms" and "Sources of Data, Description of the Sample and Limitations of the Dats."
(*) An asterisk in a cell denotes that the estinate is not shom separately because of high sampling variability. However, the data are included in the appropriase tctals.
ineturns with incoue averaging and filing date prior to January 1,1965 . HOTE: Detail mav not add to total because of roundine.



[^17]

[^18]Table 48. - INCOME TAX GENERATED AT EACH TAX RATE FOR ALL RETURNS AND RETURNS UNDER EACH OF THE THREE TAX RATE SCHEDULES

| Tax rate | Geturns with tax rate us marginal rate |  |  |  |  |  |  |  |  | Returns with any uax generated at tax rate |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { Number uf } \\ \text { Futuriz } \end{gathered}$ |  | $\begin{aligned} & \text { Titul tax } \\ & \text { knser } \end{aligned}$ <br> (Thacenand (whisers) | Totalincome taxberinecreditg(Thousenddohlara) | Tan tuse tax) =d at marginal Fit? <br> (Thou nend (d) flars) | Tex emmerited at maresinal rute <br> (Thounand doliars) | Incume tax after credits |  |  |  |  |  |
|  |  |  |  |  |  |  | Total <br> (Mounand dollara) | As a percent or - |  | Number of returns | Tax vase taxed at tax rate (Thourand dolliar*) | Tex generated at tax rate (Thousmad dollara) |
|  |  |  |  |  |  |  |  | Adjusted gross income | $\begin{gathered} \text { Total } \\ \text { tax } \\ \text { base } \end{gathered}$ |  |  |  |
| T tal.............. | (1) | 12) | (3) | (4) | (s) | (c) | (7) | (8) | (9) | (10) | (11) | (12) |
|  | 120.4.20 |  | $28.112,630$ | $40,773,300$ | $09,07 x, 403$ | -3.514, 32. | 50,087, 383 | 12.1 | 14.1 | 70,200,425 | - | - |
| Returta with special tux enmputa1.1.t. ......................................... | $45^{54}$, ${ }^{20}$ | $13.1 \%$ | 30, 比5,700, | 3,052,206 | - | - | 2,941,92t | 22.6 | 28.0 | 489.280 | - | - |
| Fwrert (futurns with mictax basel' | $12 \cdot \cdots B_{L},+14$ | 12.500, $30 \%$ | - | - | - | - | - | - | - | 12,782,910 | - | - |
| Returiz - ith taxalle incume, tctal ${ }^{3}$. | 5t.884, .282 | 4 $31,124,7+3$ | 275,14.40,433 | 53,720,030 | 00,076,473 | 13,515.020 | ¢3, 105,15\% | 2.2 .1 | 19.3 | 450,888, 228 | 275,040,933 | 53,870,048 |
| 1. prreent | 2, 54y, 1.18 | 14, $3888.33 t$ | 2, com, 711 | 34.7,307 | 2,418,054 | 338, 512 | 324,444 | 1.4 | 13.3 | 50, 887.076 | 4, 523,425 | 0,233,279 |
|  | 5, 24.10 | -1, "11, $\times 33$ | 7.030.050 | 1,016,204 | 2,304,59, | 354,009 |  | 4.5 | 13.8 | 48,851,241 | 38,382,742 | 5,757,411 |
| If twrent | +.314.103 | 2d.tar, 009 | $12,354,028$ | 1,830,155 | 2,555,591 | 400,295 | 1,273,071 | ¢0. | 14.4 | 4, 34.7,951 | 34,970,709 | 5,595,313 |
| $1^{17}$ perutr.t | t,181,10? | $34,592,762$ | 18,540,434 | 2.835,311 | 2,702,003 | 459,351 | 2,789, 2 ¢0 3 | 7.7 | 15.0 | 37,141,134 | 28,097,312 | 4,878,543 |
| 15 percent |  | $\therefore$, 46, 170 | 1,002, +200 | 265,922 | 552,541 | 44, 45: | 240, 390 | 8.4 | 15.9 | 1,142,711 | 1,722,405 | 311,124 |
| 14 Prroert. | $15^{*},+\cdots 2,120$ | $1.4 .025,370$ | $43,+01,515$ | 15,572,802 | 28,728,414 | 5,458,400 | 15,420,077 | 20.3 | 10.4 | 30,959.470 | 67,579,213 | 12, 840,050 |
| p, reer | 333.51 | 2, ¢ '.103 | 1,004,274 | 274, 2 ,29 | 208,449 | 53,090 | 273,435 | 11.6 | 17.0 | 587,954 | 777,212 | 155,422 |
| 2 L purcer | 005,3.5 | 83.000,059 | -0, 187,115 | 10,841,7460 | 10,128,337 | 2,228,234 | 14,813,80\% | 13.4 | 18.0 | 12,242.025 | 24.048,847 | 5,422,740 |
| 5\% | $2,4 \mathrm{H}, 45$ | 34, 1058,331 | 2n,097.978 | 5,128,703 | 3,048,8048 | 774,717 | 5,084,261 | 14.4 | 19.5 | 4, 576, 079 | 10, 12,311 | 2,503,078 |
| $\mathrm{F}^{+5}$ | 502 | 321.041 | 245.425 | 50, 109 | 20,793 |  | 50, 52* | 15.7 | 20.5 | 61,293 | 48,409 | 26,570 |
| $\therefore p \cdot r$ rent | R:E, 101 | $1=0.024 .252$ | 12, 268,110 | 2.612,230 | 1,185, 455 | 332,007 | 2,580, 2va | 1200 | 27.1 | 2,00n,500 | 5, 432,58is | $1,405,684$ |
| 31 prruert | 11, ¢4, 7 | 207, 681 | 158,659 | 35,529 | 12,514 | 3,874 | 35,173 | 17.0 | 22.2 | 38,741 | 00,193 | $20,520$ |
| 3. pereent | 405.518 | 4, 153,305 | 7,292,010 | 1,084, 40 | 591,134 | 189,103 | 2,008,919 | 28.2 | 22.9 | 1,235,250 | 3,380,960 | 1,081,909 |
| 3 Purzerit. | 4,307 | 45,873 | 74,740 | 18,574 | 4,601 | 1,510 | 18,095 | 18.9 | 24.2 | 21,324 | 38,665 | 13,533 |
| 3t p ¢ | 228.4 | t.arme, 32r | 5,042,129 | 1,204,558 | 3.4, 389 | 125,780 | 1, <47,201 | 18.8 | 24.7 | 825.423 | 2,371,636 | 853,789 |
| $3{ }^{3}$ persent | 20\%.9Bu | 4.414 .402 | 3,783.104 | 1,014,892 | 228, 290 | 89,207 | 1,001,149 | 21.6 | 20.5 | 583,001 | 1,729,850 | 674,642 |
| 4 perent | $\therefore .572$ | 08,952 | 54,820 | 14,884 | 2,317 | 927 | 14,775 | 21.4 | 27.0 | 13,244 | 25,097 | 10,039 |
| $\rightarrow 1$ pereent | 1, 101 | 47,907 | 38.738 | 11,284 | 1,244 | 510 | 11,200 | 23.5 | 28.9 | 11,372 | 20,821 | 8,536 |
| $\therefore \mathrm{O}$ | 4.37 ¢ | $\therefore 44.0,230$ | 2,843,000 | 210,204 | 14'4, 945 | 62,977 | 207,072 | 23.3 | 28.4 | 437,220 | 1,327,024 | 557,602 |
| persen | 2.371 | ,452 | -, 098 | 17,840 | 2,388 | 1,027 | 17,207 | 22.2 | 28.4 | 9,772 | 17,222 | 7,405 |
| 4 Percen | 71, eras | 2, 1984, 573 | 2,455,409 | 747,010 | 115,810 | 52,117 | 739,832 | 24.8 | 30.1 | 351,243 | 1,001,599 | 477,719 |
| 4 C percer | 1,110 | 51,202 | 42,020 | 13.220 | 2,103 | 907 | 13,522 | 20.1 | 32.4 | 6,307 | 22,294 | 10,255 |
| - ${ }^{2}$ percerst | 55,950 | $\therefore$ 244,150 | $2.125,014$ | 683.487 | 94,092 | 45,104 | -70,475 | 20.1 | 31.8 | 278,002 | 854,245 | 410,038 |
| Su percent | 28,303 | $\cdots \times 200,078$ | 3,572, 970 | 1,144,828 | 255, 202 | 127,'981 | 1,181,536 | 28.1 | 34.0 | 22. 112 | 1,207,969 | 603,984 |
| 50) percert (alternative tax romputation returrs with capital gaine tax (mly)........................ | 551 | 3r7,839 | 330,751 | 105,375 | 330,751 | 105,370 | 104,513 | 44.7 | 49.7 | 551 | 330,751 | 165,376 |
| 5 prerert alternative tad computa*acn retur:s with eapital gains tax and normal tus and surtax ). | 578,138 | 09. 504, 640 | 67, 973,155 | -3,080,145 | 2,548,333 | 1,274,107 | 63,645,815 | 38.0 | 45.7 | 78,138 | 2,548,334 | 1,274,167 |
| Sx purcent | 419 | 22,334 | 17,812 | 6,547 | 279 | 145 | 0.489 | 29.1 | 30.4 | 3,592 | 6,643 | 3,454 |
| 53 perser | 00, 21.5 | 3,882, 340 | 3,232,575 | 1,213,710 | 219, 574 | 142,874 | 1,203,38t | 31.0 | 37.2 | 143,391 | 1,083,835 | 574,432 |
| sf purcer | 30,701 | $2,400,41$ | 1,494, 840 | 804,275 | 139,123 | 70,518 | 802, 333 | 33.4 | 40.1 | 83.120 | 047,274 | 356,001 |
| Sr p . | 142 | 4,850 | 7. +23 | 3,20im | 154 | 80 | 3,107 | 31.5 | 39.2 | 1,681 | 3,228 | 1,808 |
| 50 pereent. | 1r. 588 | 1.527,890 | 1,274.575 | 54n,007 | 75,245 | 43,652 | 540,405 | 35.4 | 42.4 | 52,277 | 422,594 | 245,104 |
| 54 pera | 125 | 15,409 | 12,800 | 5,093 | 474 | 280 | 5,577 | 30.2 | 43.5 | 858 | 4,511 | 2,002 |
| 3 A Per | 9.819 | 1,130,000 | 301,582 | 380.598 | 45,104 | 27.062 | 382,300 | 30.9 | 44.4 | 34. 832 | 285,238 | 171,143 |
| ol percent | 158 | 12,278 | -, 053 | 4,405 | 311 | 150 | 4,392 | 35.8 | 45.5 | 073 | 3,580 | 2,184 |
| D2 percent. | [, 347 | 1.159,850 | 450,728 | 440,572 | 68,203 | 42,323 | 4.45 .010 | 38.1 | 46.5 | 25.557 | 318,236 | 197,307 |
| t3 pprient........................... |  | 9,05t | 7,987 | 3,811 | 271 | 171 | 3.785 | 39.2 | 47.4 | 473 | 3,335 | 2,101 |
| ts percent. | 5,301 | ?,00,840 | 428,170 | 309,218 | 38, 763 | 24,930 | 304,781 | 40.1 | 48.5 | 10,121 | 200,003 | 132,264 |
| ce parceret | 3,020 | 503, Die | 407.154 | 208,034 | 22,451 | 14,818 | 206. 122 | 42.1 | S0.0 | 11.819 | 144, 58 | 95,342 |
| Di percert. | 02 | 10,891 | 8.4.2 | 4,521 | 551 | 309 | 4,514 | 41.4 | 53.0 | 200 | 3,312 | 2,219 |
| of percent. | 1,337 | 351, 5.61 | 284,005 | 149,781 | 13,361 | 9.086 | 148,020 | $4 \mathrm{C} \cdot 3$ | 52.3 | 7,738 | 104,059 | 71,168 |
| 0 percent | 1,2201 | 200, 433 | 213,190 | 115,338 | 7,005 | 0,21的 | 114, 19, | 43.2 | 53.0 | 5,401 | 80,935 | 55,845 |
| 70 p -reent | 4.02 i | $\therefore 2070.477$ | 1,530,087 | 490,548 | +79,534 | 475,074 | 978,150 | 40. | 00.0 | 5,444 | 855,514 | 598,800 |

[^19]Table 48．－income tax generated at each tax rate for all returns and returns under each of the thrge tax rate schedules－Continued

| Tan rate | Returns with bax rate un marrimal rate |  |  |  |  |  |  |  |  | Returnie with hry ine pericrated yt tax rati－ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { Number } \\ \text { return } \end{gathered}$ | Aدjuted crues inc゙心も <br> （Thousind dollars） | $\begin{aligned} & \text { Tutal tax } \\ & \text { bose } \\ & \text { (Mowsand } \\ & \text { dothars, } \end{aligned}$ | Tutal incume lax berore creates <br> （Mousand （d）liars） | Tax ba： <br> tared ut <br> warcinsl <br> rat． <br> Thous．and dolhars） | $\begin{aligned} & \text { rax } \\ & \text { generuted } \\ & \text { at marimal } \\ & \text { rate } \\ & \text { (Mousand } \\ & \text { (illars) } \\ & \hline \end{aligned}$ |  |  |  |  |  |  |
|  |  |  |  |  |  |  | $\begin{aligned} & \text { I. } 181 \\ & \text { ( trousand } \\ & \text { dolliars) } \end{aligned}$ | A： 4 Efrent $\mathrm{t}^{\prime}$－ |  |  | Tux brave <br>  t．ax athte <br> （Mrowand （dillara） | Tasnemerazedat tas rall（Thousanddoflars） |
|  |  |  |  |  |  |  |  | $\begin{aligned} & \text { Adusucu } \\ & \text { gruss } \\ & \text { Hucomke } \end{aligned}$ | $\begin{gathered} \text { Tutal } \\ \text { tux } \\ \text { bust } \end{gathered}$ |  |  |  |
| JIINT RETIENS AND RETURN SURVIVIN：Sputst <br> Thtal． | （1） | ‥） | （3） | （4） | （5） | 10） | （i） | （8） | （ $\cdot 1$ | （1U） | （11） | （12） |
|  | －1，1：4，938 | 4． $2 \cdot 4,0 \times 1$ | 223．117， 7 | 4．6．612，${ }^{\text {a }} 00$ | $4 \mathrm{n}, 58 \mathrm{u}, 411$ | 10， 4 Cur， 13. |  | 11．＇ | 17. |  | － |  |
| Requrns with special tix comylta－ tı $\mathrm{n}^{1}$ | 14＊， $\mathbf{H}^{\circ}$ | 12.00330 .45 |  | $\therefore \because \cdots 5.982$ | － | － | $\therefore$ ，248，731 | $\cdots 4$ | \％ | 307.26 | － |  |
|  | －1t ，12＇ | －1．1．168 | － | － |  | － | － | － | － | －•1い，12 | － |  |
| Recirms－ith taxatir inemm，totul＇． |  | $44^{4}+194.100$ | \＆ $13,430,07 ?$ | 41，035，8881 | －4，，580，411 | 16．0．4． $28^{\circ}$ | 4．1，14．27月0 | 11．．＇ | $1 \cdot \ldots$ | －15，34，，20\％ |  | $41,734.193$ |
| 1．percent is knema |  | $11,317,155$ $16,024,318$ | $1,551,147$ $\therefore .111,054$ | 208,034 $\cdots 39,151$ | $1,437,850$ $1,737,330$ | 2u1，306 | 101，464 703,27 | 4.2 | 13.0 | 4， 340.404 |  |  |
| 10 percent | 3，721，588 | 23，$+28,030$ | $4.359,128$ | 1．387，055 | 1， $2050.4 \times$ | 305，288 | 1，34， 324 | －． | 1－9．－ | 2，113，4， | $\cdots 30 \mathrm{ta}+{ }^{\text {a }}$ | $4,3,1,034$ |
| 17 pervent |  | 31， 30,006 | 15，325，184 | $\therefore 342,323$ | 2，254，2000 | 383， 585 | $\therefore 317,3 \%$ | $\because$ | 19.1 | $24,343,077$ | 23， 24.45 |  |
| 19 pervert．．．．．．．．．．．．．．．．．．．．．．．．．．． | 1s．：21，sue | 120，305，231 | 78，189，209 | 12，903，50\％ | 23，810， 22 | －－，524，03： | $22,82+4,+241$ | 111.1 | 1＋i．4 | 21， 21.21 | S1， $0^{2}$ ，，111 | 11，1\％，3\％ |
| 20 percent．．．．．．．．．．．．．．．．．．．．．．．．．．．．． | － |  |  |  |  |  | － | － | － | － |  |  |
| 22 percent ．．．．．．．．．．．．．．．．．．．．． | $\because \cdots, n 3$ | $13,70^{-}, 428$ | $95,750,114$ | 9．277，311 | 7，e3， 0909 | 1，079，41006 | 2，che，121 | 12.8 | 13.11 |  |  | i， $4,1,4$ |
| 25 percerst | ， 74.4 .754 | $\therefore \sim, 42, \cdots 50$ | 28，514，557 | 3，042，401 | $\therefore, 144,073$ | 548， 008 | $3.50 \mathrm{ta}, 390$ | 14.8 | 14.5 | $\therefore, 584.514$ | 7． $311,5+x^{2}$ | 1， $\mathbf{c}^{2} 77,841$ |
| 28 percent．．．．．．．．．．．．．．．．．．．．．．．．．． | 213，4，1 | 11，R24， 0 | $4.140,1 \geqslant 8$ | 1．904，883 | 89\％， 029 | 251，980 | 1，43， 4,2 | 14.4 | 21.2 | ， $32.4,55.4$ | $4,1,4,2.11$ | 1，20n，U41 |
| 31 parcent |  |  |  |  |  |  |  | － | － |  |  |  |
| 32 percent | $\therefore 20,07$ | $7.150,034$ | $\therefore, 508,53$ | 1，293，124 | 453，790 | 145，213 | 1．27t，112 | 19.1 | 2 Cl | B1w，518 | $2.115,4.15$ | 8t，8，432 |
| 35 percent | 120 |  |  |  |  |  |  | 14.8 |  |  | 2， |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| 39 pervent．．．．．．．．．．．．．．．．．．．．．．．．．．．．． | 201，003 | 3， 24.50300 | $3,102,345$ | 833，002 | 187，191 | 73，004 | 822，－＂4 | 21.4 | $\therefore 2.5$ | 414，501 | 1，440， $74+2$ | 50，1，889 |
| 41 percen | － | －－ | － | － | － | $\checkmark$ | － | － | － | － | － |  |
| ＋ 2 percent．．．．．．．．．．．．．．．．．．．．．．．．．． ． | 10，${ }^{7}$ ． $3 \%$ | 2.468 .05 | 2，404，040 | 1，90，288 | 12\％， $5 \times$ | 53.73 m | 1082. | 23.2 | 28.4 | 313，579 | 1，105， NH | 404，480 |
| 43 perzent．．．．．．．．．．．．．．．．．．．．．．．．．． | － |  |  |  |  |  |  | － |  |  | － |  |
| 65 percent | F1，554 | ，－89，cer | 2，047，415 | 023，808 | 90，259 | 43，317 | 617，013 | 24.8 | 30.2 | －1．，20」 | 970，444． | 341，：22 |
| to percert |  |  |  |  |  |  | － | － | － |  | － |  |
| $\rightarrow 3$ percent． | 34．006 | 2，133，524 | 1，753，220 | 503，201 | 77．888 | 37.386 | 557.732 | 20.1 | 31.3 | 193，7Ua | 643，575 | 332,410 |
| so percent．．．．．．．．．．．．．．．．．．．．．．． | 57， 307 | 3，507，308 | 2，447，008 | 1，013，080 | 214，844 | 104，922 | 1，005，914 | 28.1 | 34.1 | 14， | 488， 377 | 474，189 |
| so percent dalternative tax um－ putation retarns＝ith capitsl． gains tax only）．．．．．．．．．．．．．．．．．．．．．．．． | 3.45 | 258，354 | 232，257 | 110，128 | 232，257 | 120．129 | 115，071 | 4.4 .7 |  | 345 | 232，257 | 116，129 |
| so percent（altemative tax cum－ futation retume－ith capitul |  |  |  |  |  |  |  |  |  |  |  |  |
| gairs tax and normal tax and surtarl． | $5 \mathrm{ce}, 0 \mathrm{cos}$ | 67，745，272 | 60，407，082 | ${ }^{6} 2.952,145$ | 2，083，903 | 1，441，481 | －2，＋24．358 | 37.8 | 45.2 |  | 2，083，902 | 1，041，481 |
| S2 percent．．．．．．．．．．．．．．．．．．．．．．．．． |  | ＋6， 212 |  |  |  |  |  | 31.8 | 45. | So， | 2，083，902 | 1，0，1，${ }^{\text {a }}$ |
| 53 percent．．．．．．．．．．．．．．．．．．．．．．．．．．． | $4+2.804$ | 3，200，503 | 2，077， 043 | 1，005，813 | 227，594 | 120，025 | 497，138 | 31.1 | 37.2 | 96，124 | 867，698 | 459，880 |
| 55 percent | 21.578 | 2，443， 382 | 1，425，110 | 058，249 | 112，910 | 02.100 | D52．731 | 33.0 | 40.2 | 53，326 | 499，948 | 274，971 |
| 50 percer |  |  |  |  |  |  | 2 | － | － | － | － |  |
| 58 percent． | 10，911 | 1，203，435 | 2，000，175 | 431，520 | 54， 351 | 34，424 | 427，211 | 35.5 | $42 \cdot 5$ | 32，248 | 315，434 | 182，＋34 |
| 50 percent． |  | － |  |  |  |  |  | － | － | － | －－ |  |
| do percent．．．．．．．．．．．．．．．．．．．．．．．．．．． | t， 331 | 812,213 | 678，492 | 304， 438 | 35，748 | 21，44 | 301，453 | 37.1 | 4.4 | 21，337 | 215，817 | 129，490 |
| 01 percent． |  |  |  |  |  |  |  | － | － | 1s， | － |  |
| ¢2 percent． | 5,435 | 403，284 | 748，238 | 351，700 | 52，283 | 32，420 | 348，372 | 38.0 | 450 | 15，000 | 233，541 | 144．989 |
| 03 percent．．．．．．．．．．．．．．．．．．．．．．．．．． |  |  |  |  |  |  | － | － | － | － | － | － |
| \％percerit． | 3.278 | 569， 20 | 474，718 | 233，734 | 29，280 | 18，74， | 230，180 | 40.4 | 48.5 | 9.070 | 147，128 | 144，102 |
| 00 percent． | 1．091 | 365，494 | 295，720 | 151，010 | 15，893 | 10，489 | 141，491 | 40.9 | S0．r． | 5，842 | 97， 914 | 55，043 |
| 07 percent． |  |  |  |  |  |  |  | － | － | － | － |  |
| －3 percert | 1，077 | 258，758 | 229，205 | 110，219 | ${ }^{7}, 820$ | 0，078 | 109，394 | 42.3 | Sc． 3 | 4，201 | 72，302 | 49，165 |
| 09 percert | 092 | 289，771 | 254， 328 | 83，362 | b，480 | 4，471 | 82，592 | 43.5 | 53.5 | 3，124 | 55，120 | 38，033 |
| 70 percent． | $2, \cdot 32$ | 1，32\％，001 | 1，049，200 | －30，545 | 396，582 | 277，008 | 021，337 | 40.8 | 59.2 | 3，007 | 511，582 | 358，108 |

Footnotes at end ir table．See text for＂Explaration of Classifications and Terms＂and＂Sources of Data，Description of the Sample and Zimitations of the Iata－＂




Table 48 . - INCOMF TAX GENERATED AT EACH TAX RATE FOR ALL RETURNS AND RETURNS UNDER EACH OF THE THREE TAX RATE SCHEDURES -CONLITUE

Table 49. -RETURNS WITH REFUNDABLE CREDITS:

|  | Aljustma mruse nar mbe |  | Turathe it.ount |  | Tax alter credits ${ }^{3}$ |  | Reforrabit tax areli |  |  |  |  |  |  |  |  |  | Tax after credits and ref undable credits |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { N.met at } \\ \text { returas } \end{gathered}$ | Thous and doliar: | Humber oiEuturns | $\begin{aligned} & \text { Anciult } \\ & \begin{array}{c} \text { (Thousend } \\ \text { (ollors) } \end{array} \end{aligned}$ | $\begin{gathered} \text { Number f } \\ \text { retiurno } \end{gathered}$ | Amulurit(Thousanddollara) | Tutal |  | $\begin{aligned} & \text { Exeess socigl } \\ & \text { security tox } \\ & \text { witherid (fICA) } \end{aligned}$ |  | Wuldightay: Frderal gas and uil tax |  | $\begin{aligned} & \text { Tax withrilid by } \\ & \text { regulat inver } \\ & \text { ment } \end{aligned}$ |  | Trae sit azealfied |  |  |  |
|  |  |  |  |  |  |  |  |  | Nimber of |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | $\left\lvert\, \begin{gathered} \text { Wumber } \\ \text { return } \end{gathered}\right.$ | $\begin{array}{c\|} \text { Alm wit } \\ \text { (Thourand } \\ \text { dollones) } \end{array}$ |  |  | Namber of returns | Ancurit <br> Thousard dohers) | Prumber : | $\begin{array}{\|l} \text { Ano } 1 . t \\ \text { (Thou and } \\ \text { collara) } \end{array}$ | $\left\lvert\, \begin{gathered} \text { tidatir } i^{\prime} \\ \text { r-tartus } \end{gathered}\right.$ | (Thousend <br> कollars | Wi mher ut |  |
| T tax $\ldots$...................... | 1) | (2) | (3) | (4) | (5) | (c) | 17) | (8) | (4) | (10) | (11) | (12) | (13) | (14) | (15) | (20) | 1.7) | (thers) |
|  | [18.0.te | 2276,411 |  | $\therefore .41 .10$ | $\text { - } 0,0<1,551$ | , ${ }^{\text {c-7, }}$ | $\int_{01,, 6+1}$ | 304.3 3tiz | 3,091.022 | 24<, 50 \% | 1,458,311 |  | 38.793 | 2,927 | $\therefore 2,+\infty$ | $\therefore \therefore \cdot 4$ | $4.2+328.3$ |  |
|  | $\begin{array}{r} 4,3 k \\ 51,008 \\ 0,02 \\ 135,2+2 \\ 153,121 \\ 151,22 \end{array}$ |  |  |  |  |  |  | $\begin{aligned} & 8,518 \\ & 4,08 t \\ & 2,555 \\ & 10, \ldots 21 \\ & 13,531 \\ & 14,218 \end{aligned}$ | $\left\{\begin{array}{cc} (*) \\ \} & 5,581 \\ \left\{\begin{array}{r} 11,799 \\ 7,102 \end{array}\right. \end{array}\right.$ | $\begin{aligned} & (\cdot) \\ & 130 \\ & 867 \\ & 826 \end{aligned}$ | $\left\{\begin{array}{r} 54,304 \\ \left\{\begin{array}{c} 42,468 \\ 38,224 \\ 127,842 \\ 140,2] 2 \\ 143,364 \end{array}\right. \end{array}\right.$ | $\begin{aligned} & 8,231 \\ & 3,673 \\ & 2,316 \\ & 3,+378 \\ & 12,44 \\ & 13,2<2 \end{aligned}$ | $\begin{cases}(\cdot) \\ i, v e s \\ i\end{cases}$ | $75$ | $\begin{aligned} & 0 \cdot 1 \\ & 2,875 \end{aligned}$ | $\bullet$ | - - | $-$ |
| \% A sters |  | $\begin{gathered} 16, \ldots 55 \\ 32,2,5 \\ 20, \\ 320,212 \\ 531,375 \end{gathered}$ | $\left\{\begin{array}{c} \} \\ 43,238 \\ 82,285 \\ 118.32 \end{array}\right.$ | $\begin{gathered} 2 \varepsilon, 179 \\ 74,106 \\ 154,6+7 \end{gathered}$ | $\begin{aligned} & 3,48 \\ & 60,0,55 \\ & 43,262 \end{aligned}$ |  | $\left\{\begin{array}{r} 31,+, 61 \\ 51,14,8 \\ 40,2+8 \\ 130,2+24 \\ 153,120 \\ 151,721 \end{array}\right.$ |  |  |  |  |  |  |  |  |  |  |  |
| Sta starer |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $=\{\{ \} \therefore,$ |  |  |
| fork incer \% |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3,00 J.es |  |  |  |  |  |  |  |  |  |  |  |  |  | 80 |  | 4 | $\left\{\begin{array}{l}\} \times 2.05 \\ i \leq .104\end{array}\right.$ | 20, |
| *, 或 criver | 153.581 | 041,027 | 135,088 | 255,354 | 104,4,45 | 28,811 |  |  |  | $\begin{array}{r} 674 \\ 1,385 \\ 3,352 \\ 10,208 \\ 25,161 \end{array}$ | $\begin{aligned} & 141,082 \\ & 123,923 \\ & 105,770 \\ & 90,170 \\ & 83,336 \end{aligned}$ |  | $\}^{-, 723}$ |  | (的 $\left\{^{4,894}\right.$ |  |  |  |
|  | 150,087 | 881,321 | 1-8,15u | 391,859 | 125,369 | 47,400 | 159,087 | 13,843 | 33,82\% |  |  | $\begin{array}{r} 12.347 \\ 1.173 \\ 10,-47 \\ , 028 \\ 8,420 \end{array}$ |  |  |  |  |  |  |
| \%,um uber | 277,624 686,092 | 1,975,016 | 20, 200 | 1.001,331 | 270,713 070,243 | 140,895 | 297.824 | 16,094 | 191,527 |  |  |  |  |  |  |  |  |  |
| , iot uriom | -52,574 | 5,519,101 | 450,009 | 2,025,013 | 070,243 043,247 | 423,480 <br> 487,965 | 680,692 052,670 | 25,038 33,000 | 540,027 569,743 |  |  |  |  |  |  |  |  |  |
|  | 533,870 | 5,057, 512 | $\begin{array}{r} 533,670 \\ 1,487,038 \\ 327,689 \\ 218,946 \\ 42,+37 \end{array}$ | $\begin{array}{r} 2,944,242 \\ 11,55,324 \\ 3,976,324 \\ 4,389,700 \\ 2,350,749 \end{array}$ | $\begin{array}{r} 529,857 \\ 1,430,420 \\ 320,33+1 \\ 218,310 \\ 42,880 \end{array}$ | $\begin{array}{r} 479,229 \\ 1,747,700 \\ 1,15,750 \\ 1,154,47 \\ 834,932 \end{array}$ | $\begin{array}{r} 533,870 \\ 1,488,343 \\ 327,889 \\ 219,007 \\ 43,006 \end{array}$ | $\begin{array}{r} 31,398 \\ 113,484 \\ 36,757 \\ 39,524 \\ 14,306 \end{array}$ | $\begin{array}{r} 409,055 \\ 1,319,310 \\ 208,810 \\ 158,602 \\ 31,811 \end{array}$ | $\begin{aligned} & 24,70 n \\ & 05,591 \\ & 29,327 \\ & 29,273 \\ & 10,700 \end{aligned}$ | $\begin{array}{r} 03,011 \\ 17,580 \\ 50,504 \\ 52,340 \\ 8,800 \end{array}$ |  | $\int$ | $\begin{gathered} \\ 546 \\ 5 \\ 2,250 \\ 1,504 \end{gathered}$ |  | $\begin{aligned} & 1 \\ & 150 \\ & 3 \times 5 \\ & 350 \\ & -36 \end{aligned}$ |  |  |
| slach ater stis, | 1,488,34,3 | 17,747,235 |  |  |  |  |  |  |  |  |  | $\begin{array}{r} 6,586 \\ 17,0,3 \\ 0,665 \\ 7,139 \\ 1,2,27 \end{array}$ |  |  |  |  |  |  |
| satar meer sh | 327,884 | 5,510,558 |  |  |  |  |  |  |  |  |  |  |  |  | $( \}_{\substack{3,213 \\ 1,26 \\ 2,813}}$ |  |  |  |
| \$50,000 Hiter | 219,407 | 0,315,403 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$50,000 witer | 43,002 | 2,889,398 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$100,00 unser \$ 200,000 | 9,912 | 1,304,405 |  | 1,039,060 | 9,84, | 471,741 |  |  |  |  |  |  |  |  |  |  |  |  |
| \$200, wh inder \$500,000, | 2,051 | 758,851 | 2,622 | 582,112 | 2,018 |  | 2,051 | 2,179 | 1,039 |  | $\begin{array}{r}2,298 \\ \hline 804 \\ \hline\end{array}$ |  |  |  |  |  | ${ }^{7}, 836$ |  |
| \$500, $\mathbf{\$ 1 , 0 0 0}$, ander or more ...... | 45. | 304,731 | 4.5 | 229.853 | 43 | 120,560 | ${ }^{2} 54$ | 008 | - 232 | 96 | 192 | 200 | $\begin{array}{r}318 \\ 57 \\ \hline\end{array}$ | O66 336 | 108 9 | 558 | 2,611 | 297,824 |
| F1, ore, ack or more | 220 | 421.801 | 210 | 371,010 | 210 | 207,554 | 220 | 897 | 2307 |  | 192 | 69 36 | 53 <br> 31 | 336 $<2<4$ | 9 | 101 |  | 125,90? |
| Returis Liser t $5,000$. | 40,360 | ${ }^{1} 1,586,057$ | 379,538 | 498,116 | 244,290 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Returns \$5,000 inder \$10,000 | 2,330,755 | 18,583,224 | 2,249,967 | 10,079,408 | 2,245,478 | 1,584,950 | 2,330,755 | $\begin{array}{r} 07,358 \\ 118,573 \end{array}$ |  | $\begin{array}{r} 2,723 \\ 70,852 \end{array}$ | $\begin{aligned} & 697,172 \\ & 472,410 \end{aligned}$ |  |  | 1,43 |  | 325 | 217,727 | 30, 503 |
|  | 1,458,343 | 17,747,235 | 1,487,038 | 11,545,020 | 1,480,920 | 1,997,700 | $\begin{aligned} & 1,488,343 \end{aligned}$ | $\begin{aligned} & 118,575 \\ & 113,482 \end{aligned}$ |  | $\begin{aligned} & 70,852 \\ & 95,591 \end{aligned}$ |  | 20,894 17,013 | (*) ${ }^{\text {P }} 280$ | ${ }^{(\cdot)}$ | 8,384 | 063 | 2,204,622 | 1,-86,133 |
| turne sis, | 003,530 | 17.590,209 | 042,098 | 13,449,009 | -600,061 | 3,842,929 | -1,403,530 | -113,982 | -, 319,316 | 75,591 73,423 | $\begin{aligned} & 107,580 \\ & 121,137 \end{aligned}$ | 17,013 15.887 | 2,280 |  | 3,813 | 336 | 1,477,2u8 | 1,885, -25 |
|  |  |  |  |  |  |  |  |  |  |  | 121,377 |  | 18,122 | 0,80.4. | 5,576 | 3,24 | $5+4,773$ | 3,76, ,4, |

[^20][^21]
Table 50. - RETURNS WITH TAX OVERPAYMENT: OVERPAYMENT CREDIT ON 1967 tAX, by ad.fusted gross income ciasses and by type of taxpayment - Continued


[^22]
Table 51.-RETURNS WITH TAX DUE, OR NEITHER TAR DUE NO OVERPAYMENT: BY ADJUSTED GROSS iNCOME CLASSES AND TYPE OF TAXPAYMENT - CONEINUEX


[^23]
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lncome tax returns of individuals age 65 or over are of increasing special interest. Although they filed less than 10 percent of all returns, older taxpayers represented a growing portion of the tax filing population, submitting 6.4 million returns for 1966 and reporting adjusted gross income of $\$ 39$ billion. In this decade alone, age exemption returns have increased by 1.2 million or 24 percent and income reported thereon by $\$ 14.8$ billion or 61 percent. This compares with a general increase in all returns filed of 15 percent and an increase in reported income of 48 percent.

Although ' 'taxpayers age 65 or over'' or an equivalent term has been used throughout this section to refer to returns filed with an age exemption, approximately 1.8 million of the 10.1 million taxpayers represented on these returns were under 65 years of age. This occurred when either the husband or wife was under 65 on a return filed jointly. Since the tax return does not generally show the separate income of husband or wife, all or part of the income on the return may have been received by that recipient who was under 65. However, with this limitation in mind, 'taxpayers age 65 or over" or an equivalent term has been used as general terminology throughout this section in order to avoid redundancy.

## RETURNS OF OLDER TAXPAYERS REFLECTED CONTRASTING PATTERNS OF INCOME

Older taxpayers are noteworthy because they reflect markedly different income reporting patterns than taxpayers in general. Two out of three returns filed by taxpayers with an age exemption reflected adjusted gross income of less than $\$ 5,000$ as compared to less than half of the returns filed by all taxpayers. However, it should be noted that Social Security and Railroad

Retirement Acts benefits, which may represent a sizable portion of the elderlies' income, are not subject to tax and are therefore not included in reported income.

Table 4.1 shows income patterns which reflect the greater dependency of a person age 65 or over upon income from pensions, savings, and investments rather than earnings from employment, a sole proprietorship, or a partnership. Although salaries and wages were reported on almost half of the returns filed by individuals with at least one age exemption and salaries and wages comprised one-third of the total income of these taxpayers, this item was reflected on 89 percent of the returns filed by all taxpayers and comprised 81 percent of all income received. Although older taxpayers accounted for only 8 percent of adjusted gross

> | Table 4.1 - SELECTED SOURCES OF INCOME: ALL RETURNS AND RETURNS |
| :---: |
| WITH AT LEAST ONE TAXPAYER AGE 65 OR OVER |
| [Taxable and rontaxable returic] |

| Item | All returris |  | Returns with at least one taxpayer aze 65 or over |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Anount <br> (Thousand dothars) | ```Percent of audjusted incume``` | Arrount <br> (Thousand dohtars) | Percent of - |  |
|  |  |  |  | Adjusted eross income | $\begin{aligned} & \text { Income } \\ & \text { for all } \\ & \text { returms } \end{aligned}$ |
|  | (1) | (2) | (3) | (4) | (5) |
| Adjusted gross income less deficit. | 460,450,579 | 100.0 | 39,036,706 | 100.0 | 8.3 |
| Salaries and waces (gross)......... | 381, 067,341 | 81.3 | 13,277,205 | 34.0 | 3.5 |
| Business and profession net profit net loss................................. | 20,187, 560 | 5.6 | 2, 2 45,396 | 5.2 | 7.8 |
| Ferm net profit less net loss...... | 4,070,200 | 0.9 | 453,943 | 1.2 | 11.2 |
| Partnership net profit less net loss...................................... | 10,725,906 | 2.3 | 1,214,307 | 3.1 | 11.3 |
| Sales of capital assets net gait less ret loss.......................... | 9,340, 292 | 2.1 | 3, 2,650 | 8.2 | 32.3 |
| Dividens (in adjusted gross income) | 23,998,145 | 3.0 | 6,882,392 | 17.6 | 49.2 |
| Interest received.................... | 13,224,349 | 2.8 | 5,566,492 | 14.3 | 42.1 |
| Rent net income less net loss...... | 2,607,727 | 0.6 | 1,865,275 | 4.8 | 71.5 |
| Royalty net income less ne: loss... | 71-271 | 0.2 | 292,685 | 0.7 | 41.1 |
| Pensions and annuities....... | 4,426,138 | 0.9 | 3,379,473 | 8.7 | 76.4 |
| All other solurces, income less loss | 5,170,603 | 1.1 | 1,005,737 | 2.6 | 19.5 |
| Statutory adjustments ${ }^{2}$ | 3,681,423 | -0.8 | 159,097 | -0.4 | 4.3 |

${ }^{2}$ Includes sick pay exclusion, moving expenses deduction, employee business expense geduction, and self-employed pension deduction. NOTE: Detail may rot add to total because of rounding.
income, they reported 42 percent of interest income, 49 percent of dividends, ? 2 percont of rental income, and 76 percent of pensions and anmities.

For 1966, about 44 percent of the returns with at least one age exemption were nontaxable as compared with 19 percent for all returns. This nontaxability stems from a general lower income level of the elderly as well as the advantages they receive from favorable provisions of the tax law.

TAXPAYERS AGE 65 OR OVER REPORTED $\$ 7.6$ BILLION IN DIVIDENDS AND OTHER DISTRIBUTIONS

In addition to the $\$ 6.9$ billion of dividends included in adjusted gross income (after dividend exclusion of $\$ 276$ million), older taxpayers reported $\$+12$ million in capital gain distributions and $\$ 58$ million in nontaxable distributions. As shown in table 4.2 , one of every five returns with capital gain distributions and one out of every four returns with nontaxable distributions were filed by taxpayers age 65 or over. The proportionate share of these distributions received by those age 65 or over, in general, increased as the amount of distribution became larger. The entire amounts of capital gain and nontaxable distributions were not reflected in income because: (a) capital gain dividends are reduced by at least one-half when included in the net capital gain or loss component of adjusted gross income, (b) nontaxable distributions are usually considered return of capital and are therefore not included in gross income.

Table 4.3 shows that $6 I$ percent of dividends and other distributions claimed by taxpayers age 65 or over

HIE ".. -RETLR', WITH CAPITAL GAIN AND NOATAKABEE DISTRIBLTIONS ALI, RPIHRO:S SND RET IRNS WTTH AT IEAST ONE TAXPAYER AGE 65 OR OVER BY SIRE OF DISTR:BUTION

were reported by those with adjusted gross income over $\$ 15,000$. Approximately 38 percent of returns filed by older taxpayers indicated domestic or foreign dividends received. However, of the 2.4 million returns filed by older taxpayers with dividends received, one out of five had dividend exclusion greater than dividend income and therefore no dividends in adjusted gross income.

Table $\cdot 3$-TAXPAYERS AGE 65 AND OVER WITH DIVIDENDS AND OTHER DISTRIBUTIONS RECEIVED: TYPE OE DIVIDENDS, DIVIDEND EXCLUSION, AND DIVIDENDS IN ADJUSTED GROSS INCOME, BY ADJUSTED GROSS INCOME CLASSES



## OLDER TAXPAYERS WITH INTEREST INCOME REPORTED AVERAGE AMOUNT RECEIVED OF $\$ 1,127$

Over three out of every four returns filed by older taxpayers reported interest income from savings and other investments, averaging $\$ 1,127$ per return in 1966. Over 99 percent of this income was reported by individuals filing Form 1040 returns. As shown in table 4.4, two out of every three returns filed by elderly taxpayers with interest income on Form 1040 indicated payments from savings and loans, credit unions, mutual banks, or other banks. Although payments from 'All other payers," such as from bonds and notes, was reported on less than half of the returns, the total received from this source was more than a third of all interest received. Taxpayers age 65 or over with incomes under $\$ 5,000$ reported over 40 percent of the $\$ 5.6$ billion interest income but averaged only slightly more than $\$ 750$ per return. Taxpayers with income $\$ 15,000$ or more reported over 25 percent of the interest and averaged $\$ 3,667$ per return.

## OLDER TAXPAYERS MAY EXCLUDE ALL OR PART OF A GAIN ON THE SALE OF THEIR RESIDENCE

Table 4.5 reflects data on a provision of the law introduced in 1964 which benefits those age 65 or over. Under this provision, such taxpayers may exclude from income any gain on the sale or exchange of a

Tdble 4.5-RETURNS With Sale of personal residence, with and without AGE EXEMPTIONS, BY ADJUSTED GROSS IMCOME CLASSES

personal residence providing the adjusted sale price is $\$ 20,000$ or less. If the adjusted sales price exceeds this amount, a portion of the gain may be excluded. This provision may be used only once in a person's lifetime. All taxpayers (including those under 65) may postpone paying tax on a transaction involving their personal residence if they buy and occupy another residence costing as much or more than the original residence within one year.

Approximately 214,000 returns were filed by taxpayers reporting the sale or exchange of their residence in 1966. Nearly 15 percent of thesc returns were filed by taxpayers age 65 or over. Age exemption returns with this item reflected an average income of $\$ 7,991$ as compared with $\$ 11,866$ for returns without age exemptions.

Although the actual gain on sales of residence was not tabulated, these taxpayers reported net gain (less net loss) on sales of all capital assets of $\$ 161$ million. If the taxpayer fully qualified for the exclusion or tax postponement of the gain on sales of residence, net capital gain (or loss), as shown in table 4.5, would not reflect such gain. However, the difference between all returns filed by taxpayers with sales of residence, 214,000 , and those filed by taxpayers reporting net capital gain (or loss), 75,000 , is not necessarily an indication of the number receiving a tax benefit on their sale. Since the data on net capital gain or loss include all sales of capital assets, a taxpayer receiving the benefits of tax postponement or tax free income may be reflected in the frequency for net capital gain or loss if he had a sale of corporate stock or any other capital asset other than his residence.

## Chart 4A

## Higher personal deductions reported by taxpayers age 65 or over

> Method ol computation used by older taxpayers

## TAXPAYERS AGE 65 OR OVER REPORTED HIGHER DEDUCTIONS

Older taxpayers reported average deductions totaling $\$ 1,323$ for 1966 , or $\$ 234$ more than the average for taxpayers in general. As shown in chart 4A nearly one out of every three returns filed by taxpayers age 65 or over indicated use of the minimum standard deduction. The minimum standard deduction offered an additional benefit to those over 65 because this method provided for an allowance of $\$ 200$ ( $\$ 100$ for married persons filing separately) plus $\$ 100$ for each exemption, including age exemptions. On the average, the minimum standard deduction used by those with an age exemption was $\$ 68$ higher than the average for all taxpayers. On the other hand, the $\$ 656$ average deduction for the nearly one out of eight returns filed by older taxpayers using the 10 percent standard deduction was slightly lower than the average for all taxpayers using this deduction.

Taxpayers age 65 or over itemized deductions on about one-half the returns they filed. Medical expenses represented one-third of total itemized deductions for those age 65 or over but only 14 percent of the itemized deduction for all taxpayers. On the other hand, interest expense constituted only 9 percent of the deductions for the elderly but 27 percent of the deductions for all returns.

## TAXPAYERS CLAIMED AN AVERAGE TAX CREDIT OF \$109 FOR RETIREMENT INCOME

Taxpayers filing more than 1.7 million returns for 1966 took advantage of the retirement income credit, claiming an average of $\$ 109$ per return. Returns with age exemptions accounted for 91 percent of these returns and 88 percent of the total credit taken. The retirement credit for any taxpayer depended upon the following factors:

Table 4.6-RETIREMENT INCOME CREDIT: ALL RETURNS AND RETURNS WITH AGE EXEMPTIONS, BY ADJUSTED GROSS INCOME CLASSES
[Taxable and nontaxable returns]

| Adjusted gross income classes and age category | Number of returns | Retirement <br> income <br> credit <br> (Thou*and dollars) | Average credit <br> (D. $/$ /ars $)$ |
| :---: | :---: | :---: | :---: |
| ALL RETUPNS | (1) | (2) | (3) |
| Total. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 1,057,720 | 181,357 | 109 |
| Under \$5,000. | 870.271 | 73,439 | 84 |
| \$5,000 under \$10,000. | 498,414 | 05,923 | 132 |
| \$10,000 under \$15,000 | 136,754 | 19,913 | 140 |
| \$15,000 ir more. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 152.281 | 22,082 | 145 |
| RETURNS WITH ONE TAXPAYER AGE OS OR OVER |  |  |  |
| Total........ . . . . . . . . . . . . . . . . . . . . . . . . . | 1,076,433 | 101,601 | 94 |
| Under \$5,000. | 034,374 | 51,512 | 81 |
| \$5,000 under \$10,000. | 228,214 | 30,807 | 111 |
| \$10,000 under \$15,000 | 77.245 | 9,235 | 120 |
| \$15,040 or more . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 81,000 | 9,988 | 122 |
| RETURNS WITH EKYTH TAXPAYERS AGE DS OR OVER |  |  |  |
| Total..... . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 437,086 | 58,030 | 133 |
| Under \$5,000 | 1.4, 098 | 11,230 | 70 |
| \$5,000 under \$10, N0, | 178,400 | 27.502 | 154 |
| \$10,000 under \$15,000 | $4,5.51$ | 8,394 | 177 |
| \$25.000 dr more. | 4, $3 \cdot 37$ | 10,904 | 172 |

a. The taxpayer's age,
b. Amount of 'retirement income", (See Explanation of Classifications and Terms for the definition of 'retirement income"')
c. Computation used (general rule or alternative method),
d. Amount of tax due (actual credit cannot exceed tax due less certain other credits),

Single taxpayers age 65 or over had a maximum available credit of $\$ 228.60$ making it possible for them to receive up to $\$ 3,100$ in retirement income without incurring tax liability. Older taxpayers filing jointly were entitled to a maximum available credit
of either $\$ 342.90$ or $\$ 457.20$ depending on the computation method used and whether one or both had retirement income. Depending on which category applied, taxpayers age 65 or over filing jointly could receive up to $\$ 5,32.5$ or $\$ 6,050$ in retirement incom? without incurring tax liability.

As shown in table 4.6 taxpayers clamed in total a retircment income credit of $\$ 181$ million in 1966, an increase of $\$ 13$ million over 1965. Although taxpayers with two age exemptions accounted for less than onethird of the credit, their average credit was $\$ 133$, in contrast to the average credit of $\$ 9.4$ claimed by taxpayers with only one age exemption.

Table 52. -ALL RETURNS WITH AT LEAST ONE TAXPAYER ACE 65 OR OVER-SOURCES OF INCOME AND LOSS. EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS,



Table 52. -ALL RETURNS WITH AT LEAST ONE TAXPAYER AGE 65 OR OVER-SOURCES OF INCOME AND LOSS, EXEMPTIONS, TAXABLE INCOME, AND TAX ITEMS,



[^24]

Table 53. - JOINT RETLRNS WITH AT LEAST ONE TAXPAYER AGE o5 OR OVER -SELECTED SOURCES OF INCOME AND LOSS, EXEMPIIONS, TAKABLE INCOME, AND


Table 53. - JOLNT REIURNS WITH AT LEAST ONE TAXPAYER AGE 65 OR OVER-SELECTED SOLRCES OF INCOME ANI ROSS, EXEMPTIONS, TAKABLE INCOME, AND TAX ITEMS, BY ADJUSTED GROSS INCOME CLASSES-Continued


Footnotes at end of table. See text for "Explanathor of Classifications and Terms" and "Sources of Data, Description of the Bample and Limitations , ff the Data."

Table 53. - JOINT RETURNS WITH AT LEAST ONE TAXPAYER AGE 65 OR OVER-SELECTED SOLRCES OF INCOME AND LOSS, EXEMPIIONS, TAKABLE INCOME, AND TAX ITEMS, BY ADJUSTED GROSS INCOME CLASSES - COntinued


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Table 54, -STANDARD DEDLCTION RETURNS WITH AT LEAST ONE TAXPAYER AGE 65 OR OVER-ADJISTED GROSS INCOME, BXPMMIUNS, TAXABLE INCOME, AND TAX ITEMS, BY ADJUSTED GROSS INCOME CLASSES


Table 54. --STANDARD DEDUCTION RETURNS WITH AT LEAST ONE TAXPAYER AGE 65 OR OVER -AD.JUSTED GROSS INCOME. EXEMPTIONS, TAXABLE INCOME, AND TAX ITENS, BY ADJUSTED GROSS INCOME CLASSES-CONtinued



 TAX CREDITS, AND INCOME TAX, BY ADJUSTED GROSS INCOME CLASSES


Foototes at end of tatle. See text for "Explara*ion of Classifisations and Terme" and "Sources of iata, Description of the Sample ard Lintations of the Deta."
 TAX CREDITS, AND INCOME TAX, BY ADJUSTED GROSS INCOME CLASSES-Continued

 TAX CREDITS, AND INCOME TAX, BY ADJUSTED GROSS INCOME CLASSES-COntinued


 TAX CREDITS, AND INCOME TAK, BY ADJUSTED GROSS INCOME CLASSES-Continued

PAFT II. -JOIMT RWMTMA

 TAX CREDITS, AND INCOME TAX, BY ADJUSTED GROSS INCOME CLASSES-Cont inued


 TAX CREDITS, AND INCOME TAX, BY ADJUSTED GROSS INCOME CLASSES - Continued FAST III.-ALI OTRTK FETVFM ${ }^{2}$

 RETYREMENT INCOME CREDIT BY ADJUSTED GROSS INCOME CLASSES AND AGE EXEMFIIIONS




## CONTENTS

Major sources of income, 137<br>Type of deduction. 139<br>Selected deductions and exclusions fron gross income. 139<br>Text tables<br>5.1 Major source of incone by region, 139<br>5.2 Percentage distribution of returns by income classes and type of deduction. by region, 139<br>Chart<br>5A Deduction for State and local income and sales taxes. 140

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57 Selected sources of income, taxable income, and tax by regions and States, 141
58 Adjusted gross income and tax items, by income size and States, 143
59 Major source of income by States, 156
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62 Tax deduction by type of tax and by States, 161
63 Selected deductions and exclusions from gross income by States, 162

For 1966, Statistics of Income presents more detailed State and regional data than any other previous report. Included is new information on major sources of income, form of deduction, and statutory adjustments to gross income. These items are highlighted below.

State classifications in the Statistics of Income series are based on the district code given each return in the district office or regional service center in which it was filed. Most taxpayers filed their returns in the district or region in which they resided, and to this extent the State data reflect an accurate picture of taxpayers within each State. There were three exceptions that limit the accuracy of the State classifications somewhat: (l) If a return was filed in the wrong district, e.g., a Connecticut commuter filing in New York City, his place of employment, rather than at Hartford, Connecticut, in his State of residence, it was not transferred to the correct district office unless there was an indication that estimated taxpayments or an elected credit were on record at that office. (2) Similarly, if a return was inadvertently filed at the wrong regional service center, it was generally kept at that service center and arbitrarily coded for some designated district office in that region rather than the taxpayer's district office. (3) If a taxpayer had someone outside his district prepare his return, sometimes the return bore the preparer's address and was filed in, and consequently coded for, the preparer's district rather than the taxpayer's.

Some of the tables in this section also present data for Internal Revenue Service administrative regions. Each region has a service center which processes the returns filed in the districts which make up the region. The States comprising each region are indicated in the map which represents the field organization of the Service in 1966. National totals in the State and regional tables will differ slightly from those presented elsewhere because of differences in sample weights
used. These are explained in the Description of the Sample (Section 7).

## MAJOR SOURCES OF INCOME

Average adjusted gross income per return for the nation was $\$ 6,676$ for 1966 . The map on page 138 shows that the average was below the national level for all the States in the Southeast and Southwest Regions. Average income was generally highest in the States on the Pacific coast and in a band of States stretching from Lake Michigan to the Atlantic coast. When each region is considered as a whole, the North-Atlantic Region had the highest income per return for 1966, as is shown in table 5.1. That region also had the highest proportion of taxable returns, and the highest tax liability per return.

For the United States as a whole, over 85 percent of all returns were filed by taxpayers reporting salaries and wages as their major source of income. The MidAtlantic Region had the highest proportion of returns filed by wage earners ( 88 percent), whereas the percentage of returns filed by farmers and partners was well below average. Only in the Midwest Region were fewer than 80 percent of the returns filed by wage earners. The Midwest Region, on the other hand, had the highest proportion of returns filed by taxpayers who were primarily farmers, 4.6 percent as compared to 1.7 percent for the nation.

Taxpayers with partnership or investment income as their major source of income received the largest average payment from these sources in the NorthAtlantic Region. Average salaries and wages, business and professional income, and farm income were highest for individuals filing in the Western Region, whereas taxpayers with these major sources showed the lowest averages in the Southeast Region. Taxpayers in the Southeast Region also tended to have the lowest average


income and tax. However, they experienced a higher rate of increase in average income over 1965 than individuals in other regions -- a 6.0 percent gain as compared to a 5.1 percent gain for all taxpayers.

## TYPE OF DEDUCTION

Since 1964, three types of nonbusiness deductions have been available on Federal income tax returns. In addition to itemizing his deductions or taking the 10 percent standard deduction, the taxpayer can take a minimum standard deduction based on the number of exemptions he claims. This type of deduction is of benefit largely to lower income taxpayers, or those with moderate incomes and numerous exemptions. Not unexpectedly, the Southeast and Southwest Regions which received high proportions of returns filed by individuals with adjusted gross income under $\$ 10,000$, also had high percentages of returns filed by taxpayers using the minimum standard deduction. On the other hand, the Western Region, with the highest proportion of returns filed by individuals with incomes of $\$ 10,000$ or more, also had the highest proportion of returns filed by taxpayers who elected to itemize.

As reflected in basic table 60 , the average itemized deduction total per return ranged from a high of $\$ 2,580$ for taxpayers in Delaware to a low of $\$ 1,436$ for individuals in North Dakota. in general, the average deduction was lowest for taxpayers in States in the center

Table 5.2-PERCENTAGE DISTRIBUTION OF RETURNS BY INCOME CLASS AND TYPE OF DEDUCTION. FOR INTERNAL REVENUE SERVICE REGIONS

and across the south of the nation, with the highest average deductions claimed by taxpuyers in the Pacific States (Hawaii, Alaska, and California), as well as in New York and the Middle Atlantic States.

For individuals in every state, the deduction most frequently itemized was that for State or local taxes. Details on the type of tax deducted by individuals are shown in table 62. Since 1962, the most recent year for which a similar table was available, deductions for State and local income taxes had risen by $\$ 1.8$ billion to a total of $\$ 4.1$ billion. As is shown in chart 5A, almost one-third of this increase was attributable to ten States where the income tax was either newly introduced or raised to higher levels. In the case of the sales tax deduction, which had risen from $\$ 2.7$ billion in 1962 to $\$ 3.2$ billion in 1966 , about 43 percent of the increase came from five States which had introduced a sales tax, an additional 33 percent from 16 States where sales tax rates had risen since 1962. The remaining 29 States accounted for only 24 percent of the increase, due not only to a smaller increase in number of taxpayers claiming the sales tax deduction, but also to a decline in the average deduction per return in those States.

## SELECTED DEDUCTI ONS AND EXCLUSIONS FROM GROSS INCOME

In addition to the deductions from adjusted gross income discussed above, which are largely personal in nature, the taxpayer may be entitled to certain deductions from gross income. These "statutory adjustments', which usually involve expenses incurred in the production of income, are tabulated by State in table 63.

The largest category of "adjustments", the deduction for employee business expenses, was claimed on 4.3 percent of the returns filed in the United States as a whole. The percentage was significantly higher in most of the Rocky Mountain States, with employees claiming business expenses on 17.3 percent of the returns from Nevada, 11.8 percent of those from Wyoming, and 8.7 percent of those from Idaho. The percentage was well below average in all States of the NorthAtlantic and Mid-Atlantic Regions. It should be noted that business expenses deducted by employees include

## Chart 5A

## Since 1962, deductions for State and local income taxes and sales taxes, have increased

State and local income taxes (Increase over $1962=\$ 1,802$ million)

Incredse $10 n$

8\% where
income tax rates increased
$70^{\prime \prime}$ ofrom
2. where incont tak was minduced (1) Statr)
the remaming 40 states


Sales taxes (Increase over $1962=\$ 550$ million)

Increase $100^{\circ}$
$33 \%$ where


15 5tatme
$24^{\circ}$ fron.
the remaming
29 states

only those for which no reimbursement was received from the employer. Therefore, the low number of returns with such deductions in the North-Atlantic and Mid-Athantic Regions dres not necessarily indicate that fewer emplovees there had business expenses, but only that fewer had unrembursed expenses.

The sick pay exclusion and moving expense deduction were each clamed on less than 1 percent of the returns for the United States as a whole. Maine had the highest percentage of returns with sick pay exclusions (2.1 percent), Alaska the highest with moving expense deductions (3.7 percent).


Table 5R. -ad justed gross income, exemptions, taxable income, and income tax, by adjusted gross income classes and states

Table 58 -adjusted gross income, exemptions, taxable income, and income tax, by admisted gross income ctasses and states -Continued

Table 58．－ad．uSted gross income，expmptions，taxable income，and income tax，by adjusted gross income ciasses and states－Continued

| Adjuation priss incurn | $\begin{aligned} & \text { Number } \\ & \text { of turns } \end{aligned}$ | $\begin{aligned} & \text { Himbur } \\ & \text { of jutat } \\ & \text { roturna } \end{aligned}$ |  | $\begin{gathered} \text { Total } \\ \text { nunter } \\ i \\ \cdots \times \cdot \text { mptin } \end{gathered}$ | Hunker of exemptions other than Ef：－Aund 8linthess | Taxatle inceme |  | $\begin{gathered} \text { Incume tax arter } \\ \text { crelife } \end{gathered}$ |  | Bumter r－vivin | $\begin{gathered} \text { Hunbur } \\ \text { if Jule } \\ \text { whlurte } \end{gathered}$ |  |  |  | Taybut in mor |  | It, in "us uptur |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | $\begin{gathered} \text { Wurbirr } \\ \text { rotarnis } \end{gathered}$ |  |  |  |  |  |  |  |  | Hivemer if | ATr <br> （Thousmad doliare | $\begin{gathered} \text { Huater } \\ \text { re:urta } \end{gathered}$ |  |
|  | tre trict of contmita |  |  |  |  |  |  |  |  | F1orism |  |  |  |  |  |  |  |  |
|  | 308，937 | $\begin{array}{r} 109,74,6 \\ 1,54 . \end{array}$ | $\begin{array}{r} 2,1 \times 3,123 \\ 210,175 \end{array}$ | $\begin{array}{r} 726,030 \\ 2,493 \end{array}$ | 660，5：5 | 252，470 | 1，383，097 | $33^{4} .271$ | ＊9R，717？ | 1，490，23 | 1，172，999 | ${ }^{2} 11, n^{4,437}$ | 5，4xi， 714 | 5，174，231 | 1，533，713 | 6，928，187 | 1．5n9，856 | 1，376，326 |
|  | 1．3in |  |  |  | $\therefore 8$ |  |  |  |  | L， | $7,4.1$ | 19t，女 ， | 37，2e9 | 3：，34． |  |  |  |  |
| Thutrr \＄ | 16， 51 | 5，351 | $\left\{\begin{array}{r} 6,404 \\ 11,878 \\ 61,187 \\ 50,827 \\ 103,239 \end{array}\right.$ | $\begin{aligned} & 20,086 \\ & 17,12, \\ & 68,264 \\ & 0,757 \\ & 60,762 \end{aligned}$ |  |  |  |  |  |  |  |  | 148，357 | 14，943 | 27，829 |  | 27.859 |  |
|  | 16，7nk |  |  |  | －0．1167 |  | $(*)$ 15,202 | （＊） | ${ }^{(*)}{ }^{-17}$ | 104． 2177 | $\begin{aligned} & 13,195 \\ & 60,2,26 \end{aligned}$ | $89,39 \%$ 354,265 |  |  | 27， 2,59 $\times 3,391$ | 53，77 | 27,859 127,69 |  |
|  | 40，783 00,57 |  |  |  | iners | 20，958 14,239 | 13， $2 \times 2$ | $\begin{aligned} & 11,200 \\ & 2^{7}, 838 \end{aligned}$ | 1，418 | $\begin{aligned} & 214,2 \% \\ & 183,1,20 \end{aligned}$ | 89,085 | 532， 45.2 | 489,863 | 412，615 | 155．，965 | 155，169 | 125，4．20 | $32,1+4$ |
|  | 20， 0,25 |  |  |  | 4，4，403 | ，9，037 | 52，654 |  |  |  | 97， 5 | Fi2， 313 | 533，70， | 405，172 | $467, \ldots 6$ | －19， 4 | －32，823 |  |
| f．，Mua umber | 29，${ }^{2}$ | 15 | 133，7 | $\begin{aligned} & 60,762 \\ & 21,721 \end{aligned}$ | 83.490 | －5，980 | 57， | ${ }^{3}$ ， 9 | 8，491 | 129 | 1199，17e | $8 \mathrm{cot}, \dot{4}$ | 541,184 | 0， 578 | 0，6\％ | 6 | ． 59 |  |
| 4，meturer \＄0， | ${ }_{4}^{4} 4$ | 9， 2120 | 136， 74.4 | 64，999 | －01，985 | 23，677 | 77.736 119.30 | 21，6 | 12， 759 | 158， 6 | 112，550 | 87t， 8 ， 68 | 506, | 486，593 | 151，239 | 458，425 | 150，4 | 63，314 |
| \＄． | 31，720 | 11.5 | 100， 133 | 57，522 | 56，1，9 | 1．720 | $1 \times 1.28$. | －1，721 | －2066 | 167，${ }^{1582}$ | 1205，116 |  | 537， 4.568 | $43 \% 45$ | ＋ | 535， 397 | 102，401 | 82,14 |
|  | 10， 200 | 8， 171 | 137.860 | 46.181 | 4，2，172 | 10．， 0 （1） | 142，954 | 16， 2 ¢o | 10， 624 | R．， | 76，217 | 733，830 | －6te， 48 ： | ＜ 41,8011 | Be， 246 | 469， 57 | 36， 34 |  |
|  | 13，4，23 | 5，21？ | 12．2， 6 | 26，450 | 23，436 | 13.423 | 89 | 1,4 | Le． 2 | 87，24， | 80， 1183 | 82：，094 | 314，493 | 318， 194 | 87，43 | 49.018 | 87，243 | 82,27 |
|  | 26，814 | 18，128 | 328，250 | 73，877 | 68，2778 | 26，588 | 238，851 | 26，588 | 45，325 | 201，954 | 186，272 | $\cdots, 613,073$ | 73， 712 | 7115， 267 | 201，432 | －，592，534 | Qs， 776 | \％\％， 8 |
| \＄ | 10．＇st | 8，120 | 180，549 | 33，806 | 31.514 | 10，556 | 132， 202 | 14，550 | 27，514 | 48，414 | 4，125 | 8，82，064 | 194，094 | 176，697 | 48，313 | 591，967 | 42，21： | 115，${ }^{12}$ |
| \＄，000 unter | 11.100 1,238 | 9,732 1,003 | 371,917 83,314 | $\xrightarrow{3,9,901}$ | 32,59, 3,808 | ＋1，195 | $23,38,3,3$ 67,994 | 11,095 1,238 | 58， | 4， 6,733 | 39,114 5,427 | 1，23， 399,48 | $16,5,55$ 16,59 | 151，672 | － | 364， 1081 | 4＜，546 | 44， 41.38 |
|  | $\begin{aligned} & 88 \\ & 12 \\ & 9 \end{aligned}$ | $\begin{array}{r} 296 \\ 6 \\ 8 \\ 6 \\ 6 \end{array}$ | 45，300 | $\begin{array}{r} 1,34 \\ -39 \\ 35 \\ 20 \end{array}$ | $\begin{array}{r} 1,144 \\ 357 \\ 25 \\ 21 \end{array}$ | 338 | 35．6＇4 | 338 | 14， 259 | $\begin{array}{r} 1,112 \\ \begin{array}{r} 189 \\ 51 \\ 18 \end{array} \\ \hline \end{array}$ | $\begin{gathered} 4,3 \\ \substack{25 \\ 14 \\ 14 \\ \hline} \end{gathered}$ | $\begin{aligned} & 146,-53 \\ & 94,22 \\ & 33,999 \\ & 43,475 \end{aligned}$ | $\begin{gathered} 4, \frac{, 4}{405} \\ 995 \\ 101 \\ P_{2} \end{gathered}$ | $\begin{array}{r} 3,480 \\ 835 \\ 133 \\ 74 \end{array}$ | $\begin{array}{r} 1,187 \\ 287 \\ 59 \\ : 8 \end{array}$ |  | $\begin{gathered} ., 105 \\ 285 \\ 5 \\ 18 \end{gathered}$ |  |
|  |  |  | 23．604 |  |  | 87 | 19，083 | 37 | 41． 383 |  |  |  |  |  |  |  |  |  |
|  |  |  | 7，4．24 |  |  | 10 | 5.088 | 10 | $\therefore .719$ |  |  |  |  |  |  |  |  |  |
|  |  |  | ． 0,37 |  |  | 9 | 17.9 |  | 4 |  |  |  |  |  |  |  |  |  |
|  | $\begin{array}{r} 153,318 \\ 115,391 \\ 26,884 \\ 23,34 \end{array}$ | $\begin{aligned} & 2,14 \\ & 48,35 \\ & 18,128 \\ & 19,21 \end{aligned}$ |  | 360.832266,62173.87774.710 |  | $\begin{array}{r} 98,171 \\ 14,386 \\ 20,588 \\ 23,333 \end{array}$ |  | $\begin{array}{r} 4,903 \\ 14,38 \\ 26,588 \\ -3,333 \end{array}$ |  | $\begin{array}{r} 1,351,696 \\ 0.5,893 \\ 201,054 \\ 9,0,091 \end{array}$ | $\begin{array}{r} 388,150 \\ 508,5,93 \\ 186,272 \\ 89,913 \end{array}$ | $\begin{array}{r} 1_{2}^{2}, 43,291 \\ 4,465,2 \times 1 \\ , 413,72 \\ 2,763,74 \end{array}$ | $\begin{array}{r} <, 34,189 \\ 206,774 \\ 73,71 \\ 375,035 \end{array}$ | $\begin{array}{r} 2,574,92 \\ 2,33,937 \\ 75,777 \\ 354,725 \end{array}$ |  | $\begin{array}{r} 776,27 \\ 2,41,050 \\ , 59,50 \\ 2,14,680 \end{array}$ | $\begin{array}{r} 599,6.8 \\ 611,239 \\ 35,776 \\ 98,233 \end{array}$ |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | cheortia |  |  |  |  |  |  |  |  |  |  | nencer |  |  |  |  |  |  |
|  | $\begin{array}{r} 1,472,362 \\ 6,723 \end{array}$ | $\begin{gathered} 832,115 \\ (\cdot) \end{gathered}$ | 120，420，403 | $\begin{array}{r} 4,070,824 \\ 17,334 \end{array}$ | $\begin{array}{r} 3,900,400 \\ 15,611 \end{array}$ | 1，172，932 | $\therefore$－786，046 | 1，167，110 | 901，306 | $\begin{gathered} 250,678 \\ (\cdot) \end{gathered}$ | $\begin{gathered} 126,991 \\ (\cdot) \end{gathered}$ | $11_{1}, 784,1739$ | $698,66$$(\cdot)$ |  |  |  |  | ．．．， 6 |
| W adjuztas eruce |  |  | 22， 1. |  |  |  |  |  |  |  |  |  |  | $605,704$ |  |  |  |  |
| Under \＄ | 92，529 |  | 30，508 | 2．20，\％ 121 | $\begin{aligned} & 112,2,20 \\ & 103,24 \end{aligned}$ | 21，433 | 1，42－ | 21433 | $\begin{array}{r} 147 \\ 8,209 \\ 34,761 \\ 33,888 \end{array}$ | $\begin{aligned} & 21,724 \\ & 15,621 \\ & 18,627 \\ & 20,218 \\ & 15,538 \end{aligned}$ | $\{6,671$ |  |  | $\begin{aligned} & 19 \\ & 28,+4 \\ & 33,-2 \\ & 39,-4 \end{aligned}$ |  |  |  | $\begin{aligned} & - \\ & 1,150 \\ & 3,150 \\ & 3,55^{2} \end{aligned}$ |
|  | 81,415 178.968 | 5,297 $38,4,0$ | 06，215 $2+2,010$ |  |  |  | 1，412 | 21,433 114,438 |  |  |  |  |  |  |  |  |  |  |
| \％， | 171，214 | 50，175 | －32，872 | 建， 170 | 327，780 | 140，691 | 168，553 | 138.601 |  |  |  |  |  |  |  |  |  |  |
| ＋．000 miter | 164，584 | 78，210 | 556， 428 | 421，120 | 406，435 | 14， 3,48 | 223，715 | 140， 43 |  |  |  |  |  |  |  |  |  |  |
| \＄0．000 mater | 134，513 | 85，890 | 605.433 | 402，384 | 450，223 | 114．989 | 240，564 | 123．934 |  | 17，579 |  | 23，7\％ |  |  | $\begin{aligned} & 16,436 \\ & 15,55 \\ & 19,6,9 \\ & 14,4,96 \\ & 4,970 \end{aligned}$ |  |  |  |
| \＄，000 mader | 121，907 | 92，515 | 007，770 | 4，24，454 | 418，945 | 117．105 | 311，699 | 116，702 | 28．127 | 15， 88 | 0， 334 | 82，9 |  |  |  |  |  |  |
| f＇，，un uder | 103， 41 | 83，101 | 670，36：2 | 358，479 | 349，692 | 102，221 | 347，364 | 102，221 |  | 19，874 | 1．， | 1．14，36 |  |  |  |  |  |  |
| ＊． 0 （1）mate？ | 83，028 | 77，690 |  | 371，367 | 299，940 | 81，802 | 34，7，829 | 81，601 | 55，833 | 14， 332 | 11．2． | 112．09 |  |  |  |  |  | 11 |
| cow wher | 76，527 | 63，534 | 650，717 | －59，955 | 256，476 | 76.527 | 380，951 | 76，5． | （4， 943 |  | 13，117 | 120， |  | 12,075 |  |  |  |  |
|  | 50.855 | $\begin{array}{r} 53,376 \\ 136,046 \\ 28,555 \\ 35,427 \\ 3,277 \end{array}$ | $\begin{array}{r} 599,020 \\ 1,091,308 \\ 5.5,036 \\ 765,0118 \\ 230,393 \end{array}$ | $\begin{array}{r} 197,036 \\ 524,260 \\ 111,273 \\ 100,345 \\ 14,4 \end{array}$ | $\begin{gathered} 196,307 \\ 519,247 \\ 109,399 \\ 102,982 \\ 13,416 \end{gathered}$ | $\begin{array}{r} 56,855 \\ 142,071 \\ 3,031 \\ 27,141 \\ 3,1402 \end{array}$ | $\begin{array}{r} 337,369 \\ 1.100,610 \\ 377,832 \\ 585,491 \\ 185,496 \end{array}$ | $\begin{array}{r} 56,855 \\ 141,90 \\ 30,779 \\ 27,16 \end{array}$ | 56， 49 | 14，84） | 13，523 | 142.7 | 62，398 | 62，．64 |  | 7 \％ |  |  |
| \＄1．c．en ulaty \＄2 | 142，375 |  |  |  |  |  |  |  | 193，420 | 38，165 | 34，936 |  | －48，515 | 47.4 | 33， 45 | 3 xay | 32， 25 | ， |
|  |  |  |  |  |  |  |  |  | 72.018 | 10，52 | 10， 4 | 176，50 | 4. |  | ， 4 |  | －1，49 | ， |
|  | 27，14 |  |  |  |  |  |  |  | 136,777 | 7，45\％ | ， 098 | 205，413 | 3， 333 | 29.673 | 7， 75 | 25. | 7，451 | \％，4 |
| \＄didon wrier blá， | 3，507 |  |  |  |  |  |  |  | 65， 35. |  | 763 | 51，86x | 2 | 2， 266 |  | $\rightarrow 1,2 m$ |  |  |
| \＄10， | 587 | 528 | 75，942 | 2，223 | 2，0x | 580 | 61，142 | 580 | 27.561 | 109 | 91 | 14，461 | $\therefore$ | 3xt | 1.92 |  | 109 |  |
|  | 108 | 90 | 29，300 | 399 | 3.5 | 107 | 2， 8 8， | 107 | 11，956 | 20 | 9 | 8．53\％ | 72 | 0. | 22 | 4，300 | ＋ |  |
| \％ | $\stackrel{\stackrel{8}{8}}{ }$ | 7 | 5，912 | 32 | 29 | 9 | $\square$ $\square$ $\square$ | ${ }^{9}$ | 2.766 0.601 | $\because$ |  | 2,683 2,464 |  | 13 |  | $\therefore, 00$ | $\div$ | 1, |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 825， 0 \％6 | 267，008 | －1，932，460 | 1，769，527 | 11，491， 564 | 534， 166 | 693，20 | 520 | 14． | 108, | 17.4 | ${ }^{2123,3}$ | 182 | － | 60，751 | 105，371 | 60，751 |  |
|  | 14．30． 3 | 136，446 | 1，691， 108 | 5，4，460 | －519，247 | 146，${ }^{14209}$ | 1，108，610 | 433，916 141,970 | 193，420 | 38，145 | 34，936 | 46，，229 | 148，5－5 | 147，417 | 3e，14 | ，ar | 3x，145 | 53， |
|  | 62， 192 | 58，190 | ， | 234， 62 | 228，229 | 62，185 | 1，250，205 | 62，135 | 323，333 | 18，920 | 18，217 | 450，920 | 78， 78 | 76，762 | 18，871 | 329，411 | 18，365 | 82,12 |

Table 58. - ADJUSTED gross income, expmptions, taxable income, and income tax, by ad.justed gross income ciasses and states -Continued

Table 58.-adjusted gross income, exemptions, taxable income, and income tax,








Table 58 . -ad misted gross income, exemptions, taxable income, and income tax, by adrusted gross income classes and states -continued




Table 58. - adjusted gross income, exemptions, taxable income, and income tax, by ad fusted gross income ciasses and states - Continued


[^26]






[^27]


## CLASSIFICATIONS

Adjusted gross income classes
The amount of adjusted gross income reported by the taxpayer on his return was generally the basis for classifying data by size of income. Returns with deficit and those on which income and loss were equal were classified as having "No aljusted gross income" and appear as a separate cliss.

## Marital status of taxpayer

Marital status was determined by the taxpayer as of the last day of his tax year (or as of the date of the death of a spouse). The five marital classifications-. joint returns of husbands and wives, separate returns of husbands and wives, returns of heads of household, returns of surviving spouse, and returns of other single persons--were based on the name (or names) of taxpayer, joint signatures, exemption for the taxpayer or for himself and spouse, check mark denoting status as head of household or surviving spouse, and any other relevant information.

Joint returns of husbands and wives were those on which a married couple reported their combined income, or were returns of married couples where only one spouse had income but exemptions for both were claimed.

Separate returns of husbands and wives were returns of married persons, each of whom filed a return independent of his spouse and reported only his own income, exemptions, and tax. Returns with community income divided between husband and wife were given this classification.

A return of a head of household was filed by an unmarried person (or person married to a nonresident alien)--
(1) who furnished more than half the maintenance of a home which was his residence and which
(a) he shared with any related persons for whom he could claim an exemption or
(b) shared with an unmarried child, grandchild, or stepchild even though not a dependent or
(2) who paid over half the cost of maintaining a household which was the principal abode of his parents, if either parent qualified as a dependent.

Returns of surviving spouse were returns of widows and widowers who indicated this status. A surviving spouse is a taxpayer whose spouse died during either of the 2 preceding tax years and who had not remarried, but who had maintained a home which was also the principal abode of a child or stepchild for whom the taxpayer was entitled to an exemption.

Returns of single persons not head of household or surviving spouse were those of other unmarried individuals.

Returns with standard deduction or with itemized deductions

Standard deduction returns included (1) all Form 1040A returns, (2) Form 1040 returns with adjusted gross income under $\$ 5,000$ on which the income tax
was determined from the "tax table", and (3) Form 1040 returns with adjusted gross income of $\$ 5,000$ or more on which the taxpayer elected to use the standard deduction.

Returns with "No adjusted gross income" were classified as standard deduction returns in years prior to 1961. Since these returns have no income to apply deductions to, they have been classified separately since 1961 and excluded from the standard deduction tables.

Returns with itemized deductions were Form 1040 returns with adjusted gross income against which itemized nonbusiness deductions were claimed by the taxpayer in the computation of his taxable income. A relatively few separate returns of married persons who had neither standard nor itemized deductions were included in this classification hecause it was assumed that the other spouse had itemized.

## States

Classification by States was based on the district in which the returns were filed. Internal Revenue districts, or groups of districts, are identical with State boundaries, except that the District of Columbia was a part of the Baltimore, Maryland, Internal Revenue District. The Office of International Operations had charge of returns with addresses outside the 50 States. These returns included those from Puerto Rico, Virgin Islands, Panama Canal Zone, and returns with foreign addresses, all of which were classified as "Other areas."

## Taxable and nontaxable returns

Taxable returns had an income tax remaining after the allowable tax credits were deducted.

Nontaxable returns had no income tax remaining after tax credits. Some nontaxable returns had income tax before credits which was eliminated by the credits. Many nontaxable returns showed an amount of selfemployment tax or tax from recomputing prior year investment credit; however, these taxes were disregarded for this classification.

## EXPLANATION OF TERMS

## Adjusted gross income

Adjusted gross income was gross income from all sources subject to income tax minus (1) ordinary and necessary expenses of operating a trade or business,
(2) expense deductions attributable to rents and royalties, (3) expenses of outside salesmen attributable to earning salary or other compensation, (4) expenses of travel, meals, and lodging while away from home overnight and paid by an employee with respect to services rendered, (5) transportation cost related to the performance of services as an employee, (6) expenses paid or incurred in connection with service as an employee under a reimbursed or other expense allowance arrangement with the employer, (7) exclusion of allowable sick pay if the sick pay was included in gross salary, (8) depreciation and depletion allowed life tenants and income beneficiaries of property held in trust, (9) deductible losses from sales of capital assets and other property, (10) deduction equal to 50 percent of the excess of net long-term capital gain over any net short-term capital loss, (11) net operating loss deduction, (12) contributions to a retirement fund by the self-employed, (13) reasonable expenses incurred in moving from old residence to new residence at new place of employment, and (14) any other deductions or exclusions from gross income.

A deficit in adjusted gross income occurred when the deductions or losses exceeded the gross income.

## Adjustments

Statutory adjustments to gross income in arriving at adjusted gross income were the sum of sick pay exclusion, self-employed pension deduction, employee business expense deduction, and employee moving expense deduction.

## Alternative computation of tax liability

An alternative computation of income tax was applicable to certain taxpayers with long-term capital gain. Under the alternative tax computation, half the excess of net long-term capital gain over net short-term capital loss was included in taxable income and tax before credits was 50 percent of the excess plus an amount calculated by applying the normal tax and surtax rates to the balance of taxable income. The effect of this computation was a maximum tax of 25 percent on net long-term capital gain.

The alternative computation of tax was applicable if taxable income including capital gains exceeded $\$ 52,000$ on joint returns and returns of surviving spouse, $\$ 38,000$ on returns of heads of household, or $\$ 26,000$ on separate returns of other persons. These were the points at which the combined normal tax and surtax marginal rates on the different rate schedules exceeded 50 percent.

## Business or profession net profit or net loss

This source was reported by individuals who were proprietors of a business or memhers of a profession and who did not elect to be taxed as a corporation. When there were two or more proprietorship businesses operated by the taxpayer, the single amount of profit or loss included in adjusted gross income represented the combined profits and losses from all business activities. The proprietor was required to exclude dividends and other investment income from business profits and to include them instead with the various
types of investment income for which separate provision was made on the individual income tax return.

Business expenses deductible in arriving at net profit or loss included such items as cost of goods sold, salaries and wages paid to employees, interest on business indebtedness, taxes on business and business property, bad debts arising from sales or services, depreciation, depletion, casualty losses on business property, rent, repairs, supplies, advertising, selling expense, insurance, and other costs of operating the business. Compensation of the proprietor was taxable income and therefore not allowed as a business deduction. The carryover of a prior year net operating loss was not considered a business expense but was offset instead against "other income" on the proprietor's income tax return.

Information on business receipts and expenditures can be found in Statistics of Income--U. S. Business Tax Returns.

## Capital gain distributions

Includes (1) long-term capital gain designated by regulated investment companies or mutual funds (either distributed as capital gain dividends or undistributed and retained by the company though credited to shareholders) and (2) long-term capital distributions of real estate investment trusts.

A taxpayer was informed by a written notice of any undistributed capital gains retained by a regulated investment company or mutual fund. The taxpayer was entitled to a refundable credit of 25 percent of the capital gain. This represented the tax paid by the company, but deemed paid by the taxpayer (see 'tax withheld by regulated investment companies').

## Child care expense deduction

A deduction of up to $\$ 600$ for one dependent and up to $\$ 900$ for two or more dependents was allowed to cover the expenses of caring for a child under 13 years of age or for a dependent who was physically or mentally incapable of caring for himself, regardless of age. The deduction was available to women, widowers, or divorced persons only if it enabled them to be gainfully employed. In the case of a joint return with combined income over $\$ 6,000$, the excess of income over $\$ 6,000$ was used to reduce the deduction dollar for dollar.

The husband or wife of a spouse physically incapacitated or institutionalized for 90 consecutive days was also eligible for the deduction. In such cases, the reduction for income over $\$ 6,000$ did not apply.

## Contributions

Contributions deductible from adjusted gross income were gifts to organizations created in the United States or its possessions, or under its laws, and operated for religious, charitable, scientific, literary, or educational purposes exclusively, or for the prevention of cruelty to children or animals, and gifts to veterans' organizations or to governmental agencies which used the gifts for public purposes. Individuals who were members of a partnership also included their pro rata share of partnership contributions.

In general, a deduction was allowed for all contributions up to 30 percent of adjusted gross income with the exception of contributions to private foundations which were subject to a 20 percent limitation. Contributions exceeding the 30 percent limitation could be carried over to be deducted in the next 5 years.

In certain cases an individual could contribute an unlimited amount. In order to qualify, contributions plus income tax in the taxable year and in 8 out of 10 preceding taxable years must have exceeded 90 percent of taxable income (computed without regard to the contributions deduction, personal exemptions, or net operating loss carryback).

## Credit on 1967 tax

This credit was the part of the overpayment on 1966 tax which the taxpayer specifically requested on Forms 1040 to be credited to his estimated income tax for 1967.

## Deduction not specified

Some returns with itemized deductions failed to show specific deduction items. For such returns, the total deduction was included in this category in any table showing a distribution of itemized deductions by type of deduction. In previous years nonallocable deductions were generally tabulated in other deductions.

## Deficit (in adjusted gross income)

This deficit occurred when the allowable deductions or losses exceeded gross income.

## Dividend exclusions from gross income

Up to $\$ 100$ of eligible dividends could be excluded from gross income. Up to $\$ 200$ could be excluded on joint returns if both husband and wife received eligible dividends, each excluding up to $\$ 100$ against his respective dividend income. For a further explanation of eligible dividends see "Domestic and foreign dividends'’.

## Dividends in adjusted gross income

Dividends in adjusted gross income consisted of dividends eligible for exclusion (less the dividend exclusion) plus any other dividends. Included for the first time in 1966 were small amounts of domestic dividends from Form 1040A (not more than $\$ 200$ per return) that were formerly included in "other income". For further explanation see "Domestic and foreign dividends" and '"Dividend exclusion'.

## Domestic and foreign dividends

Domestic and foreign dividends included--
(1) Dividends eligible for exclusion consisting of --
(a) Dividends from domestic corporations received directly, or indirectly as beneficiaries of income from estates or trusts, or as partner's share of partnership net profit, together with
(b) the distribution of earnings of a sole proprietorship that elected to be taxed as a corporation or a partner's share of such distribution from a partner ship that elected to be so taxed.
(2) Dividends not eligible for exclusion consisting of dividends from --
(a) foreign corporations, China Trade Act corporations, exempt farmers' cooperatives, real estate investment trusts, and
(b) corporations doing business in possessions of the United States, if 80 percent or more of their gross income was derived from (U. S. possessions and 50 percent or more from the active conduct of a business in U. S. possessions.

Additional information on some of these corporations can be found in Statistics of Income--Corporation Income Tax Returns. Information on exempt farmers' cooperatives can be found in Statistics of Income--1963, Supplemental Report, Farmers' Cooperative Income Tax Returns.

Domestic and foreign dividends do not include capital gain distributions from regulated investment companies or nontaxable distributions of stock or stock rights, returns of capital, or liquidation distributions. Also excluded are so-called dividends on deposits or withdrawable accounts in mutual savings banks, cooperative banks, savings and loan associations, and credit unions.

Included for the first time for 1966 were small amounts of domestic dividends from form 1040^ (not more than $\$ 200$ per return) that were formerly included in "other income".

## Educational expense deduction

Educational expenses deductible from adjusted gross income were those expenses incurred in order to maintain or improve skills required in the taxpayer's employment, trade or business, or to meet the express requirements of the taxpayer's employer. A taxpayer could not deduct expenses if they were incurred to meet the minimum educational requirements for qualification in his employment or other trade or business.

## Empl oyee business expenses

An employee was allowed a deduction in the computation of adjusted gross income for business expenses incurred in connection with his employment. Expenses which qualified included:
(1) cost of travel, meals and lodging white away from home in the performance of service as an employee,
(2) any other expenses to the extent covered by a reimbursement or expense allowance arrangement with the employer,
(3) business transportation costs other than for commuting, and
(4) outside salesman's expenses of soliciting business.

If the employee accounted for his deductible expenses to his employer, he was not required to report the reimbursement in income, except for any amount of reimbursement in excess of expenses. Likewise, he was not required to show the expenses on the tax return unless they exceeded the reimbursement.

Certain employee business expenses, such as work clothes, union dues, and employment agency fees, were not deductible in the computation of adjusted gross income, but were deductible as an itemized deduction in the computation of taxable income.

## Estates and trusts income or loss

This was the beneficiaries' share of fiduciary income from any estate or trust. Income fromestates and trusts included amounts required to be distributed and amounts credited to a heneficiary's account from current year fiduciary income, whether or not actually received by him. It also included his share of any accumulation distribution made by the fiduciary of a complex trust which distributed income accumulated in prior tax years. The beneficiary's share of these distributions was reduced by his share of depletion and depreciation before reporting the net amount as part of adjusted gross income.

The taxpayer also excluded from estate or trust income his share of dividends, interest gains, and losses from sales of capital assets and other property. Such income was reported on the tax return on the separate lines provided for this purpose. A loss from an estate or trust was allocated to the beneficiary only upon termination of an estate or trust which had a net operating loss carryover or a capital loss carryover, or for its last tax year had deductions (other than for exemptions and charitable contributions) in excess of gross income.

For 1964 and 1965, estate and trust income or loss was included in the statistics for "other income". Additional information on estate and trust income can be found in Statistics of Income--1965, Fiduciary, Gift, and Estate Tax Returns.

## Excess social security taxes withheld

If more than $\$ 277.20$ of social security (FICA) tax was withheld in 1966 from an employee because he worked for more than one employer, the excess could be taken as a refundable credit against income tax. In the case of a joint return, the credit was computed separately for each taxpayer. Prior to 1966 , excess social security taxes were included in "tax withheld". See the text in section 3, Tax Computation and Tax Rates, for further explanation.

## Exemptions

In the computation of taxable income, exemptions were allowed for the taxpayers and their dependents, and additional exemptions were allowed for taxpayers who were either age 65 and over or who were blind.

A $\$ 600$ exemption was allowed for the taxpayer, the taxpayer's spouse, and for each child (including a stepehild or an adopted child) who was under 10 years of age, or who was a student regardtess of age, if the taxpayer furnished more than halt the support. If the child was 19 or over and not a student, an exemption was allowed only if the child had less than $\$ 600$ gross income for the year and the taxpayer furnished more than half the support.

An exemption of $\$ 600$ was also allowed for any dependent who had less than $\$ 600$ gross income and who received more than half his support from the taxpayer if the dependent was:
(1) a close relative as outlined in section 152 of the Internal Revenue Code, or
(2) A person who lived in the taxpayer's home for the entire year and was a member of his household whether or not related to the taxpayer.

An exception to the support test for a dependent provided that where the individual was supported by several persons, none of whom contributed more than half of total support, any one of the group who had contributed more than 10 percent could claim the exemption if the others who contributed more than 10 percent agreed not to claim the exemption.

To qualify as a dependent, an individual must have been either a citizen or resident of the United States; a resident of Canada, Mexico, Panama, or the Canal Zone; or an alien child adopted by and living with a United States citizen abroad.

An exemption could be claimed for a dependent who was born or died during the year if the support and other tests were met for the part of the year during which the dependent was alive.

Besides the "'personal" exemption for the taxpayer and his spouse, an additional $\$ 600$ exemption was allowed for each taxpayer or spouse who was age 65 or over, and for each taxpayer or spouse who was blind.
A taxpayer could file a separate return and claim the exemptions for the spouse (including those for age and blindness) only if the spouse had no gross income and was not a dependent of another taxpayer. Exemptions for age and blindness were not allowed for any dependents.

The total number of exemptions shown in this report includes a duplication of exemptions for certain individuals. These individuals were--
(1) dependents who had less than $\$ 600$ gross income, but filed a return to obtain a refund of tax withheld on wages, and
(2) dependents under 19 years of age or students who were required to file a return because their gross incomes were $\$ 600$ or more.

These individuals were counted twice, as taxpayers filing their own returns and as dependents on another taxpayer's return.

## Firm net profit or net loss

This source was reported by individuals who were proprietors of a farm and who did not elect to have it taxed as a corporation. When there were two or more proprietorship farms operated by the taxpayer, the single amount of profit or loss incluted in adjusted gross incoms represented the combined profits and losses from farm business activities.

Farm business receipts included sales of market livestock and produce raised and held primarily for sale and other farm income including such items as merchandise received for mroduce, machine work, hreeding fees, wood and lumber, other forest products, patronage dividends, rehates or refunds, agricultural program payments and other farm items. Gain from sales of livestock held for breeding purposes and of land with unharvested crops were reported on the separate schedule for sales of property (schedule 1)) and were not reflected in farm net profit or loss.

Farm business expenditures deductible from farm business reccipts were the ordinary and necessary costs of operating a farm for profit. These included such items as labor, feed, seeds and plants, machine work, supplies, tying material, containers, insect and disease control, machinery expense, farm building and fence repairs, livestock expenses, fertilizer bought, veterinary, fuel, light, power, taxes, insurance premiums, interest paid, rent, cash, and hauling.

Additional information on farm receipts and expenditures can be found inStatistics of Income--U.S. Business Tax Returns.

## Foreign tax credit

A credit against income tax was permitted for foreign taxes paid only if nonbusiness deductions were itemized and the foreign tax was excluded from those deductions. The credit related to the income and profits taxes paid to foreign countries or possessions of the United States and included the taxpayer's share of such taxes paid through partnerships and fiduciaries. In general, the tax credit was limited to the same proportion of the income tax before credits as the taxable income from foreign sources bore to the entire taxable income, but could not exceed the amount of foreign tax paid. Amounts in excess of the limitation could be carried over for use in computing the credir for other years.

## Income averaging

The income averaging computation permitted a part of an unusually large amount of taxable income for any one year to be taxed at lower rates, thus resulting in a reduction of the over-all amount of tax due. An eligible individual could choose this computation if his averagable income for the year was more than $\$ 3,000$. 'Averagable income"' was the amount by which "adjusted taxable income" exceeded 133-1/3 percent of "average base period income" (the average of taxable income with certain other adjustments, for the 4 preceding tax years). Briefly, the income averaging computation operates to tax a part of the unusually large amount of income (the averagable income) at the same lower tax rate which applies to the first onefifth of such averagable income.

The income averaging computation could apply to all types of taxable income except net long-term capital gains, income from gifts or inheritances, or wagering income. See schedule G, income averaging, reproduced in the section on "Forms and Instructions", for an explanation of the computation involved.

## Income tax after credits

Tax after credits was the criterion upon which taxable and nontaxable returns were classified. It did not take into account self-employment tax or tax from recompuring prior year investment credit.

## Incone tax before credits

Tax before credits was either (1) the regular combined normal tax and surtax including tax from the optional 'tax tables", (2) alternative tax, or (3) the tax computed
using the income averaging provisions. Tax before credits did not include the self-employment tax or tax from recomputing prior year investment credit.

Interest paid
Interest paid on personal debts, mortgages, bank loans, and installment purchases of real or personal property was deductible, but interest paid on money borrowed to buy tax-exempt securitics or single premium life insurance and endowment contracts was not. Interest relating to business, royalty, and rental income was deducted directly from these items and was therefore not reflected in the interest paid statistics.

## Interest received

Interest received was the taxable portion of interest from bonds, debentures, notes, mortgages and personal loans, bank deposits, and savings accounts. Included for the first time in 1966 were small amounts of interest from Form 1040A (not more than $\$ 200$ per return) that were formerly included in "other income".

## Investment credit

The investment credit applied against income tax was 7 percent of a taxpayer's qualified investment in certain new and used depreciable assets, chiefly machinery and equipment, with a useful life of 4 years or more. Qualified investment was the cost or basis reduced by--
(1) one-third if the useful life was at least 6 years but less than 8 years, or
(2) two-thirds if the useful life was at least 4 years but less than 6 years.

Total qualified investment was limited to $\$ 50,000$ for used property and was reduced $4 / 7$ if the investment was in public utility property. Income tax against which the credit was applied was first reduced by the foreign tax and retirement income credits. If the amount of tax remaining was more than $\$ 25,000$, the credit could not exceed $\$ 25,000$ plus 25 percent of the excess. Amounts in excess of this limitation could be carried over (or carried back) for a prescribed number of years to be claimed as a credit.

In 1966, the investment credit was suspended for property constructed or acquired after October 9, 1966, except for the first $\$ 20,000$ of investment. However, with respect to 1966 , there were a number of exceptions to this general rule, including:
(1) Water and air pollution control facilities that complied with and were certified under both State and Federal pollution control programs;
(2) Property constructed or acquired pursuant to a contract which was binding on the taxpayer before October 10, 1966;
(3) Where, before October 10, 1966, buildings were to be constructed and equipped and
(a) the taxpayer had specific plans for equipping the building, and
(b) more than 50 percent of the entire cost was contracted for.

The allowable credit was further restricted by a modification of the limitation based on tax. The amount
of tax against which credit could be claimed was reduced by the credit that would otherwise have been allowed for suspension period property.

## Itemized deductions

Itemized deductions from adjusted gross income could be taken only on Form 1040 returns. Included were deductions for contributions, interest paid, taxes, and medical expenses, and other deductions for which no specific line or schedule was provided on the return. Such other deductions included unreimbursed casualty and theft losses, alimony payments, child care expense, educational expense, and certain expenses connected with the taxpayer's employment.

## Marginal tax rates

The marginal tax rate was the highest rate used by a taxpayer in computing tax. Since it applied to income in excess of a specified amount, the marginal rate varied from taxpayer to taxpayer according to the "upper limit" of his taxable income. For example, if a joint return showed taxable income of $\$ 11,000$, the tax rate schedule (reproduced in the income tax return facsimile at the end of this leport) indicates tax as $\$ 2,190$ plus 32 percent of the excess over $\$ 10,000$. The marginal tax rate in this case is 32 percent. See also the example in the text in section 3 -- Tax Computation and Tax Rates.

## Medical and denla! expense

This deduction was allowed from adjusted gross income with certain limitations. Expenditures considered for the deduction were the actual amounts paid during the tax year for health care of the taxpayer, his spouse, dependents, and any other person who could be claimed as a dependent except for the fact that the dependent had $\$ 600$ or more of gross income. Such expenses included payments to phy'sicians, surgeons, dentists, nurses, oculists, chiropractors, asteopaths, and hospitals: premium paid on health and hospital insurance: laboratory fees: and, cost of $X$-rays, diagnoses, therapy treatment, psychiatric care, dentures, crutches, hearing aids, and the like. Medical expenses incurred for which insurance payments were received could not be considered in computing the deduction.

With the exceprion of individuats in Group [ mentioned below, amounts paid for drugs and medicines were included in medical expenses only to the extent that they exceeded 1 percent of adjusted gross income. The total deduction allowed for medical expenses (inchuding the excess drug expense) was limited to the amount in excess of 3 percent of adjusted gross income.

Individuals in Group 1 had to be 6.5 years of age or over or a depondent parent age 6.5 or over. For these individuats all medical and dental expenses including those for medicine and drugs were deductible in full.

The maximum deduction allowed was $\$ 5,000$ maltiplied by the number of exmptions ollor than for age and blindness, but could not exceed $\$ 20,0$ on for husband and wafe filing a joint return, for heat of household, of for surviving spouse, and coutd ron exceed $\$ 10,000$ for single persons or for married persons filing separate returis.

If the taxpayer was 65 years of age or over and disahled and was a head of household, surviving spouse, single person, or married but filing a separate return, a maximum deduction of $\$ 20,000$ was allowed. On joint returns, if only one spouse was 65 years or over and disabled, the maximum was still $\$ 20,000$. If both were 65 or over and both disabled, the maximum allowed was $\$ 40,000$, but not more than $\$ 20,000$ medical expense for each could be taken.

## Moving expense deduction

An employee could deduct in the computation of adjusted gross income reasonable expenses incurred in moving from his old residence to his new residence at his new place of employment. Expenses deductible included those for moving household goods and personal effects, and the cost of transportation, meals, and lodging of the taxpayer and members of his household en route to his residence.

In order for a taxpayer to qualify for the deduction:
(a) his new place of work had to be at least 20 miles further from his former residence than was his old principal place of work; and
(b) he must have been employed on a full-time basis for at least 39 weeks during the 12 -month period immediately following his arrival in the general location of his new place of work. If at the time of filing he had not yet met this test, he could claim the deduction but the amount of the deduction was reportable as income in the next tax year if he subsequently failed to qualify. Otherwise, he could claim the deduction on an amended return after actually meeting the text.

If the employer reimbursed moving expenses, any excess rembursement should have been included in the taxpayer's gross income. If the reimbursement was less than the expense, the taxpayer deducted the difference. If the reimbursement equaled the expenses, neither item had to be reported.

## Nonhighway Federal gasoline taxes

A credit could be claimed by any individual for Federal taxes paid on:
(1) gasoline used--
(a) on a farm for farming purposes,
(b) other than as fuel in a highway vehicle,
(c) in furnishing scheduled commoncarrier public passenger land transportation along regular routes.
(2) luhricating oil used other than in a highway motor vehicle.

The credit was combined with other prepayments on the tax return and any amounts in excess of income tax liability were relundable. For further information see the text in section 3-- Tax Computation and Tax Rates.

## Nonspeeified refundable taxes with held

These were refundable credits for nonhighway liederal gasoline tax or tax withheld by regulated investment companies which the taxpayer did not specifically identify. Such credits were combined with other prepayments on the tax return and any amounts in excess of the income tax liability were refundable.

Nontaxable distributions received
These amounts were generally, distributions by corporations to stockholders which were not out of earnings and profits, but which represented a return of capital. Such distributions were nontaxable to the extent that they did not exceed the cost of the stock. If they did exceed cost, the distributions were treated as shortterm or long-term capital gains depending on the length of the time the stock was held. Return of partnership capital may, to some extent, be reflected in these amounts and was treated similarly.

## Normal tax and surtax

The income tax imposed upon the "taxable income" of individuals was divided into two parts. The first part was a normal tax of 3 percent of taxable income. Generally, all taxpayers with taxable income were subject to the normal tax. The second part was a surtax which was levied on a scale graduated in relation to size of taxable income. To facilitate computation, the normal tax and surtax rates were combined in the tax tables furnished the public.

Ordinary gain from sales of depreciable property
Included here was that portion of gain not eligible for treatment as a capital gain (under section 1231) from sales of depreciable property specified in sections 1245 and 1250 of the Internal Revenue Code.

The depreciable property to which section 1245 applied was (1) personal property other than livestock, whether tangible (such as machinery and equipment), or intangible (such as patents or copyrights), and (2) other tangible property including certain realty other than buildings and their structural components, if it was an integral part of certain specified business activities, or which constituted research or storage facilities used in connection with such activities. The business activities qualifying were manufacturing, production, or extraction, or the providing of transportation, communication, electrical energy, gas, water, or sewage disposal services.

The depreciable property to which section 1250 applied was real property not already covered by section 1245. In general, this property consisted of buildings or their structural components in the case of tangible property, or represented leaseholds of land, in the case of intangible property.

The amount of gain on dispositions of property under sections 1245 and 1250, treated as ordinary gain generally depended upon the amount of depreciation claimed on the asset although other factors were also considered in the case of section 1250 dispositions.

Under section 1245, the amount of gain treated as ordinary income was based, generally, on depreciation allowed or allowable after 1961.

Under section 1250, the amount of gain treated as ordinary gain was based, in general, on the depreciation allowed or allowable after 1963. But this 'depreciation recapture" was further qualified so that if the property was held for more than 1 year before it was disposed of, ordinary gain was reduced to the difference between the depreciation computed under some accelerated method, and the depreciation computed
assuming the straight-line method. If the property was held more than 20 months, the "recapture" was further reduced to a proportion of this difference until, when the property was held for 10 years, the "recapture" as ordinary gain was not applicable at all.

Other gain from sales of depreciable property
"Other" gain from sales of depreciable property was the excess of total gain over ordinary gain from sales of property specified in sections 1245 or 1250 of the Internal Revenue Code (see above). This gain was included in the computation of net gain or loss on business property transactions covered by section 1231. If the net result was a gain, it was treated as a long-term capital gain. If the net result was a loss, it was treated as an ordinary loss (deductible from any income and not just from capital gains), reflected in the statistics for net gain or loss from sales of property other than capital assets. See the facsimile of schedule $D$ at the end of this report for an explanation of the computation involved.

## Other itemized deductions

Included here were all nonbusiness deductions from adjusted gross income for which separate lines were not provided on the return form. These included losses from theft; casualty losses resulting from fire, storm, or other physical forces; and uninsured casualty and theft losses of business property and capital assets held for production of income for more than 6 months. Other items were alimony paid; expenses incurred in the collection of income or for the management, conservation, or maintenance of property held for the production of income subject to tax; gambling losses not in excess of winnings reported in income; amortization of bond premium; expenses connected with taxpayer's employment, for example, dues to unions or professional societies, cost of tools and supplies for the job, and fees to employment agencies; and allowable expenses of a taxpayer in connection with his employer's business.

## Other sources of income (or loss)

lncluded here were such items as alimony received, prizes, awards, sweepstakes winnings, gambling profits, recovery of bad debts and taxes deducted in a prior year, insurance received as reimbursement for medical expenses taken in a previous year, and any other income subject to tax for which no entry was provided on the return form.

Taxpayers were required to apply any deduction for business net operating losses, against "other income'. In general, these amounts represented prior year losses of proprietors, partners, and shareholders of electing Small Business Corporations that exceeded the adjusted gross income of the loss year.

Prior to 1966, "other income" included interest and dividends (after exclusions) from Form 1040A returns, not exceeding $\$ 200$ per return. In 1964 and 1965, "other income" also included income or loss from estates and trusts.

## Other tax credits

"Other tax credits" included (1) the eredit for taxfree covenant bonds, allowed only if nonbusiness deductions were itemized, and (2) the 'throwhack tax credit", whether claimed on a standard or itemized deduction return.

The credit for tax-free covenant bonds was for the tax paid on the bond interest by the issuing corporation for the owners. Bonds with a tax-free covenant were isuued prior to 1934 and provided that the corporation pay part of the income tax on the interest usually at the rate of 2 percent.

The throwback tax credit was the recipient's pro rata share of taxes paid by a complex trust in preceding tax years which would not have been payable by the trust had the trust in fact distributed income currently to the heneficiaries instead of accumulating it before distribution. Thus, income tax paid on accumulation distributions deemed distributed in prior years was not refunded to the trust but was allowed as a credit against the income tax liability of the recipients.

Credits in excess of the total tax were treated as an overpayment and as such were refundable.

## Overpayment

An overpayment of tax occurred when the sum of the tax withheld, payments on declaration of estimated estimated tax, and refundable taxpayment credits, exceeded the combined income tax after credits, selfemployment tax, and tax fron recomputing prior year investment credit.

Overpayments on Form 1040A gave rise to a refund. Overpayments on Form 1040 could be refunded or, at the taxpayer's election, taken as a credit on the subsequent year's estimated tax, or taken partly as a refund and partly as a credit against estimated tax.

## Partnership net profit or net loss

Partnership net profit or loss was reported by persons who were members of a partnership, syndicate, joint venture, or association, that did not elect to be taxed as a corporation. The taxpayer's profit or loss from such a partnership was his share of the ordinary income or loss of the enterprise together with payments made to him as a salary or for the use of capital. If the individual was a member of more than one partnership, the single amount of partnership profit or loss reported in adjusted gross income, whether actually received or not, was the combination of all his shares.

The ordinary income of the partnership did not include dividends qualifying for the exclusion, net shortand long-term capital gain or loss, and interest on tax-free covenant bonds. The partner's share of each of these items was reported by him in its respective source of income on the return form.

Prior to 1966, partnership net profit or loss inelucled net profit or loss from Small liusiness Corporations electing to be taxed through sharelolders, since these businesses were taxed in a manner similar to partnerships.

Additional information for partmerships can be found In Statistics of Income--U.S. Business Tar Retums.

Payments on 1966 declaration of estimated income tax
Such payments were reported on Form 1040 returns. The payments received with the 1966 Declaration of Estimated Income Tax, Form 1040ES, also included any credit which was applied against the estimated tax by reason of an overpayment of the 1965 tax liability. See Form 1040ES reproduced at the end of this report for an explanation of the requirements for filing.

## Pensions and anmuities

Pensions and annuities represented the taxable portion of amounts received during the year. The full amourit of a pension or annuity received by a retired employee who contributed nothing toward the cost was taxable. If the recipient contributed to the cost, methods were provided for computing the nontaxable amount to be excluded. The method used depended upon the type of pension or annuity but, in general, was designed to estimate the portion of receipts that represented recovery of recipient's cost.

## Refund

A refund of tax included all overpayments on Form 1040 A and that part of overpayment on Form 1040 not applied by the taxpayer as a credit to the next year's estimated tax. Tax refunds could be requested in cash or United States Savings Bonds, Series E (with any excess over the bond price being refunded in cash). When bonds and cash were both checked on the return, the refund was made entirely in cash. The refund had to be at least $\$ 18.75$ before the bond election could be made.

## Rent net income or loss

Rent net income or loss constituted a part of adjusted gross income and was determined by deducting from gross rents amounts for depreciation, repairs, maintenance, interest, taxes, commissions, advertising, fuel, insurance, janitor service, and other allowable expenses related to the rented property.

## Retirement income credit

A credit for "retirement income" was allowed an individual if he received "earned income" of more than $\$ 600$ in each of any 10 calendar years prior to the tax year for which the credit was computed. The credit was 15 percent applied to the lesser of (1) retirement income received during the year, or (2) \$1,524 reduced by amounts of earned income and by social security, railroad retirement, or other tax-exempt pensions. If husband and wife filed a joint return and both were 65 or over, they could elect an alternative credit computation which provided a $\$ 2,286$ limitation on the base of the credit.

Larmed income was defined, in general, as salaries, wages, and other compensation for personal services rendered, with certain adjustments based on the taxpayer's age. Retirement income was defined as pension and annuity income from a public retirement system in the case of taxpayers under 65, and all pension and ammity income plus dividends, interest, and gross rents in the case of taxpayers age 65 or over.

The credit, however computed, could not exceed the income tax reduced by credits for foreign taxes and for tax withheld at source on tax-free covenant bond interest.

## Royalty net income or loss

Net royalties consisted of gross royalties less deductions. Gross royalties included revenues from oil, gas, and other mineral rights, revenue from patents, copyrights on literary works, trademarks, formulae, and so on. Deductions against gross royalties were made for depletion, depreciation, office rent, legal fees, clerical help, interest, taxes, and similar items.

## Salaries and wages (gross)

Gross salaries and wages were amounts of compensation for personal services. Also included were commissions, bonuses, tips, fees, excess reimbursement over employee business expenses, and the value of nonmonetary payments for services, e.g., merchandise, accommodations, property, etc. Excluded were taxexempt portions of salaries and wages earned abroad.

Gross salaries and wages were before excludable sick pay and certain expenses connected with employment. In years prior to 1964, salaries and wages were after these adjustments.

## Sales of capital assets

Net short-term gain or loss.--Gains and losses from sales or exchanges of capital assets held 6 months or less were considered to be short-term. To obtain the net short-term gain or loss, gains and losses from current year transactions were combined with-~
(1) any capital loss carryover from 1961-1963
(2) any short-term capital loss carryover from 1964-65, and
(3) any net short-term gain or loss received from partnerships or fiduciaries.

Net long-term gain or loss.--Gains and losses from sales or exchanges of capital assets held more than 6 months were considered to be long-term. To obtain the net long-term gain or loss, gains and losses from current year transactions were combined with--
(1) any net long-term gain or loss received from partnerships or fiduciaries,
(2) any capital gain distributions of regulated investment companies, mutual funds and real estate investment trusts,
(3) net long-term gains included in the profits of Small Business Corporations electing to be taxed through shareholders, and
(4) any long-term capital loss carryover from 1964-65.

Short-term capital loss carryover.--This carryover was the portion of any net capital loss sustained in the 4 year period prior to 1964 and any net shortterm loss sustained since 1963 which exceeded the current year net long-term capital gain or the $\$ 1,000$ maximum deduction for net capital loss. Prior to 1964 , excess net long-term capital losses carried over were treated as short-term capital losses.

Long-term capital loss carryover.--This carryover was the portion of net long-term loss sustained since 1963 which exceeded the current year net short-term
capital gain or the $\$ 1,000$ maximum deduction for net capital loss. If both a net short-term loss and net long-term loss were incurred, the net short-term loss was offset first.

Net gain.--In computing the gain in adjusted gross income, the net short-term gain or loss was combined with the net long-term gain or loss and the resultant gain if long-term was reduced 50 percent. The amount of net gain in adjusted gross income conformed to one of several conditions, namely, (a) on certain returns, 50 percent of the excess net long-term gain over net short-term loss, (b) on returns with only a net long-term gain, 50 percent thereof, (c) on returns with both net short-and long-term gain, the entire amount of net short-term gain combined with 50 percent of the net long-term gain, (d) on returns with only a net short-term gain, the entire net gain, and (c) on other returns, the entire excess of net short-term gain over net long-term loss.

Net loss.--In computing net loss in adjusted gross income the net short-term gain or loss was merged with the net long-term gain or loss, and the excess loss was allowed to the extent of the smallest of (1) the capital loss, (2) taxable income (adjusted gross income if the 'tax table"' was used) computed without regard to capital gains and losses and the deduction for personal exemptions, or (3) $\$ 1,000$.

For additional information on capital gains and losses, by asset type, see Statistics of Income--1962, Supplemental Report, Sales of Capital Assets Rcported on Individual Income Tax Returns.

Sales of property other than capital assets, net gain or loss

The amount included in adjusted gross income resulted from sales or exchanges of property which either were not capital assets or were not treated as capital assets. Each taxpayer included his share of such gain or loss received through partnerships and fiduciaries. In contrast to capital gain or net loss, gain or loss from these transactions were included in their entirety in computing adjusted gross income. Losses on sales or exchanges of small business investment company stock were ordinary losses rather than capital losses. Also, losses on small business stock were ordinary losses to the original holders; however, this ordinary loss was limited to $\$ 25,000$ on separate returns and $\$ 50,000$ on joint returns.

## Self-employed pension deduction

Beginning with 1963, self-employed individuals could contribute to a qualified retirement plan and could deduct such contributions when computing adjusted gross income.

In general, all self-employed individuals currently subject to the self-employment tax were eligible for this deduction which was based on self-employment earnings. For purposes of the deduction, self-employed individuals were separated into employees and owneremployees. Owner-employees were proprietors, or partners who owned more than 10 percent of either the capital interest or the profits interest in a partnership. If an owner-employee wished to participate in a retirement plan, all of his employees (excluding part-time and seasonal employees) with 3 or more
years of service must also have been included in the plan. An owner-employee might contribute annually to a pension plan 10 percent of his earnings, or $\$ 2,500$, whichever was less. The deduction itself was limited to 50 percent of the contribution but could not exceed \$1,250.

Self-employed individuals other thanowner-employees were not bound by the $\$ 2,500$ limit on contributions, but they were subject to the same limitations on the amount of the deduction.

Self-employment tax
This tax was reported by each individual who had self-employment earnings of at least $\$ 400$ derived from a proprietorship and from his share of partnership profits even if these enterprises elected to be taxed as corporations. Citizens employed by foreign governments or international organizations were subject to self-employment tax on salaries for 1960 and subsequent years. Certain types of income and deductions such as investment income, capital gain or loss, net operating loss deduction, and casualty losses were not allowed in computing self-employment earnings. The maximum amount subject to social security selfemployment tax for 1966 was $\$ 6,600$ although this maximum amount was reduced by any wages received on which the social security employee tax had been withheld by an employer.

The maximum self-employment tax payable was $\$ 405.90$. No personal exemption was allowed against the self-employment income subject to tax and no income tax credits could be applied against this tax. The self-employment tax rate for 1966 was 6.15 percent. This tax was paid regardless of the taxpayer's age and even if social security benefits were received by the taxpayer.

## Sick pay exclusion

An employee was allowed to exclude from salaries and wages, income received under an employer-provided wage continuation plan for periods of absence due to injury or sickness.

If an employee received over 75 percent of his weekly rate of wages for absence due to injury or sickness, there was a 30 day waiting period before the exclusion was available. The amount to be excluded thereafter was limited to a rate not to exceed $\$ 100$ a week. flowever, if the employee received 75 percent or less of his weekly rate of wages, the waiting period was only 7 days, but the exclusion for the first 30 consecutive days of absence was timited to a rate not to exceed $\$ 75$ a week. After 30 days the weekly rate of exclusion was increased to $\$ 100$ a week.
The waiting period applied whether the employee was sick or injured, unless he was hospitalized for at least 1 day during the period of absence.

Amounts received as disability payments from both public and private disability plans were eligible for sick pay exclusion after the first 30 days of such disability.

## Small Business Corporation profit or toss

Net income or loss of a qualified Small Business Corporation (defined in section 1371 of the Code),
whether or not distributed, was taxed directly through each shareholder.

To qualify as a Small Business Corporation, a company had to be a domestic corporation with no more than ten shareholders, each of which was an individual (or an estate) and no one of which was a nonresident alien. The corporation could have only one class of stock and could not he a member of an affiliated group eligible to file a consolidated return. Also, it could not receive more than 20 percent of its gross receipts from Personal Holding Company income (rent, royalties, interest, annuities, and gains from sales or exchanges of stock and securities), and could not receive more than 80 percent of its gross receipts from sources outside the United States.

The income of the Small Business Corporation shown in this report is the amount taxable to shareholders as ordinary income. Net long-term capital gain, reduced by the special tax imposed at the corporate level, retained its character in the hands of the shareholders and is included in the statistics for net gain or loss from sales of capital assets. Shareholders were allowed to deduct their share of the corporate losses from other forms of individual income. Undistributed income earned in previous years was taxable to shareholders in the year it was earned, and could be distributed during the current year without any further tax.

Prior to 1966, Small Business Corporation net profit or loss was included with partnership net profit or loss inasmuch as the two types of business organizations are treated somewhat similarly under tax law.

More detailed information on Small Business Corporations can be found in Statistics of Income-- U.S. Business Tax Returns and Statistics of Income--Corporation Income Tax Returns.

## Standard deduction

A taxpayer was allowed a standard deduction in lieu of itemizing his deductible personal expenses. The taxpayer elected the larger of the regular 10 percent standard deduction or the minimum standard deduction introduced in 1964. The "regular" deduction was 10 percent of adjusted gross income, and the minimum deduction was $\$ 200$ ( $\$ 100$ for married taxpayers filing separately) plus $\$ 100$ for each allowable exemption. In neither case could the deduction exceed $\$ 1,000$ ( $\$ 500$ for married taxpayers filing separately). If married and filing separately, both taxpayers had to elect the same type of standard deduction.

Taxpayers who selected the so called 'optional tax table" to compute their tax did not report an amount for standard deduction, since the deduction was already built into those tables. For these taxpayers, standard deduction, using one of the two methods explained above was derived for the statistics based on the amount of tax reported.

## Tax base

For returns with normal tax and surtax, the "tax base" is taxable income. For returns with alternative tax computation, the tax base is either (1) taxable income, when that amount exceeded one-half the excess net long-term capital gain over net short-term eapital loss or (2) one-half excess net long-term capital gain over net short-term capital loss when that amount equated or exceeded taxable income.

## Tax deduction

Taxes allowed as a deduction from adjusted gross income included personal property taxes, State income taxes, certain State and local retail sales taxes, State gasoline taxes, taxes paid to foreign countries or possessions of the United States unless a foreign tax credit was claimed, and real estate taxes except those levied for improvements that tended to increase the value of the property. Federal taxes and State and local taxes on motor license plates, driver's licenses, cigarettes, tobacco, and aicoholic beverages were not deductible.

Taxes paid on business property were deducted separately, in schedules for business, rent, and royalty income, and are therefore excluded from the tax deduction statistics.

## Tax due at time of filing

"Tax due" was reported on returns where the tax withheld and the payment on declarations of estimated tax (together with other prepayment credits reported with them) plus the income tax credits were insufficient to cover the total of income tax before credits, selfemployment tax, and tax from recomputing prior year investment credit. The balance of tax due was payable when the recurn was filed.

Tax from recomputing prior year investment credit
The investment credit provisions of the law included a so-called "recapture rule" which required taxpayers to pay back all or a portion of any investment credit taken on property disposed of before the end of the useful life used in computing the credit. The law specified that if property qualifying for the credit was disposed of before the end of its estimated useful life, the tax for the year of disposal was increased by the difference between the credit originally allowed and the credit that would have been allowed if the computation had been based on a shorter useful life. Unless a credit was refundable it could not be applied against this tax.

## Tax rate schedules

The three tax rate schedules designed for individual income taxpayers are for (1) joint returns and returns of surviving spouse, (2) separate returns of husbands and wives and returns of single persons not head of household or surviving spouse, and (3) returns of heads of household. These schedules are reproduced in the return form facsimiles at the end of this report.

## Tax savings under income averaging

In this report the amount of tax savings is the differ ence between the tax resulting from the income averaging computation, usually shown on schedule $G$, and the amount of tax that would result if the income averaging provisions were not used.

## Tax withheld

Tax withheld represented amounts withheld from salaries and wages by employers using prescribed
rates. Prior to May 1,1906 , the tax withhed under either method was based on a flat 14 percent rate. For salaries and wages paid on or after this date, regardless of when earned, a graduated rate ranging from 14 percent to 30 percent applied.

Excluded for 1966 was (1) income tax paid by regulated investment companies on undistributed capital gains credited to shareholders, and (2) in most cases, excess social security payments.

## Tax withheld by regulated investment companies

The shareholder's share of net long-term capital gain realized by a regulated investment company but not actually distributed is identified as such by the company in a written notice mailed to the shareholders. The sharehoider is entitled to a credit for the 25 percent tax paid by the company for use in computing his income tax for the year. For additional explanation see the text in section 3 -- Tax Computation and Tax Rates.

## Taxable income

Taxable income was comprised of adjusted gross income minus deductions, standard or itemized, and personal exemptions. in general, taxable income was reported on itemized deduction returns and on standard deduction returns with $\$ 5,000$ or more adjusted gross income.

Returns which did not show taxable income were (1) Form 1040A returns and (2) Form 1040 returns with adjusted gross income under $\$ 5,000$ for which the "tax table" was used to compute tax.

By taking account of the factors built into the "tax tables', it was possible to estimate taxable income for taxpayers using the tables by (1) using the midpoint of the income bracket of the tax table into which the taxpayer's adjusted gross income fell as the amount of adjusted gross income, (2) providing either the 10 percent standard deduction based on the midpoint or the minimum standard deduction of $\$ 200$ for unmarried persons or $\$ 100$ for married persons filing separate returns plus $\$ 100$ for each exemption and, (3) allowing $\$ 600$ for each exemption claimed.

Taxable income for taxpayers using Form 1040A with adjusted gross income of $\$ 5,000$ under $\$ 10,000$ was estimated by (1) using the total income reported, (2) deducting either 10 percent of the total income as standard deduction or the minimum standard deduction as explained above, both limited to $\$ 1,000$ (or $\$ 500$ in the case of a separate return of husband or wife) and (3) allowing $\$ 600$ for each exemption.

## Total deductions

Includes personal deductions, both standard and itemized.

## Type of taxpayment

Taxpayers made prepayments on their tax liability chiefly through tax withholdings from wages and through payments on declarations of estimated tax. Any balance due was payable when the return was filed.

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## SOURCES OF DATA

Individual income tax data were estimated from a sample of unaudited tax returns, Forms 1040 and 1040A, filed by citizens and residents during the calendar year 1967 in the service centers and district offices of the Internal Revenue Scrvice and with the Director of International Operations in the National Office. The sample was designed to represent all returns for the income year 1966 regardless of when filed. Most of the returns represented in this publication are for the current tax year and are filed by taxpayers with calendar-year accounting periods. A small number of prior year delinquent and noncalendar year returns are also included. All returns with an accounting period ending prior to January 1. 1966, are classed as prior year delinquents. Noncalendar year returns had an accounting period beginning in 1965 and ending in 1966.

Tentative returns were excluded from the sample. Returns with no information regarding income and tax were included in the sample for purposes of making the sample count comparable with the count of returns filed, but were excluded from the tables. Amended returns were included in the sample only if the original could be located and exciuded.

An individual income tax return was required of (1) every citizen, resident alien, and bona fide resident of Puerto Rico under 65 years of age (including minors) who had $\$ 600$ or more of gross income for the year, (2) every citizen or resident 65 years or over who had $\$ 1,200$ or more gross income for the year, and (3) every person regardless of age or gross income who had selfemployment income of $\$ 400$ or more during the tax year. Gross income, for purposes of filing, included income earned from sources outside the United States, even though the income was exempt from tax. However, in the case of individuals who were residents of Puerto Rico, gross income, for purposes of filing, did not include income derived from sources within Puerto Rico except amounts received for services performed as an employee of the United States.

Individuals who had tax withheld from wages, but whose income was less than that required for filing, usually filed to obtain a refund of tax withheld, although they were not otherwise required to file.

Taxpayers had a choice of two return forms for reporting their income for 1966 . Form 1040A, the cardform, was available to individuals who had less than $\$ 10,000$ adjusted gross income consisting of wages reported on withholding statements (Form $\mathrm{W}-2$ ) and not more than $\$ 200$ of dividends, interest, and wages not subject to income tax withholding.

The Form 1040 is a two-page form with supplementary schedules. If an individual's income was entirely from salaries and wages, taxable dividends, interest or miscellaneous income reported on line 7 of page 2 , he needed to file the principal two pages only. Individuals who had income from sources other than those listed above were required to report that income on supplementary schedules.

Table 7.1 presents a comparison of the number of returns for the current year with those for 1965 by form

Table 7.1 -NUMBER OF RETURNS BY FORM OF RETURN. 1965 AND 1966


of return filed, size of adjusted gross income, and type of deduction reported. Forms 1040 for 1966 numbered 51.2 million, an increase of 2.0 million returns over 1965. Forms 1040 A numbered 18.9 million , an increase of 548 thousand returns over 1965.

The standard deduction was elected on 41.2 million returns, Forms 1040 and 1040 A . Individuals who had income under $\$ 5,000$ and desired the standard deduction were required to use the optional tax table to obtain the deduction and compute their tax. There were 26.9 million returns of taxpayers using the optional tax table for 1966, an increase of 435 thousand returns over the 1965 total.

## DESCRIPTION OF THE SAMPLE AND LIMITATIONS OF THE DATA

## Description of the Sample

The data presented for individual income tax returns for 1966 are estimates based on a stratified sample of all Forms 1040 and 1040A filed in the succeeding year. The total sample consisted of 385,841 returns, about 0.54 percent of the total number filed for the year.

## Sample selection

Returns were grouped by type of return, presence or absence of business income, size class of adjusted gross income, and by the 58 district offices and the Office of International Operations, Washington, D.C. The sample design was adapted to fit the regular return sorting and grouping procedures employed by district offices and regional service centers to facilitate the processing of rerurns for revenue collection and audit purposes.

For sample purposes, the groups were combined in sample strata, primarily on the basis of adjusted gross income (deficit was also used in four of the seven regions) which correlates well with the principal income and tax characteristics being estimated. These sample strata are described in the stub of table 7.2. Also shown in table 7.2 is the number of returns filed in each stratum, the number of returns in the sample, the weighting factor, and the prescribed sampling rate.


The sample was obtained by withdrawing returns from each stratum in accordance with the sampling rate for that stratum. In three of the seven Internal Revenue regions, selection of the sample was based on the account number of the return. Selection for the sample in the other four regions was based on an individual's social security number.

An intensive system of sample management and control was used to insure the selection of the prescribed sample and prevent any serious undercoverage. Sample controls were maintained on a district basis by the most detailed Internal Revenue Service groupings. In addition, a name control file for internal use only, containing an historical record of tax return information for certain taxpayers who annually report large incomes, provided a further check on the completeness of the sample.

Method of estimation
Estimates for all returns filed were determined by multiplying the sample data by 'weighting factors'' obtained by dividing the total number of returns filed in each sampling stratum by the number of sample returns received from that stratum. For instance, the "weighting factor'" of 1014.25 for Form 1040A returns was obtained oy dividing the total number of returns filed, 19,138,869, by the number of returns in the sample, 18,870 . The primary sources of data on total number of returns in each sampling stratum were counts made and submitted by the district offices or regional service centers showing the number of Form 1040 and 1040A returns filed during the calendar year 1967.

A comparison of the estimated number of returns shown in the national tables of this report with the number of returns reported filed, as shown in table 7.2 , will disclose slight differences. These differences occur for the following reasons: (1) an estimated 817,000 returns were excluded from the tables because they showed no income information, (2) returns were classified in the proper adjusted gross income size class regardless of the sampling strata to which they were assigned in the field offices, and (3) weights were rounded.

One set of weighting factors was used for national tabulations, and separate sets, one for each Internal Revenue district, were used for State tabulations. The achieved sampling rates varied sufficiently among districts to warrant using district weights for State tables. As a result, the totals for "United States" in the State tables show slight differences from the corresponding totals, based on national weights, shown in other tables of this report.

## Limitations of the Data

## Sampling variability

The relative sampling variability is the standard deviation of the estimate expressed as a percent of the estimate. The standard deviation when added to and subtracted from the estimate provides the computed upper and lower limits within which approximately two out of three estimates derived from similarly selected samples would be expected to fall.

Table 7.3-RELATIVE SAMPLING VARIABIIITY AT THE ONE STANDARD DEVIATION I.EVEL OF ESTIMATED NLMBER OF RETURNS, 1966

| Wetimated whmer i fet rith | Feturns witn adjusted eross incomu-n |  |  |
| :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { UAder } \\ \$ 113, \text { Nou } \end{gathered}$ | $\begin{gathered} \$ 1,000 \text { usuer } \\ \$ 0,000 \end{gathered}$ | $\begin{gathered} \$ 51,000 \text { under } \\ \$ 100,000 \end{gathered}$ |
|  | (1) | $(2)$ | (3) |
|  | (Perceme) |  |  |
| 1,0he... | (2) | 32 | \% |
| $\therefore$ wri.. | (1) | 2. |  |
| $3,200$. | $\left.{ }^{1}\right)$ | 1.10 | $3 .$. |
| 10,000. | 3. | 10 | $\therefore 2$ |
| 15, (0) | $2 \times$ | 9 | 1.8 |
| - 4 , 000 . . | $\therefore$ | ' $\%$ | 1.1) |
| 25,00... | $\therefore$ | 6 | 1.,', |
| 50,000... | 14 | 4.5 | 1.4) |
| 100,000... | 21 | $3 . .3$ | $19 . \%$ |
| 250,000.. | 6 | $\therefore 0$ | +1.a. |
| 500, 000. | 4.5 | 1.\% | \%.a. |
| 1, no, 0007. | 3.2 | 1.1 | п.u. |
| $5,200,000$. | 1.4 | 0.5 | T. As. |


"Upper limit" relative sampling variability estimates based on a special formula are shown in table 7.3 for frequency estimates in general. These percents are somewhat higher than those which would have been yielded by the standard formula. Column 1 of table 7.3 may also be used for data on returns not classified by adjusted gross income, and column 3 may be used for data on returns showing adjusted gross income of over $\$ 100,000$.

Frequencies and amounts considered subject to excessive sampling variability are not shown in the tables, although they are reflected in the appropriate totals. Where sampling variability was judged to be excessive, data in particular cells have been deleted or have been combined for a group of cells. The data were combined in such a manner that the combined sampling variability was not excessive. Where deletions were made in tables, the applicable cells are noted with an asterisk (*). Where combinations of data were made, the combined totals are presented alongside the bracketed cells to which they relate.

## Nonsampling errors

In processing returns for collection purposes and, later, in processing the sample of such returns for sta-
tistical purposes, several steps were taken to reduce taxpayer-reporting errors and other errors introduced in data processing operations. Almost all individual returns filed during 1967 were mathematically verified before they were made available for sample selection. Any corrections resulting from mathematical verification of the taxpayer's entries are reflected in the data tabutated.

In transcribing and tabulating the information from the returns in the sample, additional checks were imposed to improve the quality of the resulting estimates. Returns which showed data in accompanying schedules but not on appropriate return lines, community property returns on which the "halving" of inconc was incorrectly computed, and returns with other obvious errors were edited and recording errors amended.

Quality of the basic data abstracted at the seven processing centers was controlled by means of a continuous sampling verification system. In order to provide measures of accuracy of the statistical processing and secure greater consistency among the processing centers, a subsample of the returns and abstract sheets were independently reprocessed in the Statistics Division. Data generated under this program were utilized to clarify the editing instructions and to inform the processing centers of the findings. Mechanical transcribing was verified by the process of repeat card punching and, prior to tabulating, numerous tests for consistency were applied using an electronic computer, to assure that proper balance and relationship between return items were maintained.

Finally, prior to publication, all statistics and tables were reviewed for accuracy and reasonableness, in light of provisions of tax law, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing.

However, the controls maintained over the selection of the sample returns, the processing of the source data, and the review of the statistics did not completely eliminate the possibility of error. Also, practical operating considerations necessitated allowance of reasonable tolerances in the statistical processing of the data.




FORM 1040: Individual Income Tax Return, 190
Schedule B. Income and Credits, 192
Schedule C. Profit (or Loss) from Business or Protession, 212
Schedule D. Gaıns and Losses from Sales or Exchanges of Property, 217
Schedule F. Farm Income and Expense, 220
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FORM 1040-ES: Declaration of Estimated Tax, 229
FORM 2948: Medical and Dental Expense Statement, 231



# INSTRUCTIONS FOR FORM 1040A FOR EMPLOYEES WHO EARNED LESS THAN \$10,000 

## Card Form 1040A offers an easy way for employees receiving less than

 $\$ 10,000$ total income to file their 1966 U.S. income tax returns.
## To use CARD Form 1040A follow these simple steps

A Read instructions below. See "Who May Use Form 1040A." If ineligible, use Form 1040.
B Fill out the copy on page 4. If you need help, phone any Internal Revenue Service office or come in for assistance.

C Transfer answere from the copy to the card. Keep the copy for your records.
D Sign the cord and mail it together with your Wage and Tax Statements (Forms W-2, Copy B) to your Internal Revenue Service office as shown on page 8 of these instructions.

If your name, address, and social security number are already printed on the card form, please use this card. Correct the preprinted information, if necessary.

WHO MUST FILE A TAX RETURN.-Every citizen or resident of the United States under 65 who had $\$ 600$ or more income; if 65 or over, 81,200 or more.
WHO MAY USE FORM 1040A.-If your income was less than $\$ 10,000$ and consisted entirely of wages (including tips) subject to williholding tax and not more than $\$ 200$ total of dividends, interest, and other wages and tips, you may use the card form. A husband and wife may file a joint return if their combined incomes do not exceed these limits.
WHO MAY NOT USE FORM 1040A. -File Form 1040 instead of Form 1040A if-
(1) you had income from sources other than or in amounts larger than those stated above,
(2) either husband or wife itemizes deductions,
(3) you claim the tax status of head of household or surviving husband or wife,
(4) you claim the retirement income credit,
(5) you claim an exclusion for "Sick Pay" paid directly to you by your employer and this amount is included in the total wages shown on your Form W-2,
(6) you claim deductions for travel, transportation, moving, or "outside salesmen" expense (however, see "Reimbursed Expenses," page 3 of instructions),
(7) you claim credit for payments on estimated tax or an overpayment from 1965,
(8) you claim credit for Federal taxes for nonhighway gasoline and luhricating oil,
(9) you received tips of $\$ 20$ or more in a month which you did not report fully to your employer,
(10) your Form W-2 shows an amount as "Uncollected Employce Tax on Tips," or
(11) you are a nonresident alien (file Form 1040B, Form 1040NB, or Form 1040NB-a).
MEMBERS OF ARMED FORCES.-A member of the Armed Forces should give his name, social security number, permanent hone address and serial number.
An enlisted man may exclude all service compensation for each montla for whicli he scrved in a combat
zone and each month for which he was hospitalized as a result of such service. For this purpose service for any part of a month is considered a full month. A commissioned officer may exclude up to $\$ 200$ a month of such compensation. Forms W-2 issued for 1966 by the Armed Forces ordinarily do not include these payments. If there is any doubt as to whether the amount shown on your Form W-2 includes the nontaxable amount, contact the pay office which issued the form. If the nontaxable portion was included on Form W-2, you will be issued a corrected Form W-2 or a certificate to support exclusion. If you are issued a certificate, deduct the amount shown on the certificate from the wages shown on Form W-2 and include the difference in item 5, and attach the certificate to your return. If you are issued a corrected Form W-2 include the amount shown on that form in item 5 .
WHEN AND WHERE TO FILE.-Please file as early as possible with the District Director of Internal Revenue for your district or with your Internal Revenue Service Center as shown in the mailing instructions on page 8. File your return on or after January 1, 1967, but not later than Monday, April 17, 1967 (since the April 15th due date falls on a weekend in 1967).
Where to Get forms.-If you need a Form 1040, you can get one from any Internal Revenue office, and from many banks and post offices. Your employer will furnish a Form W-2.
HOW TO PAY.-Checks or money orders should be made payable to "Internal Revenue Service." Please enter your social security number on your check or money order. You need not pay a balance of tax due of less than $\$ 1$, and an overpayment of less than $\$ 1$ will be refunded only upon separate application.
SIGNATURE.-Your retura is not valid unless you sign it. Both husband and wife must sign a joint return.

## COMPUTATION OF TAX ON FORM 1040A:

(1) If your income was less than $\$ 5,000$.-You may figure your tax from the appropriate tax table on page 5,6 , or 7 , or you may have the Instructions-Form 1040A (1966)

Internal Revenue Service do it for you. If you are married and filing a aeparate return and you choose to have the Internal Revenue Service figure your tax, it will be figured using the 10 percent atandard deduction and never the minimum standard deduction.
(2) If your income is $\$ 5,000$ or more buf less than $\$ 10,000$.-You must use the standard de-duction-either the 10 percent atandard deduction or the minimum atandard deduction, whichever is greater, and compute your own tax. See Tax Computation Schedule on page 4.

The use of the tax table or the standard deduction eliminates the listing of contributions, interest, taxes, losses, medical expenses, child care expensea, and certain miscellancous deductions. The sfandard deduction is $10 \%$ of item 7, page 1, Form 1040A, but not lcss than the minimum standard deduction which is an amount equal to $\$ 200$ ( $\$ 100$ if married and filing a separate return) plus $\$ 100$ for each exemption claimed in item 15 on the back of your return. Example: Husband and wife filing joint return claiming 4 dependent children. Minimum standard deduction is $\$ 800$ ( $\$ 200$ plus $\$ 100$ for each of 6 exemptions). The deduction is limited to $\$ 1,000$ ( $\$ 500$ for each return if married and filing separate returns). If your standard deduction is less than your itemized deductions, it will be to your advantage to use Form 1040 and itemize your deductions. The tax tables are designed to allow for the standard deduction.

If separate returns are filed by married individuals, and if cither the husband or wife elects the 10 percent standard deduction or one of them choosea to have the Internal Revenue Service figure the tax, the other must
use the 10 percent standard deduction. To use the minimum standard deduction both must use it and both must compute titeir tax.

## MARRIED COUPLE:

Marital Status.-If married at the end of 1966, you are considered married for the entire year. If divorced or legally separated on or before the end of 1966, you are considered single for the entire year. If your wife or husband died during the year, you are considered married for the ycar, and may file a joint return.
(1) How to prepare a joint return.-To assure any benefits of the split income provisions, a husband and wife must file a joint return. If a joint return is fled, you must include the income of both; however, a joint return may be filed even though one had no income. If your income was under $\$ 5,000$ and you choose to have the Internal Revenue Service figure your tax, it will be computed on the combincd income or on the separate incomes, whichever results in the amaller tax or larger refund. If you figure your own tax, be sure to make both computations and enter the smaller tax or larger refund on your return. A joint return may not be filed if either husband or wifc was a nonresident alien at any time during the taxable year.
(2) How to prepare a separote return.-In a separate return each must report his or her separate income and fill in a separate form.
DO YOU OWE A TAX BALANCE?-Under the pay-as-you-go aystem, your withholding tax and your final income tax should come out about even. This benefits both you and your Government. If you owe a balance on your 1966 return, you should consider changing your Withholding Exemption Certificate (Form $\mathbb{V}-4$ ).

## INSTRUCTIONS FOR PREPARING FRONT OF FORM 1040A

(1)

(2) (3)If you are married and are filing a joint return as husband and wife, be aure to enter the first names and middle initials of yourself and your wife. For example: John F. and Mary L. Doe. Enter both your social security number and your wife's social security number whether filing jointly or separately.
(5) Enter the total wages (including tips) from all your 1966 Forms $W-2$. If an amount appears on Form W-2 in the box captioned "Other compensation paid in $1966^{\prime \prime}$ add this amount to the amount shown in the box captioned "Wages paid subject to withholding in 1966" and enter the total on page 1 , item 5 . Also include in this item wages and tips for which you did not receive a Form W-2. If you lose a Form W-2, ask your employer for a new one. If you cannot furnish a Form $\mathbb{W}-2$, attach an explanation.

TWO OR MORE EMPLOYERS.-If a total of more than $\$ 277.20$ of social security (F. I. C. A.) tax was withheld from the wages of either you or your wife because one or both of you worked for more than one employer, you may claim the excess over $\$ 277.20$ as a credit against your income tax.
a. Add up the social security (F. I. C. A.) tax with. held by all your employers from your wages in 1966.

If joint return, separate computations must be made for you and your wife.
b. Subtract $\$ 277.20$.
c. Include the balance in the amount shown in item 9.
(6) a. INTEREST.-Include all interest actually received or credited to your account by a bank, savinge and loan association, credit union, etc. Also include interest on tax refunds.
b. DIVIDENDS.-Enter total dividends received in the space following the words "before exclusion." You may exclude from your income up to $\$ 100$ of dividends received from domestic corporations. If a joint return is filed and both husband and wife have dividend income, each is entitled to such an exclusion for dividends belonging to him or her, but one may not use any portion of the $\$ 100$ exclusion not used by the other. For example, if the husband had $\$ 180$ in dividends, and the wife had $\$ 20$, only $\$ 120$ may be ex-cluded- $\$ 100$ for husband and $\$ 20$ for wife. Subtract your exclusion and enter your taxable dividende in the right-hand column.
Earnings (even though called dividends) received from savings (building) and loan associations and nutual savings banks on deposits or withdrawable accounts should be reported in item 6a.
(7) (8) (9) (10) COMPUTATION OF TAX
a. If your income was less than $\$ 5,000$. - You may figure your own tax from the appropriate Tax Table in these inatructions, or you may have the Internal Revenue Service do it for you. If you figure your own tax, complete itema 8, 9 , and 10 or 11 . If you have the Service figure your tax, omit items 8, 10, and 11 (but complete item 9). You will be sent a bill for the balance due or a check for the refund.
b. If your income was $\$ 5,000$ or more but less than $\$ 10,000$.-You must compute your own tax and use the standard deduction. (If your itemized deductions are in excess of your standard deduction, it will be to your
advantage to use Form 1040.) See page 4 for tax computation schedule. Keep it for your records.

PURCHASE OF U.S. SAVINGS BONDS.-If yon are entitled to a refund, yon may apply it to the purchase of Series E United States Savings Bonds (see "check boxes" to left of item 10). If you check the U.S. Savings Bonds, and excess refunded box, you will be issued as many bonds as your refund will buy, providing it does not leave a balance of less than $\$ 1$ to be paid by check. For example, if your refund is $\$ 40$ you will receive a $\$ 50$ face value bond and a check for $\$ 2.50$. Bonds will be issued in the name used in filing your return. If you file a joint return the bonds will be issued only to husband and wife as co-owners.

## INSTRUCTIONS FOR PREPARING BACK OF FORM 1040A

(12) Fill in this item to receive credit for your and your wife's exemptions. A taxpayer cannot claim his wife (husband) as an exemption if the wife (husband) filed a geparate return for any purpose (for example, to obtain a refund of income tax withheld). Age and blindness are determined as of December 31, 1966.
(13) (14)

Enter in item 13 the first names and the total number of your dependent children who lived with you during 1966.

List other dependents in item 14.
Each dependent must meet all of the following tests:
a. Received more than one-half of his or het aupport from you (or from wife or husband if a joint return is filed). Support includes all amounts used for the dependent's support whether contributed by the dependent or by others and whether such amounts are taxable or nontaxable income such as social security, gifts, savings, etc.
b. Received leas than $\$ 600$ income. (This test does not apply to your children or stepchildren who were under 19 or who were full-time atudents for 5 calendar months of the year; however, you must have provided over one-half of the child's support.)
c. Did not file a joint return with her husband (or his wife).
d. Was either a citizen or resident of the United States or a resident of Canada, Mexico, the Republic of Panama, or the Canal Zone. (An alien child legally adopted by and living with a United States citizen abroad also qualifies as a citizen of the United States for this purpose.)
p. EITHER (1) for the entire year 1966 had your home as his principal place of abode and was a mem. ber of your honsehold; OR (2) was related to you (or to hushand or wife if a joint return is filed) in one of the following ways:

| Child* | Mother-in-law |
| :--- | :--- |
| Stepchild | Father-in-law |
| Mother | Brother-in-law |
| Father | Sister-in-law |
| Grandparent | Son-in-law |
| Brother | Daughter-in-law |
| Sister | The following if related |
| Grandchild | by blood: |
| Stepbrother | Uncle |
| Stepsister | Aunt |
| Stepmother | Nephew |
| Stepfather | Niece |

"Includes a child who is a member of your household if placed with you by an authorized placement agency for legal adoption.

BIRTH OR DEATH OF DEPENDENT.-You can claim a full $\$ 600$ exemption for a dependent who was born or died during the year if the tests for claiming an exemption for auch dependent are met for the part of the year during which he was alive.

REIMBURSED EXPENSES.- If you account to your employer for business expenses when you travel on business, and he paya for them (either by advances or reimbursements or by allowing you to use a charge account), or he gives you a flat allowance for subsistence and mileage of not more than $\$ 25$ per day and 15 cents per mile, and your expenses equal your reimbursement, or your expenses exceed the reimbursement and you do not wish to claim a deduction, you may file Form 1040A without showing these amounts by simply checking $\square$ the box on the back of Form 1040A above the aignature. For higher rates in special cases such as foreign travel, consult your District Director. However, if your employer's payments are more than your expenses or you wish to claim a deduction for expensea, you may not use Form 1040A, you must use Form 1040.



11 joint return, BOTH HUSBAND ANO WIFE MUST SIGN even if anly ane had income. Date
TAX COMPUTATION SCHEDULE (Use only if total income, item 7 of Form 1040A, is $\$ 5,000$ or more)

1. Enter total income from item 7 of Form 1040A.
2. Enter the standard deduction which is explained on page 2 of the inotruction (married person filing a separate return cannot claim more than $\$ 500$ ).
3. Subiract line 2 from line 1
4. Multiply $\$ 600$ by total number of exennptions claimed in item 15 of Form 1040A.
5. Subtract line 4 from line 3 .
6. Tax on amount on line 5. Use appropriate tax rate schedule below. Enter here and in item 8 of Form 1040A (Do not attach this schedule to Form 1040A)

$$
\$ .
$$

$\qquad$

## if you are a single farpoyer or a morried toxpayer fillag a separate return, use this tox rote schedule

If the amount on line 5 is:

|  |  | Erier on line 6: |
| :---: | :---: | :---: |
| \&0 | \$500. | $14 \%$ of the amount on line 5 |
| \$500 | 81,000. | \$70, plus $15 \%$ of excesa over $\$ 500$ |
| \$1,000 | 81,500 | \$145, plus $16 \%$ of excess over $\$ 1,000$ |
| \$1,500 | 82,000. | \$225, plus 17\% of excess over $\$ 1,500$ |
| \$2,600 | 84,000. | \$310, plus $19 \%$ of excess over $\$ 2,000$ |
| \$4,000 | \$6,000. | \$690, plus $22 \%$ of excess over $\$ 4,000$ |
| 86,000 | \$8,000. | \$1,130, plus $25 \%$ of excess over $\$ 6,000$ |
| 58.000 | \$9.999.99 | \$163n rius $28 \%$ of expram nver $\mathbf{\$ 8 . 0 0 0}$ |

## If you are marrled taxpayers filing a johin rature, use this tax rate schedule

If the amount on line 5 is: $\quad$ Enter on line 6:
Over But not over


## TAX TABLES FOR INCOMES UNDER $\mathbf{\$ 5 , 0 0 0}$

If your total Income（Item 7 of your return）is $\$ 5,000$ or more，use Tax Computation Schedule on page 4 If you checked os your（Item 4a．Single，use $\longrightarrow$ Tax Table A filing status on page 1，Item 4b．Married Filing Joint Return，use Form 1040A． Itcm 4c．Martic Fining Scparatcly，is $: \longrightarrow$ Tax Table $C$
Tables A and B reflect the lowest tax after considering both the 10 percent standard deduction and the minimum standard deduction．Table $C$ shows the tax based on cither the 10 percent or the minimum standard deduction．

1966 TAX TABLE A－FOR SINGLE PERSONS
To find your tax read doren incors：columns until you find the line covering the total income ahown mitem 7 ．Then read acrosa to tho sppropriate column headed by the number corresponding to the number of exemptions claimed on item 15 ．Enter tax in ltem 8 ．

| If your total income ：－ |  | And the number of exomptions $13-$ |  |  | If your lotal income is－ |  | And the number of examptions lin－ |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| At mat | But less <br> than |  |  | 3 |  |  |  |  |  |  |  | 1 |
|  |  | 1 | 2 | 114 ct mere there is no tax | Al last | But less than | 1 | 2 | J | 4 | 5 | $\begin{gathered} \hline \text { If } 7 \text { ar mare } \\ \text { whoro if } \\ \text { no } 6.1 \\ \hline \end{gathered}$ |
|  |  | Your tas is－ |  |  |  |  | Your tax is－ |  |  |  |  |  |
| 30 | $\$ 900$ | \＄0 | \＄0 | \＄0 ${ }^{\text {人 }}$ | \＄2，450 | \＄2，475 | \＄236 | \＄124 | \＄23 | \＄0 | \＄0 | 50 |
| 900 | 925 | 2 | 0 | 0 － | 2，475 | 2，500 | 240 | 128 | 26 | 0 | 0 | 0 |
| 925 | 950 | 5 | 0 | 0 0裂 | 2，500 | 2，525 | 244 | 132 | 30 | 0 | 0 | 0 |
| 950 | 975 | 0 | 0 | 0 繇 | 2，525 | 2，550 | 248 | 138 | 33 | 0 | 0 | 0 |
| 975 | 1，000 | 12 | 0 | 0 | 2，550 | 2，575 | 253 | 139 | 87 | 0 | 0 | 0 |
| 1．000 | 1，025 | 16 | 0 | 0 －絞 | 2，575 | 2，600 | 257 | 143 | 40 | 0 | 0 | 0 |
| 1，025 | 1，050 | 19 | 0 | 0 全交 | 2，600 | 2，625 | 261 | 147 | 41 | 0 | 0 | 0 |
| 1，050 | 1，076 | 23 | 0 | 0 0 䍃 | 2，625 | 2，650 | 265 | 151 | 47 | 0 | 0 | 0 |
| 1，076 | 1，100 | 28 | 0 | 0 緮 | 2， 650 | 2，675 | 270 | 155 | 51 | 0 | 0 | 0 |
| 1，100 | 1，125 | 30 | 0 | 0 －絞 | 2，675 | 2，700 | 274 | 159 | 54 | 0 | 0 | 0 |
| 1，125 | 1.150 | 33 | 0 | 0 䌊 | 2，700 | 2，725 | 278 | 163 | 58 | 0 | 0 | 0 |
| 1，150 | 1，176 | 37 | 0 | 0 \％ | 2，723 | 2，750 | 282 | 167 | 61 | 0 | 0 | 0 |
| 1，175 | 1，200 | 40 | 0 | 0 全复 | 2，750 | 2，775 | 287 | 171 | 65 | 0 | 0 | 0 |
| 1，200 | 1，225 | 44 | 0 | 0 箺 | 2，775 | 2，800 | 291 | 175 | 88 | 0 | 0 | 0 |
| 1，225 | 1，250 | 47 | 0 | 0 䍃 | 2，800 | 2，825 | 295 | 179 | 72 | 0 | 0 | 0 |
| 1，250 | 1，275 | 51 | 0 | 0 䍃 | 2， 825 | 2，850 | 290 | 183 | 78 | 0 | 0 | 0 |
| 1，275 | 1，300 | 54 | 0 | 0 | 2，850 | 2，875 | 304 | 187 | 79 | 0 | 0 | 0 |
| 1，300 | 1，325 | 58 | 0 | 0 紋 | 2，875 | 2，900 | 308 | 191 | 83 | 0 | 0 | 0 |
| 1，326 | 1，350 | 61 | 0 | 0 敨 | 2，900 | 2，325 | 312 | 195 | 87 | 0 | 0 | 0 |
| 1，360 | 1，375 | 65 | 0 | 0 棭 | 2，325 | 2，950 | 317 | 199 | 91 | 0 | 0 | 0 |
| 1，876 | 1，400 | 68 | 0 | 0 繇 | 2，950 | 2，975 | 322 | 203 | 94 | 0 | 0 | 0 |
| 1，400 | 1，425 | 72 | 0 | 0 䇣 | 2，975 | 3， 000 | 327 | 207 | 98 | 0 | 0 | 0 |
| 1，425 | 1，480 | 78 | 0 | 0 䇣 | 3，000 | 3， 050 | 333 | 213 | 104 | 4 | 0 | 0 |
| 1，450 | 1，478 | 79 | 0 | 0 緂 | 3， 050 | 3， 100 | 342 | 221 | 111 | 11 | 0 | 0 |
| 1，475 | 1，800 | 83 | 0 | 0 | 3， 100 | 3， 160 | 350 | 229 | 110 | 18 | 0 | 0 |
| 1，800 | 1，825 | 87 | 0 | 0 \％ | 3，150 | 3， 200 | 359 | 238 | 128 | 25 | 0 | 0 |
| 1， 825 | 1，650 | 91 | 0 | 0 納 | 3， 200 | 3，250 | 387 | 246 | 134 | 32 | 0 | 0 |
| 1，550 | 1，576 | 04 | 0 | 0 綯 | 3，250 | 3，300 | 378 | 255 | 141 | 39 | 0 | 0 |
| 1，875 | 1，600 | 98 | 0 | 0 | 3，300 | 3， 350 | 385 | 283 | 149 | 46 | 0 | 0 |
| 1，600 | 1，628 | 102 | 2 | 0 紋 | 3，350 | 3，400 | 393 | 272 | 157 | 53 | 0 | 0 |
| 1，626 | 1，650 | 108 | 5 | 0 䋣 | 3，400 | 3，460 | 402 | 280 | 165 | 60 | 0 | 0 |
| 1，650 | 1，675 | 109 | 9 | 0 新 | 3，450 | 3，500 | 410 | 289 | 173 | 07 | 0 | 0 |
| 1，676 | 1，700 | 113 | 12 | 0 紋 | 3， 500 | 3，650 | 419 | 297 | 181 | 74 | 0 | 0 |
| 1，700 | 1，728 | 117 | 16 | 0 等多 | 3，560 | 3，600 | 427 | 308 | 189 | 81 | 0 | 0 |
| 1，726 | 1．780 | 121 | 19 | 0 䍃 | 3， 600 | 3， 650 | 438 | 315 | 197 | 89 | 0 | 0 |
| 1，760 | 1，776 | 124 | 23 | 0 䍃 | 3，650 | 3，700 | 444 | 324 | 205 | 96 | 0 | 0 |
| 1，775 | 1，800 | 128 | 26 | 0 | 3，700 | 3，750 | 453 | 334 | 213 | 104 | 4 | 0 |
| 1，800 | 1，825 | 132 | 30 | 0 䇣箁 | 3，750 | 3，800 | 482 | 343 | 221 | 111 | 11 | 0 |
| 1，825 | 1，850 | 136 | 33 | 0 全翏 | 3， 800 | 3，850 | 470 | 353 | 229 | 119 | 18 | 0 |
| 1，850 | 1，875 | 139 | 37 | 0 絞 | 3， 850 | 3， 900 | 479 | 362 | 238 | 126 | 25 | 0 |
| 1，876 | 1，900 | 143 | 40 | 0 䇣翌 | 3，900 | 3，950 | 487 | 372 | 246 | 134 | 32 | 0 |
| 1，900 | 1，925 | 147 | 44 | 0 纞 | 3，950 | 4，000 | 490 | 381 | 255 | 141 | 39 | 0 |
| 1，925 | 1，950 | 151 | 47 | 0 䍃 | 4，000 | 4， 060 | 504 | 390 | 263 | 149 | 46 | 0 |
| 1，950 | 1，975 | 155 | 51 | 0 繆 | 4， 050 | 4，100 | 513 | 399 | 272 | 157 | 53 | 0 |
| 1，976 | 2，000 | 159 | 54 | 0 䋨 | 4， 100 | 4，160 | 521 | 407 | 280 | 165 | 60 | 0 |
| 2，000 | 2，025 | 163 | 58 | 0 䌊 | 4，150 | 4，200 | 530 | 416 | 289 | 173 | 67 | 0 |
| 2，025 | 2，050 | 167 | 61 | 0 緱 | 4， 200 | 4， 250 | 538 | 424 | 297 | 181 | 74 | 0 |
| 2，050 | 2，075 | 171 | 65 | 0 綩 | 4， 250 | 4，300 | 547 | 433 | 308 | 189 | 81 | 0 |
| 2，075 | 2，100 | 175 | 68 | 0 紋 | 4，300 | 4，350 | 556 | 442 | 315 | 197 | 89 | 0 |
| 2，100 | 2，125 | 179 | 72 | 0 蝮 | 4，350 | 4，400 | 564 | 450 | 324 | 205 | 96 | 0 |
| 2，125 | 2，150 | 183 | 78 | 0 䍃 | 4，400 | 4，460 | 573 | 459 | 334 | 213 | 104 | 4 |
| 2．150 | 2，175 | 187 | 73 | 0 紋 | 4，450 | 4，500 | 581 | 467 | 343 | 221 | 111 | 11 |
| 2，175 | 2，200 | 191 | 83 | 0 | 4，500 | 4，550 | 590 | 476 | 353 | 229 | 119 | 18 |
| 2， 200 | 2，225 | 105 | 87 | 0 䇣 | 4，550 | 4，600 | 598 | 484 | 362 | 238 | 126 | 25 |
| 2，225 | 2，250 | 193 | 91 | 0 絃 | 4， 600 | 4，650 | 607 | 493 | 372 | 246 | 134 | 32 |
| 2．250 | 2，275 | 203 | 04 | 0 紋 | 4， 650 | 4，700 | 615 | 501 | 381 | 255 | 141 | 39 |
| 2，275 | 2，300 | 207 | 08 | 0 | 4，700 | 4，750 | 624 | 510 | 391 | 263 | 149 | 40 |
| 2，300 | 2，325 | 211 | 102 | 2 緮 | 4，750 | 4，800 | 633 | 519 | 400 | 272 | 157 | 53 |
| 2，325 | 2，350 | 215 | 100 | 5 䜌 | 4， 800 | 4，850 | 641 | 527 | 410 | 280 | 165 | 60 |
| 2，360 | 2，375 | 219 | 109 | 9 紋 | 4，850 | 4，900 | 6.50 | 536 | 410 | 289 | 173 | 67 |
| 2，376 | 2，400 | 223 | 113 | 12 紋 | 4，900 | 4，960 | 658 | 544 | 429 | 297 | 181 | 74 |
| 2．400 | 2，425 | 227 | 117 | 16 䋾 | 4，960 | 5， 000 | 667 | 553 | 438 | 306 | 189 | 81 |
| 2，426 | 2，450 | 231 | 121 | 19 紋 |  | 5， |  |  |  |  |  |  |

PAGE 6
1966 taX table b-for married persons filing joint returns
To ond your tax read down income columns until you find the lino covering the total income shown as item 7. Then read acrose to the appropriate column headed by the number corresponding to the number of exemptions clamed on item 15 . Enter tax in item 8 .

| It your total income is - |  | And the numbet of exemptions is- |  | 11 your lotal Income is- |  | And the number of exemptions is- |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Al least | But less than | 2 | 3 | At least | But less than | 2 | 3 | 4 | 5 | $\frac{6}{\substack{\text { If or more } \\ \text { thate } 13 \\ \text { no } 13 x}}$ |
|  |  |  | $\left\lvert\, \begin{aligned} & \text { If } 4 \text { or more } \\ & \text { there is } \\ & \text { no tax } \end{aligned}\right.$ |  |  |  |  |  |  |  |
|  |  | Your tax is-- |  |  |  |  |  | Yourtax is- |  |  |
| \$0 | \$1,600 | \$0 | \$0 ${ }^{x}$ | \$2,800 | \$2,825 | \$172 | \$72 | \$0 | \$0 | \$0 |
| 1. 600 | 1,625 | 2 | 0 | 2,825 | 2,850 | 176 | 75 | 0 | 0 | 0 |
| 1,625 | 1,650 | 5 | 0 | 2,850 | 2,875 | 179 | 79 | 0 | 0 | 0 |
| 1,650 | 1,675 | 9 | 0 | 2,875 | 2, 900 | 183 | 82 | 0 | 0 | 0 |
| 1,675 | 1,700 | 12 | 0 ) | 2,900 | 2,925 | 187 | 86 | 0 | 0 | 0 |
| 1,700 | 1,725 | 16 | 0 | 2,925 | 2,950 | 191 | 89 | 0 | 0 | 0 |
| 1,725 | 1,750 | 19 | 0 \% | 2,950 | 2,975 | 194 | 93 | 0 | 0 | 0 |
| 1,750 | 1,775 | 23 | 0 \% | 2,975 | 3, 000 | 198 | 96 | 0 | 0 | 0 |
| 1,775 | 1,800 | 26 | 0 | 3,000 | 3,050 | 204 | 102 | 4 | 0 | 0 |
| 1,800 | 1,825 | 30 | 0 | 3,050 | 3,100 | 211 | 109 | 11 | 0 | 0 |
| 1,825 | 1,850 | 33 | $0 \times$ | 3, 100 | 3. 150 | 219 | 116 | 18 | 0 | 0 |
| 1,850 | 1,875 | 37 | 0 - | 3,150 | 3, 200 | 226 | 123 | 25 | 0 | 0 |
| 1,875 | 1,900 | 40 | 0 | 3,200 | 3,250 | 234 | 130 | 32 | 0 | 0 |
| 1,900 | 1,925 | 44 | 0 | 3,250 | 3, 300 | 241 | 137 | 39 | 0 | 0 |
| 1,925 | 1,950 | 47 | 0 \% | 3,300 | 3,350 | 249 | 144 | 46 | 0 | 0 |
| 1,950 | 1,975 | 51 | 08 | 3,350 | 3,400 | 256 | 151 | 53 | 0 | 0 |
| 1,975 | 2,000 | 54 | 0 ) | 3,400 | 3,450 | 264 | 159 | 60 | 0 | 0 |
| 2, 000 | 2,025 | 58 | 0 | 3,450 | 3,500 | 271 | 166 | 67 | 0 | 0 |
| 2, 025 | 2, 050 | 61 | 0 | 3,500 | 3,550 | 279 | 174 | 74 | 0 | 0 |
| 2, 050 | 2,075 | 65 | 0 \% | 3,550 | 3,600 | 286 | 181 | 81 | 0 | 0 |
| 2,075 | 2,100 | 68 | 0 | 3, 600 | 3,650 | 294 | 189 | 88 | 0 | 0 |
| 2,100 | 2,125 | 72 | 0 | 3,650 | 3,700 | 302 | 196 | 95 | 0 | 0 |
| 2,125 | 2,150 | 75 | $0{ }^{1+}$ | 3,700 | 3,750 | 310 | 204 | 102 | 4 | 0 |
| 2,150 | 2,175 | 79 | 0 - | 3,750 | 3,800 | 318 | 211 | 109 | 11 | 0 |
| 2,175 | 2, 200 | 82 | 0 \% | 3,800 | 3,850 | 326 | 219 | 116 | 18 | 0 |
| 2, 200 | 2,225 | 86 | $0 \leqslant$ | 3,850 | 3,900 | 334 | 226 | 123 | 25 | 0 |
| 2, 225 | 2, 250 | 89 | 0 W | 3,900 | 3,950 | 342 | 234 | 130 | 32 | 0 |
| 2, 250 | 2,275 | 93 | $0-1$ | 3,950 | 4,000 | 350 | 241 | 137 | 39 | 0 |
| 2, 275 | 2,300 | 96 | 0 | 4,000 | 4, 050 | 358 | 249 | 144 | 46 | 0 |
| 2,300 | 2,325 | 100 | 2 | 4, 050 | 4,100 | 365 | 256 | 151 | 53 | 0 |
| 2,325 | 2,350 | 103 | 5 - | 4, 100 | 4,150 | 372 | 264 | 159 | 60 | 0 |
| 2,350 | 2,375 | 107 | 9 | 4,150 | 4,200 | 379 | 271 | 166 | 67 | 0 |
| 2,375 | 2,400 | 110 | 12 | 4, 200 | 4,250 | 386 | 279 | 174 | 74 | 0 |
| 2,400 | 2,425 | 114 | $16 \times$ | 4,250 | 4,300 | 394 | 286 | 181 | 81 | 0 |
| 2,425 | 2,450 | 117 | 19 . | 4,300 | 4,360 | 401 | 294 | 189 | 88 | 0 |
| 2, 450 | 2,475 | 121 | 23. | 4,350 | 4, 400 | 408 | 302 | 196 | 95 | 0 |
| 2,475 | 2,500 | 124 | 26 | 4,400 | 4,450 | 415 | 310 | 204 | 102 | 4 |
| 2,500 | 2,525 | 128 | 30 | 4,450 | 4,500 | 422 | 318 | 211 | 109 | 11 |
| 2,525 | 2,550 | 131 | 33 ¢ | 4,500 | 4,550 | 430 | 326 | 219 | 116 | 18 |
| 2,550 | 2,575 | 135 |  | 4,550 | 4,600 | 437 | 334 | 226 | 123 | 25 |
| 2,575 | 2,600 | 138 | 40 | 4, 600 | 4, 650 | 444 | 342 | 234 | 130 | 32 |
| 2,600 | 2,625 | 142 | 44 | 4,650 | 4,700 | 451 | 350 | 241 | 137 | 39 |
| 2,625 | 2,650 | 146 | 47 | 4,700 | 4,750 | 459 | 358 | 249 | 144 | 46 |
| 2,650 | 2,675 | 149 | 51 | 4,750 | 4,800 | 467 | 366 | 256 | 151 | 53 |
| 2,675 | 2,700 | 153 | 54 年 | 4, 800 | 4,850 | 474 | 374 | 264 | 159 | 60 |
| 2,700 | 2,725 | 157 | 58 | 4,850 | 4,900 | 482 | 382 | 271 | 166 | 67 |
| 2, 725 | 2,750 | 161 | 61 - | 4,900 | 4,950 | 490 | 390 | 279 | 174 | 74 |
| 2,750 | 2,775 | 164 | 65 \% | 4,950 | 5, 000 | 497 | 398 | 286 | 181 | 81 |
| 2,775 | 2,800 | 168 | 68 \%ut |  |  |  |  |  |  |  |

1966 TAX TABLE C-FOR MARRIED PERSONS FILING SEPARATE RETURNS
 uses the $10 \%$ deduction, then both must use $H$. II ona asks the Interrial Revenue Service to figure his tax, then the other must do the same or use the $10 \%$ daduction.

To fnd your tax read down income columns untit you find the line covering the total income shown as item 7. Then read across to the appropriate column headed by the number corresponding to the number of exemptions elaimed on item 15 . Enter tax in iteni 8 .


## MAILING ADDRESSES OF DISTRICT DIRECTORS' OFFICES AND INTERNAL REVENUE SERVICE CENTERS

Following is a list of District Directors' offices and Internal Revenue Service centers. If there is more than one District Director's office in your State and you are not sure which one to use, consult your local post office. Use street address only if shown.

Send your return to "Internal Revenue Service" at following addresses:

| STATE | REFUND RETURNS | OTHER RETURNS |
| :---: | :---: | :---: |
| ALABAMA | 4800 Buford Highway, Chamblee, Ga., 30006 | Birmingham, A |
| ALASKA | 1160 West 1200 South, Ogden, Utah, 84405 | Anchorage, Alaska, 99501 |
| ARIZONA | 1160 West 1200 South, Ogden, Utah, 84405 | Phoenix |
| ARKANSAS | 3651 Interregional Highway, Austin, Tex., 78740. | Little Rock, Ark., 7220 |
| CALIFORNIA | Los Angeles, Calif., 90012; San Francisco, Calif., 94102. | Los Angeles, Calif., 90012; San Francisco, Calif., 94102. |
| colorado | 3651 Interregional Highway, Austin, Tex., 78740. | Denver, Colo., 80202. |
| CONNECTICU | Hartford, Conn., 06115 | Hartford, Conn., 06115. |
| DELAWARE | 11601 Roosevelt Blvd., Philadelphia, Pa., 19155. | Wilmington, Del., 19802. |
| DISTRICT OF COLUMBIA | 11601 Roosevelt Blvd., Philadelphia, Pa., 19155. | Baltimore, Md., 21202. |
| FLORIDA | 4800 Buford Highway, Chamblee, Ga., 30006 | Jacksonville, Fla., 32202. |
| GEORGIA | 4800 Buford Highway, Chamblee, Ga., 30006. | Atlanta, Ga., 30303. |
| HAW | 1160 West 1200 South, Ogden, Utah, 84405 | Honolulu, Hawaii, 96813. |
| IDAHO | 1160 West 1200 South, Ogden, Utah, 84405 | Boise, Idaho, 83701. |
| ILLINOIS INDIANA | Chicago, Ill., $60602 ; ~ S p r i n g f i e l d, ~ I l l ., ~$ 222 E. Central Parkway Cincinnati, Ohio 45298. | Chicago, ill., 60602; Springfield, Ill., 62704. |
| IOWA | 222 E. Central Parkway, Cincinnati, Ohio, 45298 | Indianapolis, Ind., 46204. |
| KANSAS | 3651 Interregional Highway, Austin, Tex., 788740 | Des Moines, lowa, 50309. |
| KENTUCKY | 222 E. Central Parkway, Cincinnati, Ohio, 45298 | Louisville, Ky., 40202. |
| louisiana | 3651 Interregional Highway, Austin, Tex., 78740 | New Orleans, La., 70130. |
| maine | Augusta, Maine, 04330 | Augusta, Maine, 04330. |
| MARYLAND | 11601 Roosevelt Blvd., Philadelphia, Pa., 19155 | Baltimore, Md., 21202. |
| MASSACHUSETTS | Boston, Mass., 02203 | Boston, Mass., 02203 |
| MICHIGAN | 222 E. Central Parkway, Cincinnati, Ohio, 45298 | Detroit, Mich., 48226. |
| MINNESOTA | St. Paul, Minn., 55101 | St. Paul, Minn., 55101. |
| MISSISSIPPI | 4800 Buford Highway, Chamblee, Ga., 30006 | Jackson, Miss., 39202. |
| MISSOURI | St. Louis, Mo., 63101 | St. Louis, Mo., 63101. |
| MONTANA | 1160 West 1200 South, Ogden, Utah, | Helena, Mont., 59601. |
| NEBRASKA | Omaha, Nebr., 68102 | Omaha, Nebr., 68102. |
| NEVADA | 1160 West 1200 South, 0 | Reno, Nev., 89502. |
| NEW HAMPSHIRE | Portsmouth, N.H., 03801 | Portsmouth, N.H., 03801. |
| NEW JERSEY | 11601 Roosevelt Blvd., Philadelphia, Pa., 19155 | Newark, N.J., 07102. |
| NEW MEXICO | 3651 Interregional Highway, Austin, Tex., 78740. | Albuquerque, N. Mex., 87101. |
| NEW YORK | Brocklyn, N.Y., 11201; 120 Church St., New York, N.Y., 10007; Albany, N.Y., 12210; Buffalo, N.Y., 14202. | Brooklyn, N.Y., 11201; 120 Church St., New York, N.Y., 10007; Albany, N.Y., 12210; Buffalo, N.Y., 14202. |
| NORTH CARO | 4800 Buford Highway, Chamblee, Ga., 30006 . . | Greensboro, N.C., 27401. |
| NORTH DAKO | Fargo, N. Dak., 58102.1 | Fargo, N. Dak., 58102. |
| OHIO | 222 E. Central Parkway, Cincinnati, Ohio, 45298. | Cleveland, Ohio, 44113; Cincin |
| OKLAHOMA | 3651 Interregional Highway, Austin, Tex., 78740. | Oklahoma City, Okla., 73102. |
| OREGON | 1160 West 1200 South, Ogden, Utah, 84405 | Portland, Oreg., 97 |
| panama canal zone | Director of International Operations, Washington, D.C., 20225. | Director of International Operations, Washing. ton, D.C., 20225. |
| PENNSYLVANIA | 11601 Roosevelt Blvd., Philadelphia, Pa., 19155. | Philadelphia, Pa., 19108; Pittsburgh, Pa., 15222. |
| PUERTO RICO | Director of International Operations, U.S. Iniernal Revenue Service, Ponce de Leon Ave. and Bolivis St., Hato Rey, Puerto Rico, 00917. | Director of International Operations, U.S. Internal Revenue Senvice, Ponce de Leon Ave and Bolivia St., Hato Rey, Puerto Rico, 00917. |
| RHODE ISL | Providence, R.I., 02907 |  |
| SOUTH CAROLINA | 4800 Buford Highway, Chamblee, Ga., 3000 | Columbia, S.C., 29201 |
| SOUTH DAKOTA | Aberdeen, S. Dak., 57401 | Aberdeen, S. Dak., 57401. |
| TENNESSEE | 4800 Buford Highway, Chamblee, Ga., 30006 | Nashville, Tenn., 37203. |
| TEXAS | 3651 Interregional Highway, Austin, Tex.., 78740 | Austin, Tex., 78701; Dallas, Tex., 75201. |
| UTAH | 1160 West 1200 South, Ogden, Utah, 84405 | Salt Lake City, Utah, 84110. |
| VERMONT | Burlington, Vt., 05402 | Burlington, Vt., 05402. |
| VIRGINIA | 11601 Roosevelt Blvd., Philadelphia, Pa., 19155 | Richmond, Va., 23240. |
| VIRGIN ISLANDS | Permanent residents: Department of Finance, Tax Department, Charlotte Amalie, St. Thomas, V.I., 00801; Others: Director of International Operations, Internal Revenue Service, 1105 Fernandez Juncos Avenue, Santurce, P.R., 00907. | Permanent residents: Department of Finance, Tax Department, Charlotte Amalie, St. Thomas, V.I., 00801; Others: Director of International operations, Internal Revenue Service, 1105 Fernandez Juncos Avenue, Santurce, P.R., 00907. |
| WASHINGTON | 1160 West 1200 South, Ogden, Utah, 84405 | Tacoma, Wash., 98402. |
| WEST VIRGIN | 222 E. Central Parkway, Cincinnati, Ohio, 45298 | Parkersburg, W. Va., 26102. |
| WISCONSIN | Milwaukee, Wis., 53202 | Milwaukee, Wis., 53202. |
| WYOMING | 3651 Interregional Highway, Austin, Tex., 78740 | Cheyenne, Wyo., 82001. |
| FOREIGN ADDRESSES | Taxpayers with legal residence in Foreign Coun-tries-Director of International Operations, Internal Revenue Service, Washington, D.C., 20225. | Taxpayers with legal residence in Forelgn Countries-Director of International Operations, Internal Revenue Service, Washington, D.C., 20225. |



PART I. Exemptions Cumplete only for dependents claimed on line 3b, page 1

| (a) NaMk (ll more space is needed allash silitule) | (b) Relationsmip | (c) Munths laved ill your home. If thorn or ded dur." ing year white " $\mathbf{8}$ of "0" | $\begin{aligned} & \text { Id Did dipent. } \\ & \text { ent hate incone } \\ & \text { of } \$ 000 \text { or more? } \end{aligned}$ | e. Anount YOU lumished for dependents supnals. if $100 \%$ write "ALL" | $\begin{aligned} & \text { "A Aliount furnished } \\ & \text { by OTHERS melud. } \\ & \text { ing dependent. } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1 |  |  |  | \$. |  |
| 2 |  |  |  |  |  |
| 3 Total number of dependents listed | Enter here and on page 1. line 3b |  |  | . . . . . . | - $\rightarrow$ |

PART II. Income from sources other than wages, etc.
la Dividends and other distributions on stock (Name of payerwrite (H), (W), (1), tor stach held by husband, wife, or jointly)


## PART III. Adjustments

1 "Sick pay" if included in line 5 , page 1 (attach form 2440 or other required statement).
2 Moving expenses (attach Form 3903).
3 Employee business expense (attach Form 2106 or other statement)
4 Payments by self-employed persons to retirement plans, etc. (attach Form 2950SE).
5 TOTAL ADJUSTMENTS (lines 1 through 4). Enter here and on page 1 , line 8.
EXPENSE ACCOUNT INFORMATION-II you had an expense allowance or charged expenses to your employer, check here $\square$ and see page 7 of instructions.

PART IV. Itemized deductions-Use only if you do not use tax table or standard deduction.
Mcdical and dental expense (not compensated by insurance or otherwise)-Attach itemized list. If 65 or over see instructions.

Contributions.-Cash-including chechs, money orders, etc. (itemize)


Miscellaneous deductions.- (see page 9 of instructions)


Schedule b (Form 1040)
U.S. Treasury Department Internal Revenue Service

## Supplemental Schedule of Income and Retirement Income Credit

(From pensions and annuities, rents and royalties, partnerships, and estates or trusts) Attach this schedule to your income tax return, Form 1040

## Part I.-PPENSION AND ANNUITY INCOME

A.-General Rule (if you did nol contribute to the cost of the penston or annuity, enter the total amount received on line 6 and omit lines $I$ through 5 .)

1 Investment in contract . . . . . $\quad$. 4 Amount received this year . . . . . .
2 Expected return.
3 Percentage of income to be ex. cluded (line 1 divided by line 2) .

5 Amount excludable (line 4 multi plied by line 3).
F 6 Taxable portion (excess of line 4 over line 5).
B.-Special Rule-Where your employer has contribuled parl ol the cost and your own contribution will be recovered lax-lree wilhin 3 years. II your cost was fully recovered in prior years, enter the total amount received on line 5 and omit lines 1 through 4.

| 1 | Cost of annuity (amounts you paid). |  | 4 Amount received this year . . . |
| :--- | :--- | :--- | :--- |
| 2 | Cost received tax-free in past years. |  |  |
| 3 | Remainder of cost (line 1 less line 2). |  |  |

Part II.-RENT AND ROYALTY INCOME


2 Net income (or loss) from renls and royalties (column 2 plus column 3 less columns 4, 5, and 6)
Part III.—INCOME OR LOSSES FROM PARTNERSHIPS, ESTATES OR TRUSTS, ETC.
1 Partnerships (name, address, and nature of income)

2 Small business corporations (subchapler S-name and address)

3 Estates or trusts (name and address)
Total of Parts I, II, and III (Enter here and on page 2, Part II, line 3, Form 1040)
Part IV.—SCHEDULE FOR DEPRECIATION CLAIMED IN PART II ABOVE—This schedule is designed for taxpayers using the atternative guidelines and administrative procedures described in Revenue Procedures 62-21 and 65-13 as well as for those taxpayers who wish to continue using practices authorized prior to these revenue procedures. Where double headings appear use the first heading for depreciation under Revenue Procedures 62-21 and 65-13 and the second heading for other authorized practices.


2 Total depreciation (Enter here and in Part II, column 4 above)
SUMMARY OF DEPRECIATION

|  | Straight line | Declining balance | Sum of the years digits |
| :---: | :---: | :---: | :---: |
| 1 Under Rev. Proc. 62-21. |  |  |  |


| Units of <br> production | Additional fifst year <br> (section 179$)$ |
| :---: | :---: |
|  |  |


$|$| 0ther (specity) |
| :---: |
| $\ldots \ldots \ldots \ldots$ |

## Part V.—RETIREMENT INCOME CREDIT

## A.-General Rule


B.-Alternative Computation (after completing lines 1 through 7(a) above)

This method $\begin{aligned} & \text { a. You are married and filing a joint return; } \\ & \text { b. Booth }\end{aligned}$
available if:
b. Both husband and wife are 65 or over, ANO
c. Either one, or both received earned income in excess of $\$ 600$ in each of any 10 calendar years before 1966.

Furnish the information calied for below for both husband and wife even if only one answered "Yes" in column $A$ or $B$ above.
1 Retirement income of both husband and wife from pensions and annuities, interest, and dividends included on page 1, line 9, Form 1040, and gross rents from Part II, column 2 of this schedule

2 Maximum amount of retirement income for credit computation . . . . . . . . . . . . . . . _ 2,28600
3 Deduct:
(a) Amounts received as pensions or annuities under the Social Security Act, the Railroad Retrement Acts, and certain other exclusions from gross income.
(b) Earned income received (Does not apply to persons 72 years of age or over):
if $\$ 1,200$ or less, enter zero
if over $\$ 1,200$ but not over $\$ 1,700$ enter $1 / 2$ of amount over $\$ 1,200$; or
if over $\$ 1,700$, enter excess over $\$ 1,450$. .
4 Total of lines 3(a) and 3(b)
5 Total (add amounts on line 4, columns A and B)
6 Balance (subtract line 5 from line 2)
7 Enter here and on line 7(b) of part $A$ above, the amount on line 6 or line 1 , whichever is smaller


## A Special Message for Taxpayers

This package of forms and instructions is designed to help you prepare your Federal income tax return. We think it will answer most of your questions, but if for any reason you need more information, please feel free to call any Internal Revenue office.
Under the law you must file your return by April 17, 1967. (April 15 is the regular date, but it falls on a weekend this year, so the deadline is the next regular workday if you need it.)
Please try not to wait until the last minute to prepare your return. Allow yourself enough time to get together all the figures on your income and deductions and to look up the answers to any questions you may have. Filing an accurate return will save you time and trouble, and will also save the Government money by making follow-ups unnecessary.

There were few major changes in the law last year, so the tax forms have changed very little. Because many people are entitled to a credit for social security taxes where wages were received from two or more employers, we have added a special line identified as "Excess F.I.C.A. Tax Withheld." Specific places also have been provided for credits allowable for Federal excise taxes on gasoline used off the highway (mostly on farms or in boats) and for taxes paid by regulated investment companies (mutual funds). For a description of these new items, see page 5 of this package.
You can help us and help yourself by doing the following: Please use the preaddressed return form if one is furnished. If not, be sure to print your name, address, and ZIP code.
Copy your social security number exactly as it appears on your account card.
Be sure to fill out each item on the form that applies to you. You may find it helpful to work right along with the instructions. Attach Forms W-2 to your return. If you don't have one, please tell us why.
Be sure to sign your return.
We in the Internal Revenue Service sincerely appreciate your cooperation.


Commissioner of Internal Revenue

## Investment Credit—Accelerated Depreciation

At the time this package was printed, the Congress was considering a proposal for temporarily modifying the availability of the investment credit and accelerated depreciation. If you are affected by these items, you will have to take into account whatever provisions Congress enacts. The Service will also use news media and any other means available to provide supplemental advice and instructions for those affected.


INTERNAL REVENUE SERVICE

## Federal Income Tax Forms for 1966 |

Tax Returns (Form 1040)
Other Income and Credit Schedules
Business Schedules
Capital Gains Schedules
Estinsated Tax Forms (1967)
Form 3468
Form 4136

## HOW TO USE FORM 1040

Individuals lave two return forms to chome from, Forn 1010 and card fom, Fona 1040A. Vou can the the simpler retum (Fom 1010.1), printed on a pronch card. if:

1. Your income was lese than $\$ 10,000$, AND
2. It consisted of wages subject to withhoiding tax and not more than $\$ 200$ toial of othet vatgec, interest, and dividends, AND
3. Instead of itemizing deductions, you wis! to use the tax table or to tate tie stundard decluction.

The instructions for Form 1010A provide fuctler information about its use.

Fom 1040 is limited to a simgle sheet. Supporting schedules may be attached aceneding to the individual necds of each tovepayer.

Gencually, if your income was entirely from salary, wages, interest, dividends, and somices other than tho for which schedules ( $B, C, D$, and $F$ ) are reguired as prescribed below, you will need only Form 1010. You can use it whether you tabe the standard deduction or itemize deductions.

Schedules and forms which may be recusined in addition to Form 1040 inclucle the following:

Schedule $B$ for income from pensions, annuities, rents, royalties, partnerships, estates, trusts, etc.;
Schedule C for income from a personally owned business;
Schedule D for income from the sale or eschange of property;
Schedule $F$ for income from farming;
Schedule $G$ for income averaging;
Form 1310, Statement of Claimant to Refund Due-Deceased Taxpayer;
Form 2106, Statement of Emplojee Buciness Expenses;
Form 2120, Multiple Support Declaration;
Form 2210, Statement Relating to

Underpayment of Estimated Income Tas by Incividuals;
Fomm 2110. Siatement to Stipeort Exclision or Sick Pay;
Fom 2th, Stamment of Expenses for Cire of Children and Certain Other 1 eperenclents;
Form 2948, Merlical and Dental Expense Statement:
Form 9003 . Mosinio Fspense Adjustnent;
Fom 4136. Connoutation of Credit for Federal Tas on Gasoline and Lubricating Oil; and
Form 1137, Compatation of Social Securicy $\Gamma$ ax oil Unreported $\mathrm{Ti}^{\text {p }}$. income.
These seluechules and forms as well as other supporting sehedules may be obtained from any Internal Revenue Servicr office.

## WHO MUST FILE A TAX RETURN

Every citizen or resident of the United States-whether an adult or minorwho had $\$ 600$ or more income in 1966 must file; if 65 or over, $\$ 1,200$ or more.

A person with income of less than these amounts shouid file a return to get a refund if tax was withleld. Generally, a married person with income less than her (his) own personal exemption will get the smaller tax or larger refund by filing a joint return with husband or wife.

You must also file a timcly return to obiain a scfund of Federal croise taxes on gasolinc and lubricating oil used for monhighway furposes. Sce Form 4136

## WHEN AND WHERE TO FILE

Please file as early as possible with the District Director of Internal Revenue for your district or with your Internal Revenue Service Center as shown on page 10. File your return on or after January 1, 1967, but not later than Monday, April 17, 1967 (since the April 15th due date falls on a weekend in 1967). U.S. citizens abroad who have no legal residence or place of business in the United

States should filc with livector of 1 n teriational Operations, Internal Jewenuc Service, Warhingion, D.C. 20225.

Earned Income From Sources Oulside the Uniled Slates. - To detemine whether an incoust tax retum must be filed, income nutut be computed without regurd to the exclasion provided for income eanned from sources outside the United States. If you received such income and beliese it is cacludable for income tas purposes, attach Form 2355 to your return.

Social Securily Number. - Be sure to enter your number in the space provided, exactly as shown on your card. If you need a number, file application Form SS-5 with the local office of the Social Security Administration. File the application early to make certain you leceive your card before the deadline for filing your return. If you file an application but do not receive your card by that date-file your return and enter "Applied for" in the space provided for the number.

## MEMBERS OF ARMED FORCES

A member of the Armed Forces should give his name, social security number, permanent home address, and serial number.

An enlisted man may exclude all service compensation for each month for which he served in a combat zone and each month for which he was hospitalized as a result of such service. For this purpoie service for any part of a month is considered a full month. A commissioned officer may exclude up to $\$ 200$ a month of such compensation. Forms $16-2$ iscued for 1966 by the Armed Forces ordinarily do not include these payments. If there is any doubt as to whether the amount shown on your Form W'-2 includes the nontaxable amount, contact the pay office which issued the form. If the nonta vable portion was included on Form W-2, you
will he issued a con rected Fonm W-2 or a certificate to suppoit exclusion. If you are issued a certificate. deduct the amount shown on the rerificate from the wages shown on Fom IW-2 and include the difference in line 5 , and attach the certificate to your remon. If you are issued a corrected Fom W-2 inchude the amount shown on that fom in line 5.

## DECEASED TAXPAYERS

Where a person died in 1966, or in 1967 before filing a return for 1966, the cyecutor, administrator, or survising wife (huband) must file a return for the decedent. An executer or administrator may elect to file a joint return with the surviving wife (lusband). If an exccutor or administrator has not been appointed, the survivor may file a joint retum and indicate that she (he) is filing as surviving wife (husband) in the signature area of the return.

Enter the date of death in the name and address area of the return. If a refund is due, attach Form 1310, Statement of Chimant to Refund Due-Deceased Taxpayer.

## WHERE TO GET FORMS

As far as practical, the forms are mailed directly to taxpayers. Additional forms may be obtained from any Internal Revenue Service office, and also at many banks and post offices.

## HOW TO PAY

The balance of tax shown to be due on page 1, line 22, Form 1040 must be paid in full with your return if it amounts to $\$ 1.00$ or more. Make checks or money orders payable to "Intemal Revenuc Service." Please enter your social security number on your check or money order.

## ROUNDING OFF TO WHOLE DOLLARS

The money items on your return and schedules may be shown in whole dol-
lars. This means that you eliminate any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next higher dollar.

## attachments to the return

All applicåble itens of income, adjustments, tax computation and decluctions should be filled in on the official return forms and schedules. If more space is needed attach statements following the format of the official forms and attach them in the same order. The totals indicated on the supporting statements should also be entered on the proper lines of the official forms.

The computations of social security self-employment tax and earning must be submitted on the official forms, Schedules C-3 and F-1. The computation of employec F.I.C.A. tax on unreported tips must be submitted on the official form, Form +137 .

## MARRIED PERSONS—JOINT OR SEPARATE RETURNS

Advantages of a Joint Return.-Generally it is advantageous for a marricd couple to file a joint return. There are bencfits in figuring the tax on a joint return, which often result in a lower tax than would result from separate returns.
How To Prepare a Joint Return.-You must include all income, exemptions and deductions of both husband and wife. In the return heading, list both names including middle initials (for example: "John F. and Mary L. Doe"). Both must sign the return.
A husband and wife may file a joint return even though one of them had no income. A joint return may not be filed if either husband or wife was a nonresident alien at any time during the taxable year.
When a joint return is filed, each assumes full legal responsibility lor the entire tax, and if one fails to pay, the other must pay it.
How To Prepare a Separate Return.-Separate returns may be filed by husband and wife where each has income of his

Unmarried Head of Household.-The law provides special tax rates for any individual who qualifies as a "IIcad of IInuschotd." Sce Schedute 1II, page 11, and Tax Table B, page 13. Only the following persons may qualify: (a) one who is unmanied (or legally separated) at the end of the taxable year, or (b) one whon is married at the end of the year to an individual who was a monresident alien at any time daring the taxable

own. In such case each should report his or her own income, exemptions and deductions in separate returns. Only the name of the filer should be entered in the name and address area of the return. Check the box "Married filing separately," page 1, line le of the return and give the first name and social security number of your husband or wife in the space provided. When filing separate returns, the husband and wife should each claim the allowable deductions paid with his or her own funds. (In community property States, deductions resulting from payments made out of funds belonging jointly to hushand and wife may be divided half and half.)

If one itemizes and claims actual deductions then both must do so. If one uses the 10 percent standard deduction (instead of the minimum standard de-duction-page 1, line 11a(2), Form 1040), then the other may not use the minimum standard deduction.
A separate return may also be filed where only the husband or wife had in-

## SPECIAL COMPUTATIONS

year. In addition, you must haye furnished over half of the cost of maintaining as your home a houschold which during the entire jear, except for temporary absence, was occupied as the principal place of abode and as a member of such houschold hy (1) any related person other than your ummaried child or stepchild (see list on page 4) for Whom you are contitled to a deduction for an exemption, unless the deduction
come. Enter only the name of the one having income in the name and iddress area. Check the box "Married filing separately," page 1 , fine 1 c of the return and do not enter your wife's (husband's) first name or social sccurity number. To claim the exemption for your wife or husband check the boses provided on page 1 , line 2.

Changes in Marital Status.-If you are marricd at the end of your taxable year. you are considered married for the entire year. If you are divorced or legally separated on or before the end of youn taxable year, you are considered single for the entire year.
If your wife or husband died during the year, you are considered manried for the entire year. Generally a joint return may be filed for the year provided you have not remarried before the end of the year. You may also be entitled to the benefits of a joint setum for the 2 year following the death of your husband or wife. Sce "Widows and Widowers." under "Special Computations" below.
arises from a multiple support agrerment, or (2) your ummarried chilt. grandchild, or stepchild, even though such child is not a dependent.

The home you maintain for your father and mother need not be your residence.

Widows and Widowers.-Under certain conditions a taxpayer whose husband (or wifc) has died during either of her

## GENERAL INSTRUCTIONS—Continued

two preceding tavable years may compute her tax by including only her income, exemptions, and deductions, but otherwise computing the tav as if a joint return were being filed. See Schedule 11. page 11, and Tax Tahle B, page 13 .

However, the exemption for the decedent may be claimed only for the year of death.

The conditions are that the taxpayer (a) must not have remarried, (b) must maintain as her home a household

Which is the principal place of abode of her child of stepehild for whon she is entided to a deduction for an exemptimn, and (c) must have been entitled to file a joint return with her lusband (os wife) for the your of death.

## HOW TO REPORT YOUR INCOME

All income in whatever form received which is not specifically exempt must be included in your income tax return, even though it may be offset by deductions. Fxamples are given below:

## Examples of Income Which Must Be Reported

Whag's, salaries, bonuses, commissions, fees, tips, and gratuitios.
Dividends.
Earmines (interest) from savinge and loan associations, mutual savings banks, credit unions, etc.
Interest on tav refunds
Interest on bank deposits, bonds, notes.

Interest on U.S. Savings Bonds.
Profits from business or profession.
Your share of partnership profits.
Profits from sales or exchanges of real estate, securities, or other property.
Pensions, annuities, abdownents.
Rents and rovalties.
Your share of estate or trust income.

Fapplower un-mploy mant lun fits (S U D ) . Alimony, separate maintenance or support payments roccived from (and deductible be) your busband (oz wifo)

Refunds of Stato and loenl lase (rwimeipl antounts) if deducted in a prien seme aml resulted in tax bent-fas

Exomples of Income Which Should Not Be Reported
Disability retirement pavments and other ben- Workmen's compensation, insurance, dam- Railroad Retirement Art benefits. efits paid by the Veterans Administration. Dividends on veterans' insurance.

Workmen's compensation, insurance, dam- Railroad Retirement Art bene
ages, etc., for injury or sickness.
Interest on State and municipal bonds.
Life insurance proceeds upon death.
Fediral Social Security benofits.

## INSTRUCTIONS FOR PAGE 1 OF FORM 1040

## Exemptions ( $\$ 600$ for Each Allowable Ex- of the visual field subtends an angle no emption) greater than $20^{\circ}$

Line 2-YOU AND WIPE
For You.-You, as the taxpayer, are always entitled to at least one evemption. If, at the end of your taxable year, you were either blind or 65 or over, you get two exemptions. If you were both blind and 65 or over, you get three exemptions. Be sure to check the appropriate boxes. Age and blindness are determined as of December 31, 1966. Your age is determined on the day before your actual bithday and, thus, if your 65th birthday was on January 1 , 1967, you get the additional exemption for age on your return for 1966.

For Your Wife.-An exemption is allowed for your wife (or husband) if you and she are filing a joint return. If you file a separate icturn, you may claim her exemptions only if she had no income and was not the dependent of another taxpayer. You are not entitled to an excmption for your wife on your return if she files a separate return for any reason (for example, to obtain a refund of tax withheld where her income is less than $\$ 600$ ). Otherwise, your wife's exemptions ane like your own-one, if she was neither blind nor 65 or over; two, if she was either blind or 65 or over; three, if she was both blind and 65 or over.
In Case of Deahh.-If your wife or husband died during 1966, the number of her or his exemptions is determined as of the date of death.
Proof of Blindness.- If totally blind, a statement to that effect must be attached to the return. If partially blind, attach a statement from a qualified physician or a registered optometrist that (1) central visual acuity did not exceed $20 / 200$ in the better eye with correcting lenses, or (2) that the widest diameter

Line 3-CHILDREN, OTHER DEPENDENTS
Enter on line 3a the first names and the total number of your dependent children who lived with you during 1966.

Enter on line 3b the total number of dependents from page 2, Part 1, line 3 of your return.

Each child, stepchild and other dependent claimed must meet all of the following tests:

1. Income.-Received Iess than $\$ 600$ income (if the child was under 19 or was a student, this limitation does not apply), and
2. Support-Reccived more than half of his or her support from you (or from husband or wife if a joint return is filed), (see definition of support on this page), and
3. Married Dependents.-Did not file a joint return with her husband (or his wife), and
4. Nationality.-Was either a citizen or resident of the United States or a resident of Canada, Mexico, the Republic of Panama or the Canal Zone; or was an alien child adopted by and hving with a United States citizen abroad, and
5. Relationship.-Eituer (1) for your entire taxable ycar had your home as his principal place of abode and was a member of your household; or (2) was related to you (or to husband or wife if a joint return is filed) in one of the following ways:

| Child* | Stepbrother | Son-in-law |
| :---: | :---: | :---: |
| Stepchild | Stepsister | Daushter-in-la |
| Mother | Stepmother | The following if |
| Father | Stepfather | related by blood: |
| Grand- | Mother-in-law | Uncle |
| parent | Father-in-law | Aunt |
| Brother | Brother-in-law | Nephew |
| Sister | Sist | Niece |
| Grandchil |  |  |

*Includes a child who is a member of your household if placed with you by an dutherized plarement ageney for legal adophion

Defintion of Support-Support includes food, shelter, clothing, medied and dental care, education, and the lil.". Generally, the amount of an item of suppost will be the amount of expense incurred by the one furnishing surh item If the item of support funnished by an individual is in the fom of property ot lodging, it will be necerssary to measum. the amount of such item of suppert in terms of its fair market value. In computing the amount of support inchude amounts contributed by the dependent for his own support and also amounts ordinarily excludable fiom income (for example, social security benefits).

In figuring whether you provide more than half of the support of your child who is a student, you may disregard amounts received by him as scholarships.

Birth or Death of Dependent.-Y'ou can claim a full $\$ 600$ evemption for a dependent who was born or dicel during the year if the tests for claiming an esemption for such dependent are met for the part of the year during which he was alive.

Support by More Than One Taxpayer.If two or more persons contributed toward the suppotit of an individual see Form 2120, Multiple Support Declaration.
Line 5-WAGES. SALARIES. TIPS. ETC.
Report the full amount of your wages, salaries, fees, commissions, tips, bonuses, and other payments for your personal services even though taves and other amounts have been withheld by your employer. If an amount apprars on Form W-2 in the hos captioned "Other
compensation paid in 1966," add this amount to the amount shown in the box captioned "Hiages paid suhject to withholding in 1960" and include the total with other payments tepolted on this line. Also include wages for which you did not receive a Fom W-2. Sec page Ther treatment of semblursed employee business expenses.

Tips repoted to your employer are inchuded as wages on Fom W -2. Tips
not reported to your employer are to be included with other amounts on this line (see Form 4137).
Payment in Merchandise, etc.-If you are paid in whole or in pat in merchandise, services, stock, or other things of value, determine the fair market value of such items and inchude it in your wages.

Meals and Living Quarters.-Employces who, as a matter of choice, receive meals
and lodying from their employers, whether or not designated wages, must include the fair market value in income.
Howerer, if, for the convenience of jour employer, your meals are furnished at your place of employment or you ane required to aceept lodging at your place of employment as a condition of your empleyment, the value of the meals or lodging is not to be reponted.

## TAX—CREDITS—PAYMENTS—BALANCE DUE OR REFUND

FIGURING YOUR TAX
Line 10.-The Tax Tables are prowided by law and save you the trouble of itemizing deductions and eomputing your tax: The tables allow $\$ 600$ for each exemption claimed on sour return and also provide for the sandad deduction.
Line 11.-The tas rate schedules on page 11 are to be used to figure your tax. Be sure to use the right schedule. Sce page 3, "Spectial Comphtations."
Line 12.-Tax.-If your income has increased substantially this year, it may be to your adrantage to figme you tax under the "averaging method." Obtain Schedule G from any Intemal Reveniue Service office for full details.

Line 14b.-Tax From Recomputing Prior Year Investment Credit.-Enter the amount that the credit taken in a prior year or years exceeds the credit as recomputed due to carly disposition of such property. Attach computation.
Line 17.-Federal income Tax Withheld.-Inclucle income tax withheld as reflected on Forms W-2 on this line.
Line 19.—Excess F.J.C.A. Tax Withheld.-
Two or More Employers.-If morc than $\$ 277.20$ of social security (F.I.C.A.) employec tax was withheld during 1966 bcrauic cither you or your wife lectioned "hac's from more than one employer, the excess should be clamed as a credit .gaint income tax. Enter any excess
of social security tax withlekl over $\$ 277.20$ on this line. If a joint temm, do not add the social ecurity tas withheld from both husband and wile to figure the exiess orer $\$ 277.20$; compute the credit separately.
Line 20.-Include any amounts from the following sources on this line and circle the type of credit or credits.

Credit for Federal Taxes on Gasoline and Lubricaling $\mathbf{O i I}$. -If you are entitled to a tax credit for (1) gasoline used (a) on a farm for farming purposes, (b) other than as fuel in a highway vehicle, and (c) in vehicles while engaged in fumishing certain public passenger land transportation service; and (2) lubricating oil used other than in a highway motor vehicle, inclute the credit on this line. Attach Form +136. To obtain this credit your return must be timely filed (including any extensions).

Credit Ior Taxes Paid by Regulated Investment Companies.-Include the credit on this linc. Attach Copy 13 of Form 2139.
Line 21.-Additional Charge For Underpaying Your Tax During The Year.-If the amount on this line is less than 70 percent ( $66 \frac{2}{3}$ percent for farmers and fishemen) of the smo of the amounts reported on lines ITa and 14b, you may be liable for an additional charge unless you satisfy one or more of the four specific exceptions a) ceplained on Fom 2210. Attach this form or a statement to your return to support your computation of the addi-
tional charge or to describe the pecific exceptions you belicse apply.
Lines 22 and 23.-Social Security or Railroad Relirement Tax On Tip Income.-I i , ou failed to seport tips to your cmployer on if he had imbufficient wager from which to withhold social security (F.I.G.A.) on mailroad retiacment (R.R.) tav, bou must pay these tases with your in ome tas return. If any such taves ane die on tips which have been reported to your cmployer, he will how you the amount due on Form W-2. If the tips were not rejorted, fill out and attach Fomm 4137 in the case of tips sulbject to social security tas. For tips wable under railroad retirement, contact the nearest Railroad Retirement Board office. This tax should be added to your "Balance Due" (line 22) or ubtracted from your "Overpaymen" (line 23). On the bottom margin of page 1 , write the amount and the words "tax on tips," together with the initials F.I.C.A. or R.R., whicheser is applirable. For income tax purposes. be sure all of your tips are inclucled in line 5.

Tax Due or Refund Under \$1.-Balances due of less than $\$ 1$ need not be paid, and overpayments of less than $\$ 1$ will be refunded only upon separate application.
Declarations of Estimated Tax.-II you cxpect that your income and self-cmployment tav for the year will exceed by $\$ 10$ or mote the tas withacld from your wages, ace Fom 1010 ES for lurther information.

## INSTRUCTIONS FOR PAGE 2 OF FORM 1040

## Part II Line la-DIVIDENDS AND OTHER DISTRIBUTIONS ON STOCK

If you own stock, the payments you reccise out of the company's carnings and profits are dividends and must be reponted in jour tas return. Usually disidends ane paid in carh, but if paid in merchandise or other property, they are tasable at their fair manket value.

Enter on line la the gioss amount of disidends, and other dintibutions you rexeree as a toxhobler, rither dinctly (a) thromgh a maname of other inter-

mediany; as a member of a partnership or a a bencficiary of an evtate or trust. If you receive dividends through a nomince or other intermediary, list the name of such perion.
Dividends from mutual insurance companies which are a rechuction of premiums are not to be included. Socalled "dividends" paid by savings and loan associations, mutual was ings hombs, cooperatise bouhs, and riedit umion on deposits or withtramable acomuts are camings (intecest) and shotal be ace pented as intoret on line 2a.

There are special rules applicable to stock dividends, liquidations, stock rinhts. and redemptions; call your Intomal Revemue Service office for more complete infonmation.

## Line 1 b -EXClusion

You may exclude from sour income up to $\$ 100$ of dividends received from qualifying domestic corporations.

If a joint return is filed and both husband and wife have dividend income, cach one may exclude $\$ 100$ of dividends recived from qualifying corporations, but one may not use any portion of the
$\$ 100$ exclusion not used by the other. For example, if the husband had $\$ 300$ in dividends, and the wife had $\$ 20$, only $\$ 120$ may be evcluded on a joint return.
'Taxable dividends from the following corporations do not qualify for the disidends receised exclusion:
(a) forcign corporations, including vour share from a controlled foreign corporation.
(b) so-called exempt orgamizations (charitable, fratemal, etc.) and exempt farmers' cooperative organizations.
(c) regulated investment companies except to the extent designated by the compans to be taken into account as a dividend for these purposes.
(d) real estate investment trusts.
(c) China Trade Act corporations.
(f) corporations deriving 80 percent or more of their income fiom U.S. possessions and 50 percent or more of their income from the active conduct of a business therein.

## Line Ic-CAPITAL GAIN DISTRIBUTIONS

Enter on this line and in Part I, line 8, of Schedule D (Form 1010) the total of any capital gain dividends included in line la.

## Line Id-NONTAXABLE DISTRIBUTIONS

Enter on this line the total of any nontaxable distributions included in line 1a, for example, amounts decignated by a paying corporation as a return of capital.

## Line 2-INTEREST

You must include in your return any intercst you receised or which was credited to your account (whether entcred in your passbook or not) and can be withdrawn by you. Interest on bonds, debentures, notes, savings accounts, or loans is tavable, excrpt on State and municipal bonds and securities. Interest received on tax refunds is taxable and must be included in your return.

If you own United States Savings or War bonds, the gradual increase in value of each bond is considered interest, but you need not report this interest until you cash the bond or until the year of final maturity; whichever is earlicr. Ilowever, you may at any time clect to report each year the annual increase in value, but if you do so you must a cport in the first year the entire increase to date on all such bonds and must continue to report the annual increase each year.

## Line 7-miscellaneous Income

If you cannot find any specific place on your return (or related schedules) to list certain types of income, report it on line 7. Income reported on this line nust be identified as to its source. Report here amounts received as alimony,
separate maintenance, prizes and awards. Recoverit's of bad debts and other items which reduced your tax in a prior year should also be reported here. A refund of State income tux should be entered here. The general mule is that a refund of State income tox is income to the taxpayer if a dechution was tulen for a prior year whichaculted in a Federal tax bencfit. Taxpayers using the cash basis report the refund in the ye.r received; tavjayers using the accrual basis report when the claim is allowed (if no claim is filed, report when the taxing authority notifies you of the overpayment).

Net Operaling Loss.-If, in 1966, your business or profession lost money, if you had a casualty lose, or a loss from the sale or other disposition of depreciable property (or real property) used in your tracte or business, you can apply the losses against your 1966 income. If the losses exceed your income, the excess is a "net operating loss" which generally may be used to offset your income for the 3 years prior to and the 5 years following this year. The loss must be carried back to the third prior year and any remaining balance brought forward to cach succeeding year. II a "carryback" entitles you to a refund of prior year taxes, ask the District Director for Form 1045 to claim a quick refund.
If you had a loss in a prior year which may be carried over to 1966, it should be reported on this line. Attach a statement showing the computation.

## Part III

## Line 1-sick pay exclusion

You may exclude from income amounts received under a wage continuation plan for the period during which you were absent from work on account of personal injuries or sickness. If both you and your employer contribute to the plan, any bencfits attributable to your own contributions are excludable without limit, but there are certain limitations on the exclusion of the benefits attributable to your employer's contributions.
To figure your sick pay exclusion you must first determine whether your "sick pay" was over 75 percent of your regular weekly rate of pay.
(1) Oüer 75 percent-

If you received over 75 percent of your weekly rate of wages for periods of absence from work because of illness or injury, there is a 30 -calendar day waiting period before you qualify for the exclusion. The waiting period applics even though you were injured or hospitalized. The amount to be cxcluded thereafter is limited to a rate not to e.:ceed $\$ 100$ a week.
(2) 75 perciant or less-

If you urecived 75 percent or leas of your weckly rate of wages, the waiting period is 7 calendar diy's, and the exclusion is limited to a rate bot to eveced $\$ 75$ a week. There is no esclusion for the waiting period regardless of whether you were sick or injured, unless you were hospitalired at loast 1 day during the period of absence. After 30 calenclar days the weckly rate of exclusion is increased to an amount not to exered $\$ 100$.

Where the exclusion is limited to a weckly rate of $\$ 100$ and the payments exceed this rate the exclusion is figured by multiplying the amount received by 100 and dividing the esult by the weckly rate of payment.

Where the exclusion is limited to a weekly rate of $\$ 75$ and the payments exceed this rate the exclusion is figured by multiplying the amount received by 75 and dividing the result by the weekly rate of payment.

Sec Form 2440 for additional information. Attach this form or a statement showing your computation, and indicating the period or periods of absence, regular weekly rate of pay, and whether hospitalized.

## Line 2-moving expenses

Except as noted below, employees, including new employecs, can deduct moving expenses (transportation of houschold goods and members of the houschold, and meals and lodging while in transit). The deduction is allowed only if (a) the change in job location would have required at least 20 additional miles travel if the taxpayer had not moved to a new residence, or, $(b)$ he had no former principal place of work, his new place of work is at least 20 miles from his former residence, and (c) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks.
Sec Form 3903 for full details. Attach the form or a statement which includes the amount of your reimburscment and the amount of the deductible expenses. Enter any excess reimbursement on page 2, Part 11 , line 7 of your return and enter any excess expenses on page 2, Part 111, line 2 of your return. However, if the reimbursement was included on Form W-2 by your employer and the reimbursement is included on page 1, line 5, of your return, merely attach a list of your deductible expenses and enter the total on page 2, Part III, line 2.

If the employer for whom you were already working paid your moving expenses to a new location and the rembursement equaled the allowable expenses, you should not report the reimbursement or the expenses.

Line 3-EMPLOYEE BUSINESS EXPENSES AND EMPLOYER PAYMENTS
Deductible Expenses and Excess Payments. - You may deduct the expenses shown below to the extent they are not paid by your employer. If employer payments exceed the expenses, the excess must be reported as income on your return.
(1) Trazel and transportation.-Bus, taxi, plane, train, cte., fares or the cost of operating an automobile in connction with you duties as an employec.
(2) Mials and lodsing.-If you are tomporaily away on business, at least owrnight from the city, town, or other gencral area which constitutes your principal or regular business location.
(3) Outside salesmen.-If you are an "outside salesman," you may generally deduct other expenses which are ordimary and necessary in performing your duties, such as selling expenses, stationery, and postage. An "outside saleman" is one who is angaged in full-time solicitation of business for his cmploter away from the employers place of business. It does not include a person whose principal activitics consist of service and delivery as, for example, a milk driversaterman.
(t) Other buiness apolnes.-If you itemize deductions on page 2, l'urt IV of your retum, you may also deduct (under the licading "Miscellaneous deduc-
tions") business expenses other than those deseribed abore. Examples of such expenses are professional and umion dues, and the cost of tools, materials, etc., not paid for by your emplostr.

Additional InTormation.-If you claim a deduction for these emplovec business expenses you must submit the following information with your return. You may use Form 2106 for this purpose.
(1) The total of all amounts received from or charged to your employrr for business expenses,
(2) The amount of your business expenses broken down into broid categories, and
(3) The number of days away fiom home on business.

If jou do not clain a dedu tion, you must attach the infomation unless you were sequised to and did make an adequate accounting for your expenses to your employer. You have made the equivalent of an adequate accounting: if you received an allowance not in excess of $\$ 25$ per diem in lieu of subsintence, or a mileage allowance not in cxecss of 15 cents per mile, and established time, place, and business purpose of the travel. For higher rates in special cases such as forcign travel consult your District Director.

Il you operate your own automobile for business purposes, you may figure the cost of operating your automobile at a standard mileage rate of 10 cents per mile for the first 15,000 mites of business use and 7 cents per mile for such use in excess of 15,000 miles rather than deducting the actual expenses. Use of this method is optional on a yearly
basis. Actual expenses include gasoline, oil, repairs, license tags, insurance and depreciation.
'Inis simplified method cannot be used if depreciation has been claimed using a method other than straight line (or where additional first-jear depreciation has been claimed).

Whether or not you are required to submit the additional information described above, check the box for expense accounts on page 2 of Form 1010. See "Note" below.

Reporting Deductions and Excess Pay-ments.-The expenses and payments are to be reported as follows:
(1) If the employer payments exceed the expenses, report the excess on pare 2 , Part II, line 7 .
(2) If the expenses exceed the payments, the excess expenses for travel and transportation, meals and lodging, and "Outside Salesman," may be deducted on page 2, Part 1Il, line 3 . If you itemize deductions the unreimbursed portion of Other business expenses may be deducted on page 2, Part IV, uncler "Miscellaneous deductions"; or
(3) If the expenses equaled the payments, no further entry is required on the form.
Note: If, however, the reimbursement was included on Form W-2 by your employer and the reimbursement is included on page 1 , line 5 , of your return, attach a statement containing the information set forth under the caption "Additional Information" on this page and enter the total expense on page 2, Part III, line 3.

## Part IV-ITEMIZED DEDUCTIONS—If you do not use Tax Table or Standard Deduction <br> MEDICAL AND DENTAL EXPENSES <br> ical tieatment may not be treated as <br> page 1, Form 1040 for: (a) the tax-

If you itemiie deductions, you can deduet, within the limits described below, the amounts you paid during the year ( aot comperasated by linepital, healla or accident imourance) for medical or dontal expenses for yourself, your wife, or wiy depondent whotceined over hall of his suppont from ? ou whether or not the" (leprendent lad $\$ 600$ or more income. Lint on the attachment the name and anmont paid to carh person or institulion.

Vouran deduct anounts paid for the p"Wmion, cunc, colrection, or treatment of a phosical or mental defect or illus ss. ]f yion pay somenne for both musines and domevtie duties, yon can deduct rind the numines cost.
lou can deduct amounts paid for tampuntation primatily for and essential to medical care, but mot for any other thatel expense cou if it benefits your hedth. Meals and lodging while yon are abay fom lome rec is ins med-
medical expense unless they are part of a hospital bill or are included in the cost of care in a similar institution.
Subject to the Limitations Set Forth Below, Fou C.AN Deduct ats Modical Evpenses Pajments To or lior:
Phesicians, dentists, nurses, and other pofresional practitioners
Diutsor medicines.
IIospitals
Transportation nevessary to ent medical ware Eyeglass's, artifitial teceth, medical or sugical appliances, braces, etc.
X-bay examinations or tedament
Promiums on hospital or medical insurance You CANNOT Dedurt Pajments For:
Fumeral expenses and cemetery plot
Illegal operations en drugs
Travil ardered or susensted by jour dector for rest or change"
Picmiums on life invorance
Cosmetics

## FIGURING THE DEDUCTION

(A) General Rule:
(1) Medicine and druys.--The total amount paid for medicine and drugs must be reduced by 1 percent of line 9 ,
payer, wife, dependent parent (s), all of whom were under 65 years of age, and (b) all other dependents regardless of age.
(2) Medical and dental capmescs. You can deduct that portion of your medical and dental expenses which exceed 3 percent of line 9, pase 1, of Fomm 1040 and which were paid for the persons described in (I) above.
(B) Special Kule for Certain Persons 65 or over:
The uncimhursed portion of the medical and dental expenses ineluding medicine and drugs are deductibly in full for the following persons:
(1) The taxpuyer and his wife if EHTILER is 65 yars of age or oner;
(2) A dependent who is 63 or over and who is the mother or father of the taxpurer or lis wife.

If you have expenses under both the Gencral Rule and Special Rule, you
may obtain loom 2913 from any lntermal Reveme Service office to assint yea. If, hosever, you have expenses only for those persons deceribed in the Special Rule, attach an itemized list and enter the total amount in line 7 of the "Medical and dental expase" section, page 2, Part IV.

Limitations.- If your me lical and dentat expenses exceed $\$ 5,000$, consult your District Disector for maximum amomet which may be deductud.

## CONTRIBUTIONS

If you iteniice deductione, you can deduct gifts to:
(1) religious, chantable, educational, scientific or literary elganizations, and organizations for the prevention of cruclty to childer and animals, unless the organization is operated for personal profit, or a substantial part of its activities is the carrsing on of propaganda or otherwise attempting to influence legislation; and
(2) fraternal orgamizations if they are to be used for charitalle, religious, etc., purposes; and
(3) veterans' organizations; and
(4) governmental agencies which will use the gifts for public purposes, including civil defense.

Civil defense volunteers may deduct unreimbursed expenses paid for gasoline and other expenses of participation in official civil defense activities.

The law does not allow deductions for gifts to individuals, foreign organizations, or to other types of organizations.
A contribution may be made in cash (checks, money orders, etc.) or property (not services). If in property, attach a description of the property, date of gift, and method of valuation except for securitics. In addition, for each gift valued at more than $\$ 200$, set forth any conditions attached to gift: manner of acquisition and cost or other basis if owned by you less than 5 years; and attach a signed copy of appraisal, if any. A special rule is provided to determine the amount deductible in the case of a gift of depreciable property described in sections 1245 and 1250 of the Internal Revenue Code (see instructions for Schedule D for definition of sections 1245 and 1250 property). Generally, a charitable deduction for a transfer of a future interest in tangible personal property is not allowed until the entire interest has been transferred.

Gencrally; the deduction for contributions may not exceed 20 percent of line 9 , page 1. An additional 10 percent is allowable for contributions to
churches, a convention or association of churches, tax-exempt cducational institutions, tax-exempt hospitals, certain medical research organizations, certain college or unisersity cndowment associations; and organizations referad to in paragraph (1) which are "poblidy supported" as well as orgatations refered to in paragragh (1). Atta h computation.

If your contabutions exceed 30 pr cent of lime 9 , page 1 , consult the neare $t$ Internal Resenue Scrvice office for a possible caryover deduction. If yul have contributions carried over from a prior year or years enter them on line 3 and attach computation.

If you support a student in your home under a written agrecment with a charitable or educational institution, you may be entitued to deduct as a contribution a part or all of the amounts you expend to maintain such a student.
You CAN Deduct Gifts To:
Churches, including assessments
Salvation Army, Red Cross, CARE
United Funds and Community Chea's
Nonprofit schools and hospitals
Veterans' organizations
Boy Scouts, Girl Scouts, and other similar olganizations
Numprofit olganizations pimaily engaged in research or education for the alleviation and cure of diseases and disabilities such as asthma, cancer, corebral palsu, cystic fibrosis, diseases of the heart, diabetes, hemophilia, mental illuess and mental rerardation, multiple sclerosis, muscular distrophy, poliomyelitis, tuberculosis, etc. You CANNOT Deduct Gifts To:
Relatives, friends, other individuals Political organizations or candidates Social clubs
Labor unions
Chambers of commerce
Propaganda orgamizations

## interest

If you itemize deductions, you can deduct interest you paid on your personal debts, such as bank loans or home mortgages. Interest paid on business debts should be reported in the separate schedule in which your business income is reported. Do not deduct interest paid on money borrowed to buy tav-exempt securities or single-premium life insurance. Do not include as interest such items as carrying charges and insurance which are not deductible, and taves which may be deductible but which should be itemized separately.
"Points" paid when buying or selling a residence are not interest.

If interest charges are not stated separately on installment purchases of personal property (such as automobiles, televisions, etc.), you may deduct an amount equal to 6 percent of the average unpaid monthly balance.

You C.IN Déduct Intereqt On:
Vour persomal note to a bank or an individual A montser on your home
A life insumance loan, if you pay the intere inf (.1sh
Delimquent tame
You CA.VNOI Deduct Interest On:
Indebtedness of another prason, when you are not leqally liahbe fur payment of the interest A gambling debt or other nonenforceable abligation
A life insutance loan, if interest is added to the loan and you report wh the (ath bas's

## TAXES

If you itemize deductions, you can deduct general State or local retail sales taves if they are imposed disectly upon the consumer, or if they are imposed on the retailer (or wholenaler in case of gasoline taves) and the amount of the tax is separately stated by the retailer. In certain cases you may aho dedu: State or local selective sales or exciutaves, even though not pait of a gencral sales tax (or tax similat to a general sales tax), if imposed at the general rate of that tax. Average gencial sale, tax tables are provided in these instructions.

If part or all of the cost of your automobile tags was based on the salue of your automobile, then such amount is deductible as personal property tas.

If you had any other deductible tas which does not fit one of the five categories shown, describe the tav and lit amount in the space below "Personal property" and include amount in "Tot.1] taxes."

In gencral, you cannot deduct taxes assessed for parements or other improvements, including front-foot benefits, which tend to increase the value of your property.

Deduct business Federal taxes, or any taxes paid in connection with a busimess or profession in Part II of Schedule B, or Schedule C or F .
You CAN Deduct:
Real estate taxes
Statc and local gasoline tas: s
General sales taxes
State and local income taxes
Personal property taxes
You CANNOT Deduct:
Any Federal excise taxes on your person? expenditures, such as taxes on theater admissions, furs, jewelry, cosmctics, thampurtation, telephone, gasoline, ctc.
Federal social security taxes
Hunting licenses, dog licenses
Auto inspection fecs, tags, drivers licens?s Water taxes
Taxes paid by you for another person
Alcoholic beverage, cigarcttc, and tobacco taxes
Selective sales or excise taves (such as thoce on admissions, room occupancy, etc.) even if they are separately stated or imposed on the purchaser, unless imposed at the same rate as the general sales tax

## STATE GASOLINE TAX

You may figure the deduction for State tax on gasoline used in your car by using the following table which is based on information available as of August 15, 1966. If all or part of your mileage was driven in a four-cylinder (or less) car, the deduction for that mileage should be one-half of the table amount. If you
can establish that you paid a larger amount you are entitled to deduct that amount.

Find the rate of gasoline tax for your State (county) in the list below. Where the rate of gascline tax changed in 1966, find the deduction for mileage driven at each rate and add the two amcunts.


## MISCELLANEOUS DEDUCTIONS

Care of Children and Other Dependents. -
If deductions are jtemized, a woman or a widower (including men who are disorced or legally separated moder a decree and who have not mmaricd) or a husband whose wife is incapacitated or is institutionalized for at least 90 consecutive days or a shorter period if she dies, may deduct certain expenses. This deduction is not to exceed a thtal of $\$ 600$, for one dependent, or mot to exreed a total of $\$ 500$ for two or mone dependents for the care of:
(a) dependent children under 13 yeas of age: or
(b) dependent persons (exeluding husband or wife) physically' or mentally incapable of caring for themselves;
if such care is to enable the texpayer to be gainfully employed or to actively seek gainful employment.

In the case of a woman who is mar, ictl. the deduction is allowed if:
(a) she files a separate return because hur has been deserted by her lushand, dres mot know, and did not know his Whireabouts at any time during the year, and has applied to a court to compel him in pay suppost or othenwise to comply with the law or a judicial order ; or
(b) she files a joint retum with her huband. in which case, the deduction is recluced by the amount (if any) by which their combined income on page 1, line 9 , excereds $\$ 6,000$. This limitation does not apply to expenses incunca
while the husbard is incapable of selfsupport because he is mentally or thysically defective.
In case of a husband whose wife is incapacitated the deduction is allowed if he files a joint return with his wife, in which case, the deduction is reduced by the amount (if any) by which their combined income on pare 1 , line 9 , cxcecds $\$ 6,000$. This limitation does not apply to expenses incured while the aife is institutionaliacd if she is invitutionalized for at least 90 conseculice days or a shorter period if she dies.

Do not deduct any child care payments to a person for whom you claim an exemption.

If the person who merives the payment performs duties nut related to dependent care, only that part of the payment which is for the dependentes care may be doducted.

Attach Form 2444 or a statement setting forth all pertinent information.

Casualty Losses and Theits.-If ynu itemize deductions, you can deduct a net loss resulting from the destruction of your property in a fire, stom, automolite accident, shipwreck, or other losses caused by natural forces limited to the amount in excess of $\$ 100$ for each loss. Domage to your car by collision or accident can be deducted if due merely to faulty driving but cannot be deducted if duc to your willful act or willful negligence. You can also deduct losses due to theft, but not losses due to mishaying or losing articles.

The amount of loss to be diducted is mearned by the fair market salue of the property just before the casualty less its fair marlet ralue immediately after the casualty (but not more than the cost or wher adjusted basis of the property), reduced by any insurance or compensafion received and the $\$ 100$ limitation. Attach an explanation showing details of car h cacualts:
You CAN Deduct Losses On:
Property stach as your home, rlotline, or automolile destroved or damaged by fine
Poperty, including cash, which is stolen from you
Loss or damage of property by flood, lightming, stor:m, explosion, or fherzing
You CANNOT Deduct Lnsses On:
Pedonal injury to yourself or another pereon
Accidental loss by you of cash or other personal property
Property lost in storace or in transit
D.mase by rust, gradual ciosion or deterioration
Animals or plants danaged or d strued by discase
Expenses for Educalion.-These evpenses nay be dolucted if primarily for:
(a) Maintaining or improving shills required in your employment or other tuade or business. or
(b) Merting the express recuirements of your emploser, or the repuirements of applicable law or negulations, imposed as a condition to the retention of your salars, stitus, or employment.
Expenses incurred for obtaining a new powition, meeting minimum requirements, a substmbial adsancement in position. of for personal purposes are not deductible.

IASTRUCTIONS FOR PAGE 2 OF FORM 1040-Cenfinued

The rules for reporting deductible duation cypenys athe the same as those hown on page 7 for employec business espencs.
Other. It you itemize deductions, you can deduct several other types of evense, under "Mixe ellancons deductions."

If you work for wages or a salary, you can deduct your ordinary and necessary ernploye buiness expenses which have not been clained on page 2, Part III.

You can de duct all ordinary and necciary expenses connected with the pro-
duction or collection of inconc, or for the management or protection of propenty held for the production of incone.

If you are divorced or legally separated and are making periodic payments of alimony or seprate maintenance under a court decrec, you can deduct these amounts. Periodic payments made under cither (a) a written separation agreement entered into aficr August 16, 1954, or (b) a decrec for support entered after March 1, 1954, are also deductible. Such payments must be included in the wife's income. You cannot deduct any voluntary pasments not made under a
court order or a witten sparation agrecment, lump-sum sethluctis, of specific maintename payncht, for support of minor children.

You may deduct ganbling loseses oals to the extent of ganbling winnings. You CAN Deduct Cost Of:
Safety equipment, tuols and supplies, ured in your jui
Dues th andon or profasimal societics
Business entertainamet
Fees to camplozment agencies
You CaNNOT Deduct Cost Of:
Tratel to and frot work
Fhtrolaining fiemds

## MAILING ADDRESSES OF DISTRICT DIRECTORS' OFFICES AND INTERNAL REVENUE SERVICE CENTEAS

If there is more than one District Director's office in your State and you are not sure which one to use, consult your locat post office. Use stract ad. dress only if shown. Send your return to "Internal Revenue Service" at following addresses:
REFUND RETURNS

Alabama- 4800 Buford Highway.
Cnamblee, Ga. 30006
Alaska- 1160 West 1200 South, Ogden. Utan 84405
Arivona- 1160 West 1200 South, Ogden. Utah $8+405$
Arkansas- 3651 Interregiona! Highway, Aus:ın. Tex. 78740
California-Los A geles. Calif. 90012; San Francisco, Callf. 94102
Colorado-3651 Interregional Highway. Austin, Tex. 78740
Connecticut-Hartford, Conn. 06115
Delaware-11601 Roasevelt Blud., Phidadelphıa, Pa. 19155
District of Columbia-11501 Roosevelt Blvd., Phladelphia. Pa. 19155
Florida- $\$ 800$ Buford Highway, Chamblee. Ga 30006
Georgia- 1800 Buford Highway, Chamblee. Ga 30006
Hawaii- 1160 West 1200 South, Ogden, Utah 34405
Idaho- 1160 West 1200 South, Ogden, Utah 84.105
I!linois-Chicazo, III. 60002: Spring. field. III. 62704
Indiana-222 E. Central Parkway. Concianati, Ohio 45298
Lowa-Des Moines, Iowa 50309
Kansas-3651 Interregional Highway. Austin. Tex. 78740
Kentucky-222 E. Central Parkway, Cincinnati, Ohio 45298
Louisiana- 3651 Interregional Highway, Austin, Tex. 78740
Maine-Augusta, Maine 04330
Maryland-11601 Roosevelt BIvd.. Philadelphia, Pa. 19155
Massachusetts-Boston. Mass. 02203
Michigan-222 E. Central Parkway, Cincinnati, Onio 45298
Minnesota-St. Paul, Minn. 55101
Mississippi-4800 Buford Highway. Chamblee, Ga. 30006
Missouri-St. Louis. Mo. 63101
Montana-1160 West 1200 South. Ogden, Utah 84405
Nebraska-Omaha, Nebr. 68102
Nevada- 1160 West 1200 South. Ogden. Utah 84405
New Hampshire-Portsmouth, N.H. 03801
New Jersey-11601 Roosevelt Blud.. Phiracoiphia, Pa. 19155
New Mexi>o- 3651 Interregional Highway, Austin. Tex. 78740

| OTHER RETURNS | REFUND RETURNS |
| :--- | :--- |
| Birmingham. Ala. 35203 | New York-Brooklyn, N.Y. $11201: 120$ |
| Anchorage. Alaska 99501 | Church St. New York. N.Y. |
|  | 10007; Albany. N.Y. 12210: |
| Buffalo, N.Y. 14202 |  |

North Carolina - 4800 Bulord Higilway. Chamblee, Ga. 30006
North Dakota-Fargo, N. Dak. 58102 Ohio-222 E. Central Parkway, Cincmnatı, Ohio 45298
Oklahoma-3651 Interregional Highway, Austin, Tex. 78740
Oregon-1160 West 1200 South. Ogden, Utah 84405
Panama Canal Zone-Director of In. ternationat Operations, Washing. ton, D.C. 20225
Pennsy!vania-11601 Roosevelt Blvd., Philadelphia, Pa. 19155
Puerto Rico-Director of International Operations, U.S. Internal Revenue Service, Ponce de Leon Ave. and Bolivia St., Hato Rey, Puerto Rico 00917
Rhode Island-Providence, R.I. 02907
South Carolina-4800 Buford High. way, Chamblee. Ga. 30006
South Dakota-Aberdeen, S. Dak. 57401
Tennessee-4800 8uford Highway. Chamblee, Ga. 30006
Texas-3651 Inierregional Highway. Austin. Tex. 78740
Utah- 1160 West 1200 South, Ogden, Utah 84405
Vermont-Burlington, Vt. 05402
Virginia-11601 Roosevelt Blud., Phil. adelphia, Pa. 19155
Virgin islands-Permanent residents: Department of Finance, Tax Department, Charlotte Amalie, St. Thomas, V.I. 00801: Others: Director of International Operations, Internal Revenue Service, 1105 Fernandez Juncos Avenue, Santurce, P.R. 00907

Washington- 1160 West 1200 South, Ogden, Utah 84405
West Virginia-222 E. Central Park way. Cincinnati, Dhio 45298
Wisconsin-Milwaukee, Wis. 53202
Wyoming-3651 Interregional High way, Austin, Tex. 78740
Foreign Addresses-Taxpayers with legal residence in Foreign Coun-tries-Director of International Operations. Internal Revenue Service, Washinction, DC. 20225

## OTHER RETURNS

Brooklyn. N.Y. 11201: 120 Cliurch St., New York. N.Y.
10007; Abany. N.Y. 12210;
Buffato. N.Y. 14202
Greenslooro. in C. 27401
Fargo, N. Dar. 58102
Cleveland, Ohio 44113: Cin. cinnati, Oho 45202
Oktahoma City. Okla. 73102
Portland, Oreg. 97232
Director of Internatiunal Opei. attons. Washirgton, D.C. 20225
Philadelphia, Pa. 19108; Pitts. burgh, Pa. 15222
Director of international Ojeer. ations, U.S. Internal Reve. nue Service. Ponce de Leon Ave. and Bolivia St.. Hato Rey. Puerto Kico 00917
Provideace. R 4. 02907
Columbia, S C. 29201
Aberdeen, S. Dak. 57401
Nashiville, Tenn. 37203
Austin, Tex. 73701; Dallas, Tex. 75201
Salk Lake City, Utah 84110
Burfington, Vt. 05402
Richmond, Va. 23240
Permanent residents: Depart. ment of Finance, Tax Department, Charlotte Amalie. St. Thomas. V.1. 00801 : Dthers: Director of International Operations, Internal Revenue Service. 1105 Fer. nandez Juncos Avenue. San. turce, P.R. 00907
Tacoma, Wash. 98402
Parkersburg, W. Va. 26102
Milwaukee, Wis. 53202
Crieyenne. Wyo. 82001
Taxpayers with legal residence in Foreign Countries-Director of International Operations, Internal Revenue Service, Washington. D.C. 20225

## 1966 TAX RATE SCHEDULES

If you do not use one of the Tax Tables, then figure your tax on the amount on line 11d, page 1 of your return by using the appropriate tax rate schedule on this page.

Schedule I. SINGLE TAXPAYERS not qualifying for rates in Schedules II and III, and MARRIED PERSONS FILING SEPARATE RETURNS.

## If the amount on

## line 11d, page 1, is:

Not over $\$ 500 . . . . . . . . . . . \quad 1 \cdot r^{\prime}$ c of the amount on line 11 d

| o:er- | B. |  |
| :---: | :---: | :---: |
| \$500 | - \$1,000 ... \$70, plus 15\%o | - \$500 |
| \$1,000 | - \$1.500... \$1+5, plus 16\% | - \$1,000 |
| \$1,500 | - \$2,000... \$225, plus 17\% | - \$1,500 |
| \$2,000 | - \$1,000 ... \$310, plus 19\%\% | - \$2,000 |
| \$1,000 | - \$6,000.... \$690, plus 22\% | - \$1,000 |
| \$6,000 | - \$8,000 . . . \$1,130, plus 25 \% | - \$6,000 |
| \$8,000 | - \$10,000.. \$1,630, plus 28.ó | - \$8,000 |
| \$10,000 | - \$12,000 . . \$2,190, plus 32\% ${ }^{\circ}$ | - \$10,000 |
| \$12,000 | - \$14,000... \$2.830, plus 36.0 | - \$12,000 |
| \$14,000 | - \$16,000 . . $\$ 3,550$, plus $39 r^{\circ}$ | - \$1+,000 |
| \$16,000 | - \$18,000 . . $\$+3330$, plus $42{ }^{\circ} \mathrm{o}$ | - \$16,000 |
| \$18,000 | - \$20,000 . . $\$ 5,170$, plus $45 \%_{0}$ | - \$18,000 |

## If the amonnt on

line 1ld, page I, is:
$\$ 20,000$ - $\$ 22,000 \ldots$
$\$ 22,000-\$ 26,000$.
$\$ 26,000-\$ 32,000$.
$\$ 32,000-\$ 38,000 \ldots$
$\$ 38,000-\$ 14,000 \ldots$
$\$ 44,000-\$ 50,000 .$.
$\$ 50,000$ - $\$ 60,000$. .
$\$ 60,000-\$ 70,000$ - $\$ 22.590$, plus 62 ro
$\$ 70,000$ - \$80,000
$\$ 80,000-\$ 90,000 \ldots \$+1,790$, plus $68^{\circ}{ }^{\circ}$
$\$ 90,000-\$ 100,000 \ldots \$ 18,590$, plus 69\% - $\$ 90,000$
\$100,000 .............
$\qquad$

Enter on line 12, page 1:
of excess oter-

- \$20,000
- $\$ 22,000$
- \$26,000
- \$32,000
- \$38,000
- \$44,000
- \$50,000
- $\$ 60,000$
- $\$ 80,000$
\$100,000

Schedule II. MARRIED TAXPAYERS FILING JOINT RETURNS and CERTAIN WIDOWS AND WIDOWERS (See page 3).

If the amount on
line 11d, page 1, is: $\quad$ Enter on line 12, page 1:
Not over $\$ 1,000 \ldots . . . . . \quad 1+C_{c}^{c}$ of the amount on line 11 d .

| Otr- | But wot orer- |  | of exsess orter |
| :---: | :---: | :---: | :---: |
| \$1,000 | - \$2,000 | \$140, plus $15 \%$ | - \$1,000 |
| \$2,000 | - \$3,000 | \$290, plus $16 r_{\text {c }}$ | - \$2,000 |
| \$3,000 | - \$ $\$$ t,000. | \$150, plus 17\% | - \$3,000 |
| \$t,000 | - \$8.000. | \$620, plus 19\%\% | - \$ 4,000 |
| \$8,000 | - \$12,000. | \$1,380, plus 22co | - \$8,000 |
| \$12,000 | - \$16,000. | \$2,260, plus $25 \%$ | - \$12,000 |
| \$16,000 | - \$20,000. | \$3,260, plus 28\% | - \$16,000 |
| \$20,000 | \$24.000. | \$4.380. plus 32\% | - \$20,000 |
| \$24,000 | - \$28,000. | \$5,660, plus 36\% | - \$24,000 |
| \$28,000 | - \$32,000. | \$7,100, plus 39\%0 | - \$28,000 |
| \$32,000 | - \$36,000. | \$8,660, plus 42 年0. | - \$32,000 |
| \$36,000 | \$40,000. | \$10,340, plus $45{ }^{\circ} \mathrm{c}$ | -- \$36,000 |

If the amount on
line 11d, page 1, is:
Enter on line 12, page 1:

|  |  |  |  |
| :---: | :---: | :---: | :---: |
|  | - \$44,000 | \$12,140, plus $48 \%$ |  |
|  | - \$52,000. | plus $50{ }^{\circ}$ |  |
|  | - \$6+,000. | 60, plus 53 \% |  |
| 1,000 | - | 24,420, plus 55\% | - \$64,000 |
| ,000 | \$88 | 31,020 , plus 58 r | - \$76,000 |
| 8,000 | 00 | 37,980 , plus 60\% | 88,00 |
| \$100,000 | , | +5,180, plus 62 | 100, |
| 20, | +0, | 57,580, plus 64 | - \$120 |
| 0, | \$160,000 | 70,380, plus 66\% |  |
| 60,00 | \$180.000 | 83,580, plus 68\% | 160 |
|  | \$200.000 | ,180, plus | - \$180,0000 |
| 200,000 |  | 110,980, plus 70 | \$200 |

If you checked os your hine la use
filing staecked as your Line $1 \mathrm{~h}, 1 \mathrm{~d}$, or 1 c uxe $\longrightarrow$ TAS TAl1E A-For Single Persong




1966 TAX TABLE A-FOR SINGLE PERSONS
 across to the appropriate columa hearled by the number corresponding to the namber of your expmption, thin is form tax.

| If your total neome ss- |  | And the number of exemptions is- |  |  | I1 your totat nicome is-. |  | And the number of exemptions is- |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Al least | Bul less Chan | 1 | 2 | 3 | Al leas | Bulless Ihan | 1 | 2 | 3 | 4 | 5 | 6 |
|  |  |  |  | If 4 or more there is no tax |  |  |  |  |  |  |  | 117 ar mare there is no tax |
|  |  | Your tax is- |  |  |  |  | Yourtix is- |  |  |  |  |  |
| \$0 | \$900 | 80 | \$0 | 80 | \$2,450 | \$2,475 | \$236 | \$121 | \$2: | 80 | \$0 | \$0 |
| 900 | 925 | 2 | 0 | 0 | 2,475 | 2,500 | 240 | 128 | 26 | 0 | 0 | 0 |
| 925 | 950 | 5 | 0 | 0 | 2, 500 | 2,525 | 244 | 132 | 30 | 0 | 0 | 0 |
| 950 | 975 | $!$ | 0 | 0 | 2,525 | 2,550 | 248 | 136 | : 3 | 0 | 0 | 0 |
| 975 | 1,000 | 12 | 0 | 0 | 2,550 | 2,575 | 253 | $13!$ | 37 | 0 | 0 | 0 |
| 1,000 | 1,02.7 | 16 | 0 | 0 | 2,575 | 2,600 | 257 | $14 i$ | 40 | 0 | 0 | 0 |
| 1,02\% | 1,050 | 19 | 0 | 0 | 2,600 | 2,625 | 261 | 147 | 44 | 0 | 0 | 0 |
| 1,050 | 1,075 | 2: | $1)$ | 0 | 2,625 | 2,650 | 263 | 151 | 47 | 0 | 0 | 0 |
| 1,07.5 | 1.100 | 26 | 11 | 0 | 2,650 | 2,675 | 270 | 155 | 51 | 0 | 0 | 0 |
| 1,100 | 1,125 | :10 | 0 | 0 | 2,675 | 2. 700 | 271 | 159 | 51 | 0 | 0 | 0 |
| 1,125 | 1,150 | 38 | 0 | 0 | 2,700 | 2,725 | 278 | 163 | 58 | 0 | 0 | 0 |
| 1,150 | 1,17.5 | 37 | 0 | 0 | 2, 72.5 | 2,750 | 282 | 167 | 61 | 0 | 0 | 0 |
| 1,175 | 1,200 | 40 | 0 | 0 | 2,750 | 2,775 | 287 | 171 | 65 | 0 | 0 | 0 |
| 1,200 | 1,22\% | 44 | 0 | 0 | 2,775 | 2,800 | 291 | 175 | 68 | 0 | 0 | 0 |
| 1,22.; | 1,2;0 | 47 | 0 | 0 | 2,800 | 2,825 | 295 | 179 | 72 | 0 | 0 | 0 |
| 1,250 | 1.27. | 51 | 0 | 0 | 2,825 | 2, 850 | 299 | 183 | 76 | ${ }^{6}$ | 0 | 0 |
| 1,275 | 1,300 | 54 | 0 | 0 | 2,850 | 2,875 | 304 | 187 | 79 | $1)$ | 0 | 0 |
| 1,300 | 1.325 | 58 | 0 | 0 | 2,875 | 2,900 | 308 | 191 | $8:$ | 0 | 0 | 0 |
| 1,32.5 | 1,350 | 61 | 0 | 0 | 2,900 | 2,925 | 312 | 105 | 87 | 0 | 0 | 0 |
| 1, 33.9 | 1,375 | 6.5 | 0 | 0 | 2,925 | 2,950 | 317 | 199 | 91 | 0 | 0 | 0 |
| 1,37\% | 1,400 | 68 | 0 | 0 | 2,950 | 2,975 | 322 | 203 | 94 | 0 | 0 | 0 |
| 1,400 | 1.42\% | 72 | 0 | 0 | 2,975 | 3,000 | 327 | 207 | 98 | 0 | 0 | 0 |
| 1,42.7 | 1,450 | 76 | 0 | 0 | 3, 000 | 3,050 | $33: 3$ | 213 | 104 | 4 | 0 | 0 |
| 1.450 | 1,475 | 79 | 0 | 0 | 3,050 | 3, 100 | 342 | 221 | 111 | 11 | 0 | 0 |
| 1,475 | 1,500 | 83 | 0 | 0 | 3, 100 | 3, 150 | 350 | 229 | 119 | 18 | 0 | 0 |
| 1,500 | 1,52.7 | 87 | 0 | 0 | 3,150 | 3,200 | 359 | 238 | 126 | 25 | 0 | 0 |
| 1,525 | 1,550 | 91 | 0 | 0 | 3,200 | 3,250 | 367 | 246 | 134 | 32 | 0 | 0 |
| 1,550 | 1,575 | 94 | 0 | 0 | 3,250 | 3, 300 | 376 | 25.5 | 141 | 39 | 0 | 0 |
| 1,575 | 1,600 | 98 | 0 | 0 | 3, 300 | 3,350 | 385 | 263 | 149 | 46 | 0 | 0 |
| 1,600 | 1,625 | 102 | 2 | 0 | 3,350 | 3,400 | $39 \%$ | 272 | 157 | 53 | 0 | 0 |
| 1,625 | 1,650 | 106 | 5 | 0 | 3,400 | 3,450 | 402 | 280 | 165 | 60 | 0 | 0 |
| 1, 6:\% | 1,675 | 109 | 9 | 0 | 3,450 | 3, 500 | 410 | 289 | 173 | 67 | 0 | 0 |
| 1,675 | 1,700 | 113 | 12 | 0 | 3, 500 | 3,550 | 419 | 297 | 181 | 74 | 0 | 0 |
| 1,700 | 1,72. | 117 | 16 | 0 | 3, 550 | 3, 600 | 427 | 306 | $18!$ | 81 | ${ }^{1}$ | 0 |
| 1,725 | 1,750 | 121 | 19 | 0 | 3, 600 | 3,650 | 436 | 315 | 197 | 89 | 0 | 0 |
| 1,750 | 1,77.3 | 124 | 23 | 0 | 3,650 | 3,700 | 444 | 324 | 205 | 96 | 0 | 0 |
| 1,77.5 | 1,800 | 128 | 26 | 0 | 3,700 | 3,750 | 453 | 334 | 213 | 101 | 4 | 0 |
| 1,800 | 1,825 | 132 | 30 | 0 | 3,750 | 3,800 | 462 | 348 | 221 | 111 | 11 | 0 |
| 1,82. | 1,850 | 136 | $3:$ | 0 | 3,800 | 3,850 | 470 | 35. | 229 | 119 | 18 | 0 |
| 1,850 | 1,875 | 139 | 37 | 0 | 3, 850 | 3,900 | 479 | 362 | 238 | 126 | 25 | 0 |
| 1.875 | 1,900 | 143 | 40 | 0 | 3,900 | 3,950 | 487 | 372 | 246 | 134 | 32 | 0 |
| 1,900 | 1,925 | 147 | 44 | 0 | 3,950 | 4,000 | $4!6$ | 381 | 25.5 | 141 | 39 | 0 |
| 1,925 | 1,950 | 151 | 47 | 0 | 4,000 | 4,050 | 501 | 390 | 263 | 149 | 46 | 0 |
| 1.950 | 1,97.3 | 155 | 51 | 0 | 4,050 | 4, 100 | 513 | $3!99$ | 272 | 157 | 53 | 0 |
| 1,97. | 2,000 | 159 | 54 | 0 | 4, 100 | 4,150 | 521 | 407 | 280 | 16.5 | 60 | 0 |
| 2,000 | 2,02. | 163 | 58 | 0 | 4,150 | 4, 200 | 530 | 416 | $28!$ | 173 | 67 | 0 |
| 2,025 | 2,050 | 167 | 61 | 0 | 4,200 | 4, 250 | 538 | 424 | 297 | 181 | 74 | 0 |
| 2, 050 | 2, 075 | 171 | 65 | 0 | 4,250 | 4, 300 | 547 | 433 | 306 | 189 | 81 | 0 |
| 2,07. | 2,100 | 175 | 68 | 0 | 4,300 | 4,350 | 556 | 442 | 315 | 197 | 89 | 0 |
| 2,100 | 2,125 | 179 | 72 | 0 | 4,350 | 4. 400 | 564 | 450 | 324 | 205 | 96 | 0 |
| 2, 12.7 | 2,150 | 183 | 76 | 0 | 4,400 | 4,450 | 573 | 459 | 334 | 213 | 104 | 4 |
| 2,150 | 2,175 | 187 | 79 | 0 | 4, 450 | 4,500 | 581 | 467 | 343 | 221 | 111 | 11 |
| 2, 175 | 2,200 | 191 | 83 | 0 | 4,500 | 4,550 | 590 | 476 | :353 | 229 | 119 | 18 |
| 2,200 | 2,225 | 195 | 87 | 0 | 4,550 | 4,600 | 598 | 481 | 362 | 238 | 126 | 25 |
| 2,225 | 2,250 | 199 | 91 | 0 | 4,600 | 4,650 | 607 | 493 | 372 | 246 | 134 | 32 |
| 2,250 | 2,275 | 203 | 94 | 0 | 4,650 | 4,700 | 615 | 501 | 381 | 255 | 141 | 39 |
| 2,275 | 2,300 | 207 | 98 | 0 | 4,700 | 4,750 | 624 | 510 | 391 | 26.3 | 149 | 46 |
| 2,300 | 2, 325 | 211 | 102 | 2 | 4,750 | 4,800 | 633 | 519 | 400 | 272 | 157 | 53 |
| 2.325 | 2,350 | 215 | 106 | 5 | 4,800 | 4,850 | 641 | 527 | 410 | 280 | 165 | 60 |
| 2,350 | 2,375 | 219 | 109 | 9 | 4,850 | 4,900 | 650 | 536 | 419 | 289 | 173 | 67 |
| 2,375 | 2, 400 | 223 | 113 | 12 | 4,900 | 4,950 | 658 | 544 | 429 | 297 | 181 | 74 |
| 2,400 | 2,425 | 227 | 117 | 16 | 4,950 | 5,000 | 667 | 553 | 438 | 306 | 189 | 81 |
| 2,425 | 2,450 | 231 | 121 | 19 |  |  |  |  |  |  |  |  |

059-16-79201-1

1966 TAX TABLE B-MARRIEO FILING JOINTLYネ—OR—UNMARRIED HEAD OF HOUSEHOLD
Read down the income colums below unti] you find the line covering the total income (page 1, line 9, Form 1040). Theu reat arross to the appropriate colum hemden by the number corresponding to the number of your cxemptions, this is yon tas.

| if your total income is- |  | And the number of exemplions is- |  |  | 11 your total income is- |  | And the number of exemptions is- |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| At least | But less Ihan | 1 | 2 | 3 | At least | $\begin{aligned} & \text { But less } \\ & \text { than } \end{aligned}$ | 1 | $\begin{gathered} 2 \\ \text { And vou are - } \end{gathered}$ |  | $\begin{gathered} 3 \\ \text { And you are- } \end{gathered}$ |  | $\begin{gathered} 4 \\ \text { And you are- } \end{gathered}$ |  | $\begin{gathered} 5 \\ \text { And you are- } \end{gathered}$ |  | $\frac{6}{\substack{\text { Hyor } \\ \text { mhere } \\ \text { hoer }}}$ |
|  |  |  |  |  |  |  |  | $\left\lvert\, \begin{gathered} \text { An un } \\ \text { natred } \\ \text { heatid of } \\ \text { hano } \\ \text { nole } \end{gathered}\right.$ |  |  | $\begin{gathered} \text { A } \\ \text { maried } \\ \text { coupl } \\ \text { cupl } \\ \text { tomitly } \end{gathered}$ | $\begin{aligned} & \text { An un- } \\ & \text { married } \\ & \text { head of } \\ & \text { a house- } \\ & \text { hold } \end{aligned}$ |  | $\begin{array}{\|l\|l} \text { An un. } \\ \text { marrided } \\ \text { nead of } \\ \text { anouse. } \\ \text { holid } \end{array}$ | $\begin{gathered} \text { A } \\ \text { matied } \\ \text { couple } \\ \text { couple } \\ \text { fontinty } \end{gathered}$ |  |
|  |  | Your tax is- |  |  |  |  | Your tax 1s- |  |  |  |  |  |  |  |  |  |
| 0 | \$900 | 5 | 80 | 8 | \$2, 450 | \$2,475 | $\$ 230$ | 8121 | 8121 | 823 | \$23 |  | \$0 | \$0 | \$0 | 80 |
| 900 | 925 | , | 10 | 0 | 2,475 | 2,500 | 234 | 124 | 124 | 26 | 26 | 0 | 0 | 0 | 0 | 0 |
| 925 | 950 | 5 | 0 | 0 | 2,500 | 2,525 | 23:38 | 12 S | 128 | 30 | 30 | 0 | 0 | 0 | 0 | 1 |
| 950 | 975 | 3 | 0 | 0 | 2,525 | 2,550 | $2+2$ | 131 | $1: 31$ | 33 | 33 | 0 | 0 | 0 | 0 | 0 |
| 975 | 1,000 | 12 | 0 | 0 | 2,550 | 2,575 | 246 | 135 | 135 | 37 | 37 | 0 | 0 | 0 | 0 | 0 |
| 1,000 | 1,025 | 16 | 0 | 0 | 2,575 | 2, 600 | 250 | 138 | 138 | 40 | 40 | 0 | 0 | 0 | 0 | 0 |
| 1,025 | 1,050 | 19 | 0 | $1)$ | 2,600 | 2,625 | 254 | 142 | 142 | 44 | 44 | 0 | 0 | 0 |  | 0 |
| 1,050 | 1, 075 | 23 | 0 | 0 | 2,625 | 2,650 | 258 | 146 | 1.46 | 47 | 47 | 0 | 0 | 0 | 0 | 0 |
| 1,075 | $-1,100$ | 21 | 0 | 0 | 2, 650 | 2,675 | 262 | 150 | 149 | 51 | 51 | 0 | 0 | 0 | 0 | 0 |
| 1,100 | 1,125 | 30 | 0 | 0 | 2, 675 | 2, 700 | 266 | 154 | 15.3 | it | 54 | 0 | 0 | 0 | 0 | 0 |
| 1,125 | 1,150 | 33 | 0 | 0 | 2,700 | 2, 725 | 270 | 158 | 137 | 5 s | 5 s | 0 | 0 | 0 | 0 | 0 |
| 1,150 | 1,175 | 33 | 0 | 0 | 2, 725 | 2,750 | 274 | 162 | 161 | 41 | 61 | 0 | 0 | 0 | 0 |  |
| 1,175 | 1,200 | $40^{-}$ | 0 | 0 | 2,750 | 2,775 | 278 | 166 | 164 | ${ }^{65}$ | 65 | 0 | 0 | 0 | 0 | 0 |
| 1,200 | 1,225 | 44 | 0 | 0 | 2,775 | 2, 800 | $2 \times 2$ | 170 | 168 | 6is | 65 | 0 | 0 | 0 | 0 | 0 |
| 1,225 | 1,250 | 47 | 11 | 0 | 2,800 | 2, 825 | 2-3 | 174 | 172 | \% | 72 | 0 | 0 | 0 | 0 | 0 |
| 1,250 | 1,275 | 51 | 0 | 0 | 2,825 | 2,850 | 290 | 178 | 176 | 75 | 75 | 0 | 0 | 0 | 0 | 0 |
| 1,275 | 1,300 | 9 | 0 | 0 | 2,850 | 2, 875 | 294 | 152 | 179 | 79 | 79 | 0 | 0 | 0 | 0 | 0 |
| 1,300 | 1,325 | 53 | 0 | 0 | 2,875 | 2, 900 | 298 | 156 | 1833 | s2 | 82 | 0 | 0 | 0 | 0 | 0 |
| 1,325 | 1,350 | (i) | 0 | 0 | 2,900 | 2,925 | 302 | 190 | 18: | ns | 86 | 0 | 0 | 0 | 0 | 0 |
| 1,350 | 1,375 | 0.5 | 0 | 0 | 2,925 | 2, 950 | 307 | 194 | 191 | s9 | 89 | 0 | 0 | 0 | 0 | 0 |
| 1,375 | 1, 400 | 6in | 1 | 0 | 2,950 | 2,975 | 311 | 198 | 194 | 93 | 93 | 0 | 0 | 0 | 0 |  |
| 1,400 | 1, 425 | \% | 1 | , | 2, 975 | 3, 000 | 316 | 202 | 198 | 96 | 97 | 0 | 0 | 0 | 1 | 0 |
| 1,425 | 1,450 | 75 | ${ }^{0}$ | 0 | 3, 000 | 3, 050 | 322 | 208 | 20.7 | 102 | 102 |  | 4 | 0 | 0 | 0 |
| 1,450 | 1,475 | 79 | 0 | 0 | 3, 050 | 3, 100 | 330 | 216 | 211 | 109 | 109 | 11 | 11 | 0 | 0 | 0 |
| 1,475 | 1,500 | -2 | 0 | 0 | 3, 100 | 3,150 | 335 | 224 | 219 | 116 | 116 |  | 18 | 0 |  |  |
| 1,500 | 1,525 | mi | 0 | 0 | 3, 150 | 3,200 | 346 | 232 | 226 | 123 | 12:3 | 25 | 25 | 0 | 0 | 1 |
| 1,525 | 1,550 | 89 | 0 | 0 | 3, 200 | 3,250 | 354 | $2 \cdot 40$ | 234 | $1: 30$ | 1:00 | 32 | 32 | 0 | 0 | 1 |
| 1,550 | 1,575 | 93 | 0 | 0 | 3, 250 | 3,300 | 363 | 248 | 241 | $1: 7$ | 137 | 39 | 39 | 0 | 0 | 0 |
| 1,575 | 1,600 | 96 | 0 | ${ }^{0}$ | 3, 300 | 3,350 | 371 | 256 | 219 | 144 | 144 | 46 | 46 | 0 | 0 |  |
| 1,600 | 1,625 | $10 \%$ | 2 | 0 | 3, 350 | 3, 400 | 379 | 264 | 256 | 152 | 151 | 53 | 53 | 0 | () | 0 |
| 1,625 | 1,650 | 103 | 5 | 0 | 3,400 | 3,450 | 387 | 272 | 264 | 160 | 159 | 60 | 60 | 0 | 0 | 0 |
| 1,650 | 1,675 | 110 | 9 | 0 | 3,450 | 3,500 | 395 | 2 So | 271 | 16 S | 166 | 67 | 67 | 0 | 0 | 0 |
| 1,675 | 1,700 | 110 | 12 | O | 1,500 | 3,550 | 403 | 2 ss | 279 | 176 | 174 | 74 | $7 \pm$ | ${ }^{1}$ | 0 | 0 |
| 1,700 | 1,725 | 114 | 16 | 0 | 3, 550 | 3, 600 | 411 | 296 | 2-96 | 141 | $1 \times 1$ | s1 | 81 | 0 | 0 | 0 |
| 1,725 | 1,750 | 117 | 19 | 0 | 3, 600 | 3, 650 | 419 | 305 | 294 | 192 | 189 | ss | 88 | (1) | 0 | 0 |
| 1,750 | 1, 775 | 121 | 23 | 0 | 3,650 | 3, 700 | 427 | 314 | 302 | 200 | 196 | 95 | 95 | 0 | 0 | 0 |
| 1,775 | 1, 800 | 124 | 26 | 0 | 3, 700 | 3,750 | 435 | 323 | 310 | 205 | 204 | 102 | 102 | $\pm$ | 4 |  |
| 1,800 | 1, $\times 25$ | 12. | 30 | , | 3, 750 | 3, 800 | 44 | 33:2 | :318 | 216 | 211 | 109 | 109 | 11 | 11 | 0 |
| 1,825 | 1,850 | 131 | 333 | , | 3, 800 | 3,850 | 4.52 | 341 | 320 | 224 | 219 | 116 | 116 | 18 | 18 | 0 |
| 1,850 | 1, 875 | 13,5 | $: 3$ | 0 | 3,850 | 3, 900 | 460 | 350 | 3:34 | 232 | 226 | 123 | 123 | 25 | 25 | 0 |
| 1,875 | 1,900 | 13.5 | 40 | 0 | 3, 900 | 3, 950 | 16is | 359 | 342 | 240 | 234 | 130 | 130 | 32 | 32 |  |
| 1,900 | 1,925 | 142 | 41 | 0 | 3, 950 | 4, 000 | 476 | 368 | 3300 | 214 | 211 | 137 | 137 | $3!$ | 39 | 0 |
| 1,925 | 1,950 | 146 | 17 | 0 | 4, 000 | 4, 050 | $4 \wedge t$ | 376 | :5x | 22.96 | 231! | 14.1 | 144 | 40 | 46 | 0 |
| 1,950 | 1,975 | 1.0 | 51 | 0 | 4, 050 | 4, 100 | 492 | 381 | 316 | 264 | 256 | 15. | 151 | 53 | 53 | 0 |
| 1,975 | 2, 000 | 1.51 | 31 |  | 4, 100 | 4,150 | 500 | 3!2 | 38 | 272 | 264 | 160 | 159 | 60 | 60 |  |
| $\stackrel{2}{2} \mathbf{0 0 0}$ | 2, 025 | 1.8 | is | 0 | 4, 150 | 4, 200 | 305 | 400 | 389 | 20 | 271 | 168 | 166 | 67 | 67 | 0 |
| 2, 025 | 2, 150 | 162 | 61 | 0 | 4, 200 | 4, 250 | 516 | 408 | 3856 | 208 | 279 <br> 296 <br> 20 |  | 174 | ${ }_{5}{ }^{4}$ | 74 81 81 | ${ }_{0}^{0}$ |
| 2, 050 | 2, 175 | 168 | 165 | 0 | 4, 250 | 4,300 | 52.3 | 417 | 304 | 296 | 2 nc | 154 | 181 | S1 | s1 | 0 |
| 2, 075 | 2,100 | 170 | 68 | 0 | 4,300 | 4, 350 | 533 | 42.5 | 401 | 313: | 24 | 192 | 189 | ss | ss | 0 |
| 2,100 | 2,125 | 174 | 72 | 0 | 4,350 | 4, 400 | 541 | $43: 3$ | 40 s | 314 | 302 | 200 | 196 | 95 | 95 |  |
| 2,125 | 2.150 | 15 | 75 | 1 | 4, 400 | 4, 450 | 549 | 441 | 415 | [3:3 | 310 | 208 | 204 | 102 | 102 | 4 |
| 2,150 | 2,175 | 152 | 79 | 0 | 4, 450 | 4,500 | 5.7 | 449 | 42 | 332 | 314 | 216 | 211 | 109 | 109 | 11 |
| 2,175 | 2,200 | 1.st | 12 | 0 | 1,500 | 4,550 | 367 | 4.57 | 130 | : 41 | 326 | $\because 24$ | 219 | 116 | 116 | 15 |
| 2,200 | 2,225 | 190 | 86 | 0 | 4,550 | 4,600 | 573 | 465 | 137 | 350 | 331 | 232 | 226 | 123 | 123 | 2 i |
| 2,225 | 2,250 | 191 | s) | 0 | 4,600 | 4, 650 | 5, 51 | 473 | 444 | 3.9 | 3.12 | 240 | 234 | 130 | 130 | 32 |
| 2, 250 | 2. 275 | 19 s | 93 | 0 | 4, 650 | 4,700 | $5 \times 9$ | $4 \times 1$ | 4.1 | 36 N | 350 | 2.48 | $2+1$ | 137 | 137 | 39 |
| 2,275 | 2,300 | 202 | 96 | 0 | 4,700 | 4,750 | 597 | 49.9 | 4.59 | 377 | 355 | 256 | 249 | 144 | 144 | $4{ }^{4}$ |
| 2. 300 | 2,325 | 206 | 100 | 2 | 4,750 | 4, 800 | 106 | 498 | 467 | 湤 6 | 366 | 264 | 256 | 152 | 151 | 53 |
| 2,325 | 2,350 | 210 | 103 | 5 | 4, 800 | 4, 850 | 61. | 506 | 474 | 395 | 317 | 272 | 264 | 160 | 159 | ${ }^{60}$ |
| 2, 350 | 2,375 | 214 | 107 | $!$ | 4,850 | 4,900 | 622 | 514 | 452 | 404 | 352 | 280 | 271 | 16 S | 166 | 67 |
| $\stackrel{2}{275}$ | 2,400 | 218 | 110 | 12 |  | 4,950 | B30 | 5 | $4!0$ | 413 | 350 | 288 | 279 | 176 | 174 | 74 |
| 2,400 3 | 2, 425 | 292 | 114 | 16 | 4, 950 | 5, 000 | 638 | 530 | 497 | 422 | 398 | 296 | 256 | 184 | 151 | S1 |
| 2,425 | 2,450 | 226 | 117 | 19 |  |  |  |  |  |  |  |  |  |  |  |  |

This lable Is designed to enable married persons filing separate refurns to figure their tax choosing eilher the $10 \%$ or minlmum standard deduclion. However, il one uses the $10 \%$ deduction, then bolh must use it.
 across to the appropriate columan haded by the mombre correpmoding to the mumber of your exmptions, this is your tax.

| It your total income |  | And the number of exemptions is- |  |  |  |  |  | If your total ncome is - |  | And the number of exemptions is- |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Al leasl | Bul less than |  |  | 2 |  | $\frac{3}{\substack{114 \text { or more } \\ \text { there is no tax }}}$ |  | At least | But less than | 1 1 | $\frac{1}{1}$ | $\frac{2}{20^{\prime \prime \%}$ Munt  <br>  mum } |  | $\begin{array}{\|c\|c\|} \hline 3 \\ \hline 10^{\circ} & \begin{array}{c} \text { Mint } \\ \text { mum } \end{array} \\ \hline \end{array}$ |  | $\left.\frac{4}{10 \%} \right\rvert\,$ |  | $\frac{5}{3}$ |  | $\frac{6}{1}$ |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | $10 \%$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | Your tax is- |  |  |  |  |  |  |  | Yown tax is- |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \$0 | \$67 | 80 | 80 |  | 80 | 80 | $\$ 0$ | \$2,325 | \$2, 350 | 221 | 231 | 131 | \$121 | \$13, | \$191 |  |  |  | () |  |  | () | 80 |
| 675 | 700 |  |  | 0 |  | 0 |  | 2,350 | 2,375 | 229 | 236 | 13.4 | 12.1 | 46 | 23 |  |  | 0 | 0 |  |  | 0 | 0 |
| 700 | 725 |  |  | 0 | 0 | - 0 |  | 2,375 | 2,400 | 23.3 | 240 | 137 | $12 s$ | $4!$ | 26 |  |  |  |  |  | (1) | 0 | 0 |
| 725 | 750 | 4 | 0 | 0 | 0 | 0 | 0 | 2,400 | 2,425 | $2: 37$ | 214 | 111 | 132 | 52 | 30 |  | 0 |  | (1) |  | , | 0 | 0 |
| 750 | 775 | 12 | 0 | 0 | 0 | 0 | 0 | 2,425 | 2,450 | 241 | 215 | 144 | 136 | 55 | 33 |  | ) | 0 | 0 | 0 | 0 | 0 | 0 |
| 775 | 800 | 15 | 0 | 0 | 0 | 0 |  | 2,450 | 2,475 | 245 | $25: 3$ | 148 | 139 | 58 | 37 | 0 | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 800 | 8 | 1 s |  |  |  | 0 | 0 | 2,475 | 2,500 | 249 | 25. | 151 | 143 | 61 | 40 | 0 |  | 0 | 0 |  |  | 0 | 0 |
| 825 | 850 | 22 | 5 | 0 |  | 0 | 0 | 2,500 | 2,525 | 252 | 261 | 155 | 117 | 65 | 44 |  | $0$ | $0$ | $0$ |  |  | 0 | 0 |
| 850 | 875 | 2. | 9 | 0 | 0 | 0 | 0 | 2,525 | 2,550 | 256 | 26.5 | 158 | 151 | 68 | 47 |  | 0 | $0$ | (1) | $0$ |  | 0 | 0 |
| 875 | 900 | 28 | 12 | 0 | 0 | 0 | 0 | 2,550 | 2,575 | 260 | 270 | 162 | 15.5 | 71 | 51 | 0 | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 900 | 925 | 31 | 16 | 0 |  | 0 |  | 2,575 | 2,600 | 264 | 274 | 166 | 15 | 74 | 54 |  | , | 0 | 0 | 0 |  | , | 0 |
| 925 | 950 | 3) | 19 | 0 |  | 0 | 0 | 2, 600 | 2, 625 | 268 | 275 | 169 | 163 | 78 | 58 |  | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 950 | 975 | 37 | 23 | 0 | 0 | 0 | 0 | 2,625 | 2,650 | 272 | $25^{2}$ | 173 | 167 | 81 | 61 |  | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 975 | 1, 000 | 40 | 26 | 0 | 0 | 0 | ) | 2,650 | 2,675 | 275 | 250 | 176 | 171 | 81 | 65 |  | 0 | 0 | 0 | , |  | 0 | 0 |
| 1,000 | 1,025 | 44 | 30 | 0 |  | 0 | 0 | 2,675 | 2,700 | 279 | 291 | 150 | 175 | S | 析 |  | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 1,025 | 1, 050 | 47 | 33 | 0 | 0 | 0 | 0 | 2,700 | 2,725 | $28: 3$ | 295 | 184 | 170 | 91 | 72 |  | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 1,050 | 1,075 | 50 | 37 | 0 | 0 | 0 | 0 | 2,725 | 2,750 | 2.97 | 29.4 | 187 | 183 | 95 | 76 |  | 0 | 0 | 0 |  |  | 0 | 0 |
| 1,075 | 1,100 | 53 | 40 | 0 | 0 | 0 | 0 | 2,750 | 2,775 | 291 | 301 | 191 | 187 | 95 | 79 | 12 | 0 | 0 |  | 0 |  | 0 | 0 |
| 1,100 | 1, 125 | 56 | 44 | 0 |  | 0 | 0 | 2,775 | 2,800 | 294 | 305 | 194 | 191 | 101 | 83 | 15 | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 1,125 | 1, 150 | 59 | 47 | 0 | 0 | 0 | 0 | 2, 800 | 2,825 | 298 | 312 | 198 | 195 | 105 | 87 | 18 | 0 | 0 | 0 | 0 |  | 0 | 0 |
| 1,150 | 1,175 | 62 | 51 | 0 | 0 | 0 | 0 | 2,825 | 2,850 | 302 | 317 | 202 | 199 | 108 | 91 | 23 | 0 | 0 | 0 | 0 |  | 0 |  |
| 1,175 | 1, 200 | 66 | 51 | 0 | 0 | 0 |  | 2,850 | 2,875 | 301 | 322 | 205 | 203 | 111 | 94 | 25 | - 0 | 0 | - | 0 |  | 0 | 0 |
| 1,200 | 1,225 | 69 | 58 | 0 |  | -0 | 0 | 2,875 | 2,900 | 310 | $32 \overline{7}$ | 209 | 207 | 115 | 95 | 2.5 | -0 | 0 | 0 | 0 |  | 0 |  |
| 1,225 | 1,250 | 72 | 61 | 0 | 0 | 0 | 0 | 2,900 | 2,925 | 314 | 331 | 212 | 211 | $11 \times$ | 102 | 31 | 2 | 0 | 0 | 0 |  | 0 | 0 |
| 1,250 | 1,275 | 75 | 65 | 0 | 0 | 0 | 0 | 2,925 | 2,950 | 315 | 3:36 | 216 | 215 | 122 | 106 | 34 | 5 | 0 | 0 | , |  | 0 | 0 |
| 1,275 | 1,300 | 79 | 68 | 0 | 0 | 0 |  | 2,950 | 2,975 | 323 | 341 | 220 | $21!$ | 125 | 109 | 37 | 9 | 0 | - 0 | 0 |  | 0 | 0 |
| 1,300 | 1,325 | 82 | 72 | 0 | 0 | 0 | 0 | 2,975 | 3,000 | 327 | 341 | 223 | 223 | 128 | 113 | 40 | 12 | 0 | -0 | 0 |  | 0 | 0 |
| 1,325 | 1,350 | 86 | 76 | 1 | 0 | 0 | 0 | 3, 000 | 3, 050 | 33.3 | 35.3 | 229 | 229 | 133 | 119 | 4.5 | 18 | 0 | ) | 0 |  | 0 | 0 |
| 1,350 | 1,375 | 89 | 79 | 4 | 0 | 0 | 0 | 3,050 | 3, 100 | 312 | 342 | 236 | 235 | 140 | 126 | 51 | 25 | 0 | 0 | , |  | 0 | 0 |
| 1,375 | 1, 400 | 92 | 83 | 7 | 0 | 0 |  | 3,100 | 3,150 | 350 | 372 | 244 | 246 | 147 | 134 | 58 | 32 | 0 | - 0 |  |  | , | 0 |
| 1,400 | 1,425 | 96 | 87 | 10 | 0 | 0 | 0 | 3,150 | 3, 200 | 359 | 351 | 252 | 255 | 154 | 141 | 61 | 39 | 0 | 0 |  |  | 0 | 0 |
| 1, 425 | 1,450 | 99 | 91 | 13 | 0 |  | 0 | 3,200 | 3,250 | 367 | 391 | 259 | 263 | 161 | 149 | 70 | 46 |  |  |  |  | 0 |  |
| 1,450 | 1,475 | 102 | 94 | 16 | 0 | 0 | 0 | 3,250 | 3,300 | 376 | 400 | 267 | 272 | 169 | 157 | 77 | 53 | 0 |  | 0 |  | 0 |  |
| 1,475 | 1,500 | 106 | 98 | 19 | 0 | 0 |  | 3,300 | 3,350 | 385 | 410 | 275 | 25 | 176 | 165 | 84 | 60 |  |  | 0 |  | 0 | 0 |
| 1,500 | 1,525 | 109 | 102 | 23 | 2 | 0 | 0 | 3,350 | 3, 400 | 393 | 419 | 2 S 2 | 25 | 183 | 173 | 91 | 67 |  | 0 | 0 |  | , | 0 |
| 1,525 | 1,550 | 113 | 106 | 26 | 5 | 0 | 0 | 3,400 | 3,450 | 402 | 423 | 290 | 294 | 190 | 151 | 31 | 74 | 12 |  | 0 |  | 0 |  |
| 1,550 | 1,575 | 116 | 109 | 29 | 9 | 0 | 0 | 3,450 | 3, 500 | 410 | 425 | 298 | 306 | 197 | 18.9 | 101 | 81 | 18 | 0 | , |  | 0 |  |
| 1,575 | 1,600 | 119 | 113 | 32 | 12 | 0 | 0 | 3, 500 | 3,550 | 419 | 448 | 305 | 315 | $20 \overline{3}$ | 197 | 111 | 89 | 24 | 4 | 0 |  | 0 | 0 |
| 1,600 | 1,625 | 123 | 117 | 35 | 16 | , | 0 | 3,550 | 3, 600 | 427 | 457 | 313 | 324 | 212 | 205 | 115 | 96 | 30 | 11 | 0 |  | 0 | 0 |
| 1,625 | 1,650 | 126 | 121 | 35 | 19 | 0 | 0 | 3, 600 | 3, 650 | 436 | 467 | 322 | 334 | 219 | 213 | 1:4 | 104 | 37 | 15 | 0 |  | 0 | 0 |
| 1,650 | 1,675 | 129 | 124 | 41 | 23 | 0 | 0 | 3,650 | 3,700 | 444 | 476 | 330 | 343 | 226 | 221 | 131 | 111 | 43 | 25 | 0 |  | 0 | 0 |
| 1,675 | 1,700 | 133 | 128 | 45 | 26 | 0 | 0 | 3,700 | 3,750 | 45.3 | 456 | 339 | 353 | 234 | 229 | 13.5 | $1!$ | 49 | , | 0 |  | - | 0 |
| 1,700 | 1,725 | 136 | 132 | 45 | 30 | 0 | 0 | 3,750 | 3,800 | 462 | $4!5$ | 348 | 362 | 242 | 238 | 145 | 126 | 56 | $3!$ | 0 |  | 0 | 0 |
| 1,725 | 1,750 | 140 | 136 | 51 | 33 | 0 | 0 | 3,800 | 3,850 | 470 | 50.5 | 356 | 372 | 249 | 246 | 152 | 134 | 62 | 46 | 0 |  | 0 | 0 |
| 1,750 | 1,775 | 143 | 139 | 54 | 37 | 0 | 0 | 3,850 | 3,900 | 479 | 514 | 365 | 351 | 257 | 255 | 159 | 141 | 6 | 53 |  |  | 0 |  |
| 1,775 | 1,800 | 146 | 143 | 57 | 40 | 0 | 0 | 3,900 | 3,950 | 487 | 524 | 373 | 391 | 265 | 研 | 166 | 149 | 7. | 60 |  |  | 0 | 0 |
| 1,800 | 1,825 | 150 | 147 | 60 | 41 | 0 | 0 | 3,950 | 4, 000 | 496 | 533 | 352 | 400 | 272 | 272 | 17. | 157 | 82 | 67 | 0 |  | 0 | 0 |
| 1,825 | 1,850 | 154 | 151 | 64 | 47 | 0 | 0 | 4,000 | 4, 050 | 504 | 54.3 | 390 | 410 | 250 | 290 | 181 | 165 | 88 | 74 | 3 |  | 0 | 0 |
| 1,850 | 1,875 | 157 | 155 | 67 | 51 | 0 | 0 | 4, 050 | 4, 100 | 513 | 5.92 | 399 | 419 | 287 | 259 | 154 | 173 | 95 | 81 | 9 | 0 | 0 | 0 |
| 1,875 | 1,900 | 161 | 15 | 70 | 5 | 0 | 0 | 4, 100 | 4, 150 | 521 | 512 | 407 | 429 | 295 | 297 | 195 | 181 | 102 | S1 | 16 |  | 0 | 0 |
| 1,900 | 1,925 | 164 | 163 | 73 | $5 \times$ | 0 |  | 4,150 | 4, 200 | 530 | 571 | 416 | 438 | 30.3 | 306 | 202 | 159 | 109 | 96 | 22 | 11 | 0 | 0 |
| 1,925 | 1,950 | 168 | 167 | 77 | 61 | 0 | 0 | 4,200 | 4,250 | 538 | 551 | 424 | 448 | 310 | 315 | $20!$ | 197 | 115 | 104 | 25 |  | 0 | 0 |
| 1,950 | 1,975 | 172 | 171 | S0 | 65 | 0 | 0 | 4, 250 | 4,300 | 547 | 590 | 433 | 457 | 319 | 324 | 217 | 205 | 122 | 111 | 35 | 25 | 0 | 0 |
| 1,975 | 2, 000 | 175 | 175 | 83. | 65 | 0 | 0 | 4,300 | 4,350 | 5.50 | 600 | 442 | 467 | 328 | 334 | 224 | 213 | 129 | 119 | 41 | 32 | 0 | 0 |
| 2,000 | 2,025 | 179 | 179 | 87 | 72 | 2 | 0 | 4,350 | 4,400 | 564 | 609 | 450 | 476 | 336 | 343 | 231 | 221 | 136 | 126 | 47 | 39 | 0 | 0 |
| 2,025 | 2,050 | 182 | 183 | 90 | 76 | 5 | 0 | 4,400 | 4,450 | 573 | 619 | 459 | 486 | 345 | 353 | 239 | 229 | 142 | 134 | 54 | 46 | 0 | 0 |
| 2,050 | 2,075 | 186 | 157 | 93 | 79 | S | 0 | 4,450 | 4,500 | 5.81 | 638 | 467 | 495 | $35 \cdot 3$ | 362 | 247 | 238 | 149 | 141 | 60 | 53 | 0 | - |
| 2,075 | 2,100 | 190 | 191 | 97 | 83 | 11 | 0 | 4,500 | 4,550 | 590 | 63 | 476 | 505 | 362 | 37 | 25 | 24 | 157 | 149 | 66 | 60 | 0 | 0 |
| 2,100 | 2,125 | 193 | 195 | 100 | 87 | 14 | 0 | 4,550 | 4, 600 | 598 | 647 | 454 | 514 | 370 | 381 | 262 | 255 | 164 | 157 | 73 | 67 | 0 | 0 |
| 2,125 | 2,150 | 197. | 199 | 104 | 91 | 17 | 0 | 4,600 | 4, 650 | 607 | 657 | 493 | 524 | 379 | 391 | 270 | 263 | 171 | 165 | 79 | 74 | 0 | 0 |
| 2,150 | 2, 175 | 200 | 203 | 107 | 94 | 20 | 0 | 4, 650 | 4, 700 | 615 | 666 | 501 | 533 | $35 \%$ | 400 | 277 | 272 | 178 | 173 | 86 93 | 81 | 1 | 0 |
| 2,175 | 2,200 | 204 | 207 | 110 | 95 | 24 | 0 | 4,700 | 4, 750 | 62 | 6 | 510 | 543 | 396 | 41 | 25 | 2 s 0 | 185 | 181 | 93 | 89 | 7 | 4 |
| 2,200 | 2,225 | 208 | 211 | 114 | 102 | 27 | 2 | 4,750 | 4,800 | 633 | 685 | 519 | 552 | 40.5 | 419 | 293 | 289 | 193 | 189 | 100 | 96 | 14 | 11 |
| 2,225 | 2,250 | 211 | 215 | 117 | 106 | 30 | 5 | 4, 800 | 4,850 | 6.1 | 696 | 527 | 562 | 413 | 429 | 300 | 297 | 200 | 197 | 106 | 104 | 20 | 15 |
| 2,250 | 2,275 | 215 | 219 | 120 | 109 | 33 | 9 | 4,850 | 4,900 | 650 | 707 | 536 | 571 | 422 | 438 | 308 | 306 | 207 | 20.5 | $11: 3$ | 111 | 26 | 25 |
| 2,275 | 2,300 | 215 | 223 | 124 | 113 | 36 | 12 | 4,900 | 4,950 | 658 | 718 | 514 | $5 \times 1$ | 430 | 448 | 316 | 315 | 214 | 213 | 120 | 119 | $3: 3$ | 32 |
| 2,300 | 2,325 | 232 | 227 | 127 | 117 | 39 | 16 | 4,950 | 5, 000 | 6it 7 | 729 | $5: 3$ | 590 | 439 | 457 | 33.5 | 324 | 221 | 221 | 127 | 124 | :9) | $3!1$ |

## 1966 STATE SALES TAX TABLES $\gg 15$

If you itemize your deductions, you may use these tables to determine the general sales tax to be entered on page 2 , Part iv. However, if you are able to establish that you paid an amount larger than that shown, you are entitled to deduct the larger amount. The tables reflect all purchases other than automobiles. If you bought an automobile, add the sales tax. Gasoline taxes are not included in these tables (see page 9 of the instructions for gasoline tux rates and table).


Local sales taxes are not included. Add an amount based on the ratio between the local and State sales tax rates considering the number of months that the taxes have been in effect.
Based on sales taxes paid through December 8, 1966. If pand through December 31, 1966, add 10 percent.
Local sales taxes are not included. If paid all year, add (a) 15 percent if the tax rate is $1 / 2$ percent, or (b) 30 percent if the tax rate is 1 per. cent. Otherwise, add a proportionate amount.
Local sales taxes are not included. If paid all year, add (a) 50 percent if the tax rate is 1 percent, (b) 100 percent if the tax rate is 2 per cent, or (c) 150 percent if the tax rate is 3 percent. Otherwise, add a proportionate anrount.
Local sales taxes are not included. Add 33 percent if paid all year. Oiherwise, add a proportionate amount.
Local sales taxes are not included. If collected by the State, add 50 percent, it not collected by the State, add the amount pard

# B-1 INSTRUCTIONS FOR SCHEDULE B (Form 1040) <br> pensions - annuities - rents - royalties - <br> PARTNERSHIPS - SMALL BUSINESS CORPORATIONS - ESTATES - TRUSTS RETIREMENT INCOME CREDIT 

## Part I

## PENSIONS AND ANNUITIES

Noncontribulory Annuilies.-If the employee did not contribute to the cost and was not subject to tiv on his employer's contributions, the full amount of an annuity or a peasion of a retired emplogee must be included in his income.

Ollier Annuities. - Amounts received from other annuitics, pensions, endowments, or life insurance contracts, whether paid for a lised number of years or for life, may have a portion of the payment excluded from income. The following types come under this rule: (a) pensions where the employe has either contributed to its cost or has been taxed on his employer's contributions, and (b) amounts paid for a reason other than the death of the insured under an annuity, endowment, or life insurance contract.
Part I is provided for reporting the tavable portion of the annuity. If you are receiving payments on more than one pension or annuity, fill out a separate Part I for each one.

General Rule Ior Annuities. - Generally, amounts received from annuities and pensions are included in income in an amount which is figured upon your life expectancy. This computation and your life expectancy multiple can be found in the regulations covering annuities and pensions. Once you lave obtained the multiple it remains unchanged and it will not be necessary to recompute your tavable portion each year unless the payments you receive change in amount. In making this computation you can get help from the Internal Revenue Service as well as from some employers and insurance companies.

Special Rule for Certain Types of Employees' Annuities. - There is a special rule provided for amounts received as employces' annuitics where part of the cost is contributed by the employer and the amount contributed by the em ployee will be returned within 3 years from the date of the first payment received under the contract. If both of these conditions are met, then all the payments received under the contract duing the first 3 jears are to be excluded from income until the employce recovers his cost (the amount contrib. uted by him plus the contributions made by the employer on which the employee was previously taxed) ; thereafter all amounts received are fully taxable.

This method of computing tavable income also applics to the employec's bencficiary if the employee died before recciving any annuity or pension payments.

Example: An employee received $\$ 200$ a month from an annuity. While he worked, he contributed $\$ 1,925$ toward the cost of the annuity. Ih is emploger also made contributions toward the cost of the annuity for which the employee was not taxed. The retired employe would be paid $\$ 7,200$ during the lirst 3 years, which amount excecds his rontribution of $\$ 1,925$. He would exclude from income all the payments received from the annuity until he lias received $\$ 4,925$. All payments received thereafter are fully tasable.
Death Benefil Exclusion.-If you reccive pension or annuity payments as a beneficiary of a deceased employee, and the employee had received no retirement pension or annuity payments, you may be entitled to a death benefit exclusion of up to $\$ 5,000$. Consult the Internal Revonue Service.

## Part II

## RENTS AND ROYALTIES

Separate columns are provided for the reporting of rents and royalties. Report rents in column 2 and royalties in column 3.

If you are not engaged in selling real estate to customers, but receive rent from property owned or controlled by you, or royalties from copyrights, patents, mincral leases, and similar rights, report the total amount in this part. If property other than money was receised as rent, its fair market value should be reported.
In the case of buildings you can deduct depreciation, as explained on page B-2. You can also deduct all ordinary and necessary expenditures on the property such as taxes, interest, repairs, insurance, agent's commissions, maintenance, and similar items. However, you cannot deduct capital investments or improvements but must add them to the basis of the property for the purpose of depreciation. For cxample, a landlord can deduct the cost of minor repairs but not the cost of major improvements such as a new roof or remodeling. You cannot deduct the value of your own labor.

If You Rent Part of Your House.-If you rent out only part of your property, you can deduct only that portion of your
expenses which relates to the rented portion. If you camot detemine these expenses cractly, you may figure them on a propotionate hasis. For example, if you rent out half of your home, and live in the other half, you can deduce only half of the deprectiation and other expenses.

Room rent and other space rentals should be reperted as business inceme in separate Schedule C (Form 1010) if services are rendered to the ocrupant; otherwise, report such income in this part. If you are engased in the husiness of scilling real estate, you should report rentals received in separate Schedule C.

## Part III

PARTNERSHIPS, ESTATES ORTRUSTS, ETC.
Partnerships.-If you are a menber of a partnership, joint venture, or the lilie, include in l'art III your share of the ordinary income (whether actually received by you or not) or the net loss for the taxable year which ends within or with the gear covered by jour retimn.

Itens of income, deductions, etc., to be caried to your individual return are shown in Schedule $K$ of the partnership return. Your slave of income of the following sources should be entered on the appropriate lines and schedules of your return:

Dividends.
Intcrest.
Gains from the sate or exclange of capital assets and other property.
Also include in Part III, your share of the specially allocated income and deduction items. See instructions on page B-2 for limitations on additional firstyear depreciation.

If the patnership is engaged in a trade or business, the individual partner may be subjeet to the self-employment tax on his share of the self-employment income from the partnership. In this case the partner's share of partnership self-employment net earnings (or loss) should be entered on line $5(\mathrm{~b})$, separate Schedule C-3. Members of farm partnerships should use Schedule F-1 to figure self-employment tax.

Small Business Corporations.-If you are a shareholder in a small business corporation which elects to have its current taxable income taxed to its stockholders, you should report your share of both

Whe distributed and undistributed current taxable incone as ordinay income on line 2 of this part exeept that portion which is reportable as a long-term capital gain in separate Schodule D. Neither type of income is eligible for the dividends exclusion. Your share of any net operating loss should be treated just as if the loss were from a proprictorship.

Estates and Trusts.-If you are a beneficiary of an estate or trust, report your taxable portion of its income whether you receive it or not. Your share of income of the following classes should be entered on the appropriate lines and schedules of your return:

Dividends.
Interest.
Gains from the sale or exchange of capital assets and oulder property.
All other tasable income from estates and trusts should be included in this part. Any depreciation (on estate or trust property) which is allocable to you may be subtracted from estate or trust income so that only the net income received will be included in your return. Information regarding these items may be obtained from the fiduciars:

## Part IV-DEPRECIATION

A reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance does not apply to inventories or stock-in-trade nor to land apart from the improvements or plysical deselopment added to it.

The cost (or other bavis) to be ace covered should be chaned oft over the
"yperted useful life of the poperty. similar assets may be grouped together as one item for reportins puposes.

In computing the basis on which depreciation may be taken for personal property, other than livestock, salvage balue need not be taken into account, if it does not exceed $10, \%$ of the cost or wher basis of the property. If the salvage waluc execeds 10 ? $i$, only the excess ned be taken into account. These probisions apply to property with a useful life of 3 yeas or nome which was acfuired after October 16, 1962.

Alternalive Depreciation Guidelines and Rules.-Revenue Procedure 62-21, datted July 12, 1962 (supplemented by

Revenue Procedure 65-13), sets forth altermative standads and proneduces for detemining depreciation. The guideline hises for guideline dase, (broad categorics not item-by-item) are in most cases substantially hooter than those used prior to the Reremer Poochure. Theseguideline lises and wher ane applicable to all depreciable property inc huding exiving assets as well an mew actuisitions: howerer, hey do mot -upersede evisting rules and procedmes for any taxpayer who wishes 10 continue to whe them. Taxpayers who wish to nas these prowions must use them for all aseets in a particular guideline class.

The depreciation schedule provided on the return is to be used for reporting depreciation under Revenue Procedures 62-21, 65-13 and previously preseribed rules and standards.

## Depreciation Methods

Following is a brief description of the various methods of depreciation which may be used under cither Revenue Procedure 62-2I or previously prescribed rules and standards.

Straight-Line Method.-To compute the deduction, determine the cost (or other basis) of the property and deduct the total depreciation allowed or allowable. Divide the result by the number of ycars of useful life remaining to the asset - the quotient is the depreciation deduction.

Declining Balance Method.-A uniform rate is applied each year to the remaining cost or other basis of property (without adjustment for salvage value) determined at the begimning of such year, but depreciation must stop when the momecosered cost is reduced to salvage
value. The rate of deprectanion for used property under this method may not exceed one and one-falf times the applicable straight-line rate.

Special Rules for New Assets.- The cost or other basis of a new asset may also be depreciated under any of the following methods provided that (1) the asset is tangible, (2) it has an estimated useful life of 3 years or mone to the taxpayer, and (3) the original use of the arset conmened with the thxpayer.
(a) Declining balance method.This method may be used with a rate not in excess of lwice the appliatha. straight-line rate.
(b) Sum of the years-digits muchwe. The deduction for each ear is computed by multiplying the cost or oller basis of the propert) (reduced by estimated salvage value) by the number of years of useful life remaining (including the year for which the deduction is computed) and clividing the product by the sum of all the digits corresponding to the years of the estimated useful life of the asset. In the case of a 5 -year life this sum would be 15 $(5+4+3+2+1)$. For the first fai five-fifteenths of the cost reduced by estimated salvage value would be al. lowable, for the second year fowfifteenths, etc.
(c) Other methods.-A taxpayet may use any consistent method which does not result at the end of any year in accumulated allowances greater than the total of the accumulated allowances which would have resulted from the use of the declining balance method. This limitation applies only during the first two-thirds of the property's useful life.

## Additional First-Year Depreciation.-You

 may clect to write off, in the year assets are first subject to depreciation, 20 percent of the cost (before adjustment for salvage value) of the assets if they are tangible personal property (c.g., equipment, machinery, etc.) acquired by purchase for use in a trade or business or to be held for the production of income. If the aggregate cost of these assets cxcceds $\$ 10,000(\$ 20,000$ for joint return) the additional depreciation is limited to $\$ 2.000$ ( $\$ 1.000$ for joint return).The additional depreciation is limited to property with a remaining useful life of 6 years or more and which was not acquired from a person (other than a
brother or sister) whose relationship to the taxpayer would result in the disallowance of losses. Normal depreciation may also be taken on the cost of the asset reduced by the first-year depreciation.

The additional first-year depreciation for the year should be entered in total on the line provided in the depreciation schedule and is not to be included on the line used to show the regular depreciation of an asset.

Complete the "Summary of Ieprectintion" showing the amounts computed under the methods and procedmes indicated.

## Part V <br> retirement income credit

You may qualify for this credit which is generally 15 percent of retirement income if you received earned income in excess of $\$ 600$ in each of any 10 calendar years-not necessarily consecutivebefore the beginning of your taxable year.
The term "earned income" means wages, salariss, or professional fecs, etc.. received as compensation for personal services actually rendered. It does not include any amount received as an annuity or pension. If you were engaged in a trade or business in which both personal services and capital were material income-producing factors, a reasonable allowance as compensation for the personal services rendered by you, not in excess of 30 percent of your share of the net profits of such business, shall be considered as earned income.

If you are a surviving widow (widower) and have not remarried, you may use the carned income of your deceased husband (wife), or you may combine such income with your earned income, for the purpose of determining whether you qualify. If a husband and wife
both qualify and each has retirement income, each is entitled to the credit.
Retirement income for the purpose of the credit means-
(a) In the case of an individual who is not 65 before the end of his tuxable year, only that income received from pensions and amnuities under a public retirement system (one established by the Federal Govermment, a State, county, city, etc.) which is inchuded in income in his return.
(b) In the case of an individual who is 65 or over before the end of his taxable year, income from pensions, annuitics, interest, rents, and dividends which are included in gross income in his return. (Gross incone from rents for this purpose means gross receipts from rents without reduction for depreciation or any other expenses. Royalties are not considered rents for this purpose.)

Except as provided in the "Alternative computation," the amount of the retirement income used for the credit computation may not exceed $\$ 1,524$ reduced by:
(a) any amount received and excluded from income as a pension or anmuity under the Social Security Act and Railrond Retirement Acts and other tax-evempt pensions or annuitics. This reduction does not include (1) that part of a pension or anmity which is crcladed from income because it represents, in effect, a return of capital or tax-free proceeds of a like nature, or (2) amounts excluded from income received as compensation for injury or sickness or under accident or health plans; and
(b) certain adjustments for carned income.

Alternative Computation. - The maximum amount of retirement income to be used in figuring the credit for retirement incone is $\$ 2,286$ for taxpayers who file joint returns (both 65 ycars of age or over) but who would otherwise be limited to $\$ 1,52+$ because either the husband or wife did not have carned income in cxcess of $\$ 600$ in each of any 10 prior calendar years.

If you meet these requirements also complete the Alternative Computation to determine which computation results in the larger credit.

Other Internal Revenue publications containing helpful tax informotion ...

YOUR FEDERAL INCOME TAX, 1967 Edition. Issued each year to helf taxpayers in preparing their income tax returns, this useful booklet contains more detailed information than the instructions which accompany Form 1040. 160 pages with illustrations. 50 cents fer copy

TAX GUIDE FOR SMALL BUSINESS, 1967 Edition. Publishod annually, this tas guide answers, in plain layman's language, the lederal tax questions of Corporatmons, Partnerships, and Sole Proprictorships. 160 Fages with illustrations.

They will be available on ar obout December I ond may be obtained from your District Director or by moiling this order blonk to the Superintendent of Documents, Washington, D.C. 20402. Indicate the number of eoch publicotion desired in the boxes provided belaw ond remit by check or money order.

E.S. GOTERNMHLI PIMTNG OIFICL WISION OF PEBLIC DOCUMENTS OFFICIAL BUSINESS RETURN AFTER 5 DAZS

Sreet adiress

City, State, and ZIP Code

SCHEDULE C (Form 1040)
U.S. Treasury Department Internal Revenue Service

Profit (or Loss) From Business or Profession
(Sole Proprietorships)
(Compute social security self-employment tax on Schedule C-3 (Form 1040))

Name and address as shown on page 1. Form 1040


$$
\text { SCHEDULE C-1. EXPLANATION OF LINES } 6,12,14 \text {, AND } 25
$$




SCHEDULE C-2. EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED ON LINE 11
This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedures $62-21$ and 65-13 as well as for those taxpayers who wish to continue using practices authorized prior to these revenue procedures. Where double headings appear use the first heading for depreciation under Revenue Procedures 62-21 and 65-13 and the second heading for other authorized practices.


## SUMMARY OF DEPRECIATION

|  | Straight line | Declining balance | Sum of the years digits | Units of production | Additional firsl year (section 179) | Other (specily) | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 Under Rev. Proc. 62-21 2 Other |  |  |  | \% |  |  |  |

## EXPENSE ACCOUNT INFORMATION

Enter information with regard to yourself and your five highest paid employees. In determining the five highest paid employees, expense account allowances must be added to their salaries and wages. However, the information need not be submitted for any employee for whom the combined amount is less than $\$ 10,000$, or for yourself if your expense account allowance plus line 27, page 1 , is less than $\$ 10,000$. See separate instructions for Schedule C, for definition
 of "expense account."
Did you claim a deduction for expenses connected with: (If answer to any question is "YES," check applicable boxes within that question.)

F A hunting lodge $\square$, working ranclı or farm $\square$, fishing camp $\square$, resort property $\square$, pleasure boat or yacht $\square$, or other similar facility $\square$ ? (Other than where the opera. tion of the facility was your principal business.)
$\square$ YES $\square$ NO
G Vacations for you or members of your family, or employees or members of their families? (Other than vacation pay reported on Form W-2.) $\square$ YES $\square$ NO

H The leasing, renting, or ownership of a hotel room or suite $\square$, apartment $\square$, or other dweiling $\square$, which was used by you, your customers, employees, or members of their families? (Other than use by yourself or employees while in business travel status.) $\square$ YES $\square$ NO
1 The attendance of members of your family or your em. ployees' families at conventions or business meetings? $\square$ YES $\square$ NO

## ADDITIONAL INFORMATION

1 Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories? $\square$ YES $\square$ NO. If 'Yes,' attach explanation.
2 Are you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1966? (See last paragraph of separate instruc. tions for Schedule C.) $\square$ YES $\square$ NO. If "Yes," where were they filed?

- If you had wages, including tips, of $\$ 6,600$ or more which were subject to social security taxes, do not fill in this page. - Complete only one Schedule C-3; if you had more than one business, combine profits (or losses) from all of your businesses on this Schedule.
- Each self-employed person must file a separate schedule.

NAME AND ADDRESS (as shown on page 1 of Form 1040)


Important. - The amounts reported on the form below are for your social security account. This account is used in figuring any benefits, based on your earnings, payable to you, your dependents, and your survivors. Fill in each item accurately and completely.


## INSTRUCTIONS FOR SOCIAL SECURITY SELF-EMPLOYMENT TAX

In general. every individual deriving self-employment income during the taxable year trom a trade or busmess catricd on by hom or fam a partnetwip of whah be is a member is subject to the selfemployment tax. This computation is made on lines 1 through 11. This tax must be patd regardless of age and ceen though the indswhall is recowing social secunty benetts. If gou have filed Form 4029. Applacation for Exemption from Tax on Selfemployment Intome and Wianer of Bencfits, do not ble schedute $\mathrm{C}-3$; however, write "Exempt-Form 4029 " to the left of the entry space on the selt-employment tax line, puge 1 of Form 1040 .

Ministers, members of religious orders, and Christian Science practitioners.- Duly ordaned, commissioned, or hicensed ministers of churches, members of religious orders (who have not taken a bow of poserty), and Christan Science pratataoners are not automatically covered by the Social Scourity Aut, bat may eder to be conered by filang Form 2031. Copies are avalable in the office of any District Ditetor of Internal Revenue. The instrutions on the form set out the frovesons of the law what permit these forms under certain condithons to be filed to cover mensters, and others mentonad above. Do mot delay filing your income tax rapurn beyond the due date eben though you have not obtaned a Frm 2031. In such case, complete this Schedule, file it with Form 10to. togeher whh a dated and signed statement indicating that you dessre to be cosered under the Sucial Sccurty Ait, and then tile Form 2031 as promptiy as possible.

Ministers and members of relighous orders who elect coverage shall in addtion to their other $1 \mathbf{k m}$ of incone include for the purpre of determining nut carnings from selfemployment (but not for ircome tax purposes) the rental :alue of a parsonage or allowance if the rental walue of the parsonage, and the walue of meals and le fang furnished them for the convenience of their employers.
U.S. citizens employed by foreign governments or international organizations.-A US. citizen cmployed in the United g.ates, Puerto Rico, Guam, American Samoa, or the Virgin Islands by a forcion gevernment, an instrumentality wholly owned by a foreign government, or an international organization which is Oiganzed under the International Organizations Immunities Act, is subject to the social security self-employment tax. These employces should report their income from such employment on line $S(e)$, of this Schedule, compute their self-employment tax, and file the Schedule wath thear Form 1040 . In item B of Schedule SE, enter
Employee of foreign government, etc.
Farm income.-Farmers report farm income and net earnings from farm selfemployment on scparate Schedules $F$ and $F-1$ (Form 1040).

## EXCLUSIONS

Income (or loss) from the following sources and deductions attribatable thereto are not tahen into account in figuring net earnings from self-employment. Use line it to exclude any such amounts seported on separate Schedule C (Form 1040) that should not be talen into account in figuring your self-employment ancome.
Christian Science practitioners.-Income from the performance of service as a Christan Science practitioner, unless such Christian Science practitioner elects by fling Form 2031 to be covered by the Social Security Act, as explained above.

Religious services.-Income from the performance of service by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order In the exercise of duties required by such order, unless such minister or member of a religious order clects by filing Form 2031 to be covered by the Social Security Act, as explained above.
Employees and public officials.-Income (fecs, sularies, etc.) from the performance of service as: (a) a public official. including a notary public; (b) an employee or employee representatae under the railroad retirement system; or (c) an employee (except as indicated above).

Note. -The income of an emplosce over the age of 18 from the sale of newspapers or magazines to an ultmate consumer is subject to the self-employment tax if the income consists of retained profits from such sales.

Real estate rentals.-Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. These amounts should be reported in Schedule B (Form 1040), Part 1I. However, rental income from a farm is not excluded of the rental arrangement provides for material participation by the landlord and he does participate materially in the production or in the management of the production of one or more farm products on his land. Such income represents farm earnings and should be reported on separate Schedules F and F-1.

Payments for the use of occupancy of rooms of other space where services are also rendered to the occupant, such as rooms in hotels, boarding houses, apartment houses furnishing hotel services, tourist camps, or homes, or space in parking lots, warehouses, or storage
garages do not constitute rentals from real estate and are included in determining net earnings from selfemployment on this Sthedule. Interest and dividends.-Divalends on shares of stock, and interest on bonds, dehentures, notes, certaficates, or other evidences of indebtedness, satued with interest coupons or in registered form by a corporation, or by a government of political subdivision thereof, unless recured in the course of a trade or huciness as a dealer in stocks or securites. These amounts should be reported on page 2, I'art II, Form 1040.

Property gains and losses.-Gain or loss: (1) from the sale or exchange of a capital isset; (b) to whith sections 631 and 1231 are apphable; or (c) from the sale, exchange, involuntary conversion, or other disposition of property it such property is ncither (1) stock in trade or other property of a kind which would properly be includible in inventory it on hand at the close of the twable year, nor (2) pruperty hehl promanly for sate to customers in the ordinary course of the trade or business. These amounts should be reported on separate Schedule D (Form 10to).
Net operating losses.-No deduction for net operating losses of other years shall be allowed in determiming the net carnings form selfemplosment. Such daduction should be entered on page 2, 「art 11, line 7, Form 10.10.
MORE THAN ONE TRADE OR BUSINESS.-If an individua! is engaged in more than one trade or business, his net earnings from selt-cmployment ate the combined net earnings from self-employment of all his trades or businesse's. Thus, the loss sustained in une trade or busmess wall operate to reduce the ancome derwed from another thade or business. An individual shall fill in and file only one Soliedule C-3, induding Schedule SE, for any one year.
JOINT RETURNS. - Where husband and wife fite a joint incume tax return, Sibedule C-3 (Form 1040) should show the name of the one with salf-cmployment ancome. Where husband and wife each Wave self-employment income, sepalate Schedules C and C-3 must be attached for each. In such cases the total of amounts shown on line 27 of each separate Schedule C should be entered on page? Part II, line 4. Form 10.40 and the aggregate self-employment tas (line 11) Schedule C-3 should be entered on page 1, hne 15, Form 1040.
COMMUNITY INCOME.-For the purpose of computing net earnings from self-employment, if any of the income from a trade or business is community income, all the income from such tade or business is consudered the income of the husband unless the wafe exercises substantially all the managenent and control of the trade or business, in which case all of such income is consudercd the income of the wife. (Also sce instructions on partnerships below.)
If separate moome tax returns ate filed by husband and wife. Schedules $C$ and $C-3$ should be attached to the return of the one with self. employment income. Community income included on Schedule C must be allocated between the two returns (on page 2, Part II, line 4, Form 1040) on the basis of the community property laws.
PARTNERSHIPS. - In computing his combined net earnings from sclf-employment, a partner should include his entire share of such earnings from a partnership including any guaranteed payments. No part of that hate may be allocated to the partner's wife (or husband) even though the income may, under State law, be conmunity income. In the case of a husband and wife partnershp, the other partnerships, the distributase share of each should be entered in Schedule B (Form 1040). Part 111, for income tax purposes. For selfemployment tax purposes the distaibutive share of each partner should be cintered on line $5(b)$, of this Schedule (exapt that farm paltnership earnings are to be reported on line $1(\mathrm{~b})$, Schedule F-1 (Form 1040) rather than on line $5(\mathrm{~b})$ of this Schedule).
Note.-If a member of a contunuing partnership dies, a portion of the deceased partner's distributive share of the partnership's ordinary income (or loss) for the taxable year of the partncrshup in which he died must be included in the partner's net carnings from self-employment. In such cases consult your nearest Internal Revenue Service office as to how to report.

## SCHEDULE SE (Form 1040)

Schedule SE, which is the lower portion of this Schedule, provides the Social Security Administration wath the information on self-employment income necessary for computing bencfits.
To assure proper credit to your account, be sure to enter your name and social sccuraty account number on Schedule SE (Form 10.40) exactly as they are shown on your social security card. If you do not have a social secutity account number, you must get one. These account numbers are obtainable from any social security district office. Your local post office will give you the address. Do not delay filing your retura beyond the due date.
Regardless of whether joint or separate returns are filed by husband and wife, Schedule SE (Form 1040) must show only the name of the one with the self-employment income. However, if both had self-employment income, a separate Schedule SE must be filed by each.

# INSTRUCTIONS FOR SCHEDULE C (FORM 1040)-1966 <br> U.S. Treasury Department-Internal Revenue Service 

If you owned a business, or pratuccel a profersion, fill in Schedule C ind enter the not proht (lows) on pase 2 , l'art II line 4, Form 1040. If you had more than one havoms, or havand and wife had aparate businesses, a separate shedule ( mant be conmpleted for each business. Farmers bould use separate Shocdule E (Form 1040).
Income from any trade or bumses is subject to the social security selfemployment tix, undes yendmally extudad. Sce page 2 of Shedule C-3 (Form 1060). It rou hase filed Eoram 1029, Applicaton fur Fxemption from Tix un Solf emphement Income and W'avex of kenefits do not hle Shedule C-3; bumeter, wrate "Exempt-Form fo99 to the left of the entry spute on the olfemplayment tax line, wace of Form 1010.
It some of your expences are part buners and part permanal, jou on deduct the busmess portor hut not the personal portion. For ansunce, a bunnenman who use has ar balf for busineas can deduct only half the operating expenses

Accounting Methods and Records. - Two of the pincipal method of acounting whoh may be uved are the "arh method" and the "scorual method." Other metheds are permissite, such as, completed contrat. percentage of umpletom, ctc. Any of these methods or a cumbination of methods maly be unat provided that the method or methods used properly rethet jour income. However, unless you kieep bouk of account sour return must be on the "wash method."
"Cash method" means that all fetm, of taxehle income actually or constructively receined during the yan (whether in cash or in property or sermes) and only these dmunats acturlly pad during the year for deductible expenses are shown. Incume in "constactively" received when to is credited to jour dicount or set aside for you and may be drawn upon by gou at any time. Uncabed salary or dividend checks, bank interest credited to jour acount, matured bond coupons, and simflar atens which you can tuin into cash immedhately are "constructwely reccived" even though gou have not actually consortcd them into cash.
An "accrual method" means that you report income when enrned. even if not recerved, and deduct expenses when incurred, even if not paid within the taxable year.

Item A-Principal business activity and product.-Give the one business activity that acounts for the largest percentage of gross income included on page 1, line 1, uf Schedule C. State the broad ficld of business activity as well as the froduct or scrvice, for example "wholesale-drugs," "retail-apparel," ctc.

Item D-Business location.-Do not use home address as business address unless business is actually conducted from home. Enter street address rather than box numbers.

Line 1-Gross receipts or gross sales.-Enter gross receipts or sales from your trade or business, including finance reserve income, discounts received, sale of scrap. etc. Returns and allowances.Enter such items as returned salles, rebates, and allowanses from the sale price or service charge
installment sales. -If you use the installment mathod of report. ing income from sales, you must attach to your return a sthedule showing separately for the years 1963, 1964, 1965, and 1966 the following: (a) gross sates; (b) cost of gouds sold; (c) gross profits; (d) percentage of profits to gross sales; (e) amomats collented, and (f) gross profts on amounts collected.

## COST OF GOODS SOLD

Lines 2-9.--If you are engaged in a trade or a husmen in which the production, purthase, or sale of mealhandise in in ancome producing factor, you must take inventoms of merchandise and materials on hand at the heginnmg ant ond of the taxathe year in order torefect the gross prohts correctly. The method adopted for the hist year an whath inventory is taken must be contenued untes permisson to change is secmed from the Commiswmet of Internal Resenue, Washington, D.C. 2022f. Applation for permunan to change the method of valuing insentorics hould be made on Form 3115 and filed wath the Cummissioner within 90 days after the beginning of the thatheyers in which it is devired to effect a hange

## OTHER BUSINESS DEDUCTIONS

Line 11-Depreciation and obsolescence.-You may dedut a reanmble allowance far exhastion, wear and tear, and ohomes. conce of property used in the tride ar buninews. For addumonal information regarding deprewation, wh the invioutions for Form

10.40. The depectiation instructions discuss the aitcravive stand ards and procelumes for use in determining depreciation whele Revenue Proculures 62-21 and 65-13. W'bule not manditurs, the adoption of these procedures wall, in noost cases, prove to be to the taxpayer's adanatage.
If a deductan is damed on acount of depreciation, fill in Sched. whe C-2. In wase wholesience is included in this dedution. state separately ammont chamed and binis upon which it is computed. Combplete the "Sammary of Deprectation" showing the amounth chapputed unter the methosh ind proetdure indated.
Line 14-Repairs. You may deduct the cast of inudental repairs, induling labor, supplas, and other items, which do not wht to the value or approcably prolong the hife of the property. Papenditure for restoring of roplacing property are not dedacthle wou sub expendetures are charge.ible to copital accounts or to depreciation rescrve dependeng on haw depreciation is charged on your bouks

Line 19-Amortization. ... Fur the election to amortize researd or expermantal evpenditures, se section 174 of the Code.

For tha clution to anorize tralem.rk or trade name capunditures, see section 177 of the Conte.

Line 20-Retirement plans, etc. (other than your share).Enter deduction for contributions to or under a pension, profit-sharing, annuty, or bund purchase plan, and compensation under a deferied payment plan for your employees on this line. If the plan includes you as a velf-empluyed individual, enter your share on page 2, Part III, line 4, Fomm 10.6 and attah Form 29505 E . For other flans attach Form 2950 (optional in the first year--see instructions for that form).

Line 22-Bad debts arising from sales or services.-Inchade debts, or portions thercof, arising from sales or professional services that have bun included in incume, which have been dofinituly ascertanes to he worthless; or such reasonable amount as has been added within the taxable year to a reserve for bad debts. A debt which is deducted as bid and which reduces your tax must, if subsequently collated. be returned as income for the year in whith cullected.

Line 23-Losses of business property.- You may deduct lonses of huviness property by fire, storm, or other casualty, or theft, if not ampensated by murance or otherwise and not made good by repairs clamed as a dedurtion. Attadh a statement showing a description of the property, date acquised, cont, subsequent improvements, depretiation allowsel or allowatle since acquisition, insurance proceeds, salange whue, and deductuble loss.

Line 24-Depletion of mines, oil and gas wells, timber, etc.If a deduction is clamed on account of depletion, Form M (mines and other natural deposits), Form O (oil and gas), or Form T (timber), should be submattad with your return. If complete valuation date have been filed with questionnaire in previous years, then fio wath your return information nceesary to bring depletion schedule up to date.

Line 25-Other business expenses.-Include all ordinuy and necessary business expenses for which no space is provided in the whedule. Dor not melute cost of business equipment or furniture, expenditures for rephacements, or for permanent improvements to properte, or personal living and fimily expenses.

Automobile Expenses, Special Rule. -See page 7 of the Fom 10 3 invtructions for optional method of computing deductible autumabile expenses.

Net operating loss deduction.-Any net operating lons daduction should becntered in Part 11, line 7 (Form 1040).

Expense account information.-Expense account allowance means: (a) amounts, other than compensation, received as adwances or rembursements, and (h) amounts paid by or for you for expencs incurad by or on behalf of yoursedf or your employees, indluling all amounts, barged through any type of credit card, for whath a dave. tion is chamed in this shatide.
However, this term does not include amounts paid for: (a) the purhase of gookt, for resale or use in your husiness, and ( $h$ ) incidental evpuncos. such as the purchase of office supplics or for lacal tranmpastation in connection with an errand. You should mantan fecords to subieatiate entertainment expenditures.

Information returns.- lou may be required to file infomation returns for certun pryments of fees, compensame, interent, wats. royalies, annuties, penmions, and forcign items. Tor more detaled information see mertutuns on Form 1096 .

| SCHEDULE $D$ |  |
| :--- | :--- |
| $($ (Form 1040) | Gains and Losses From Sales or Exchanges |
| of Property |  |

U.S. Treasury Department Internal Revenue Service of Property

Attach this schedule to your income tax return, Form 1040
Name and address as shown on page 1 of Form 1040


Long-term capital gains and losses-assets held more than 6 months ( 12 months or more for certain livestock)
5 Enter gain from Part II, line 3


Total long term gross sales price.


6 Enter the full amount of your share of net long-term gain (or loss) from partnerships and fiduciaries
7 Enter unused long.term capital loss carryozer from preceding taxable years (attach statement)
8 Capital gain dividends
9 Net long term gain (or loss) from lines 5, 6, 7, and 8 .
10 Combine the amounts shown on lines 4 and 9 , and enter the net gain (or loss; here
11 If line 10 shows a GAIN-Enter $50 \%$ of line 9 or $50 \%$ of line 10 , whichever is smaller. (Enter zero if there is a loss or no entry on line 9.) (See reverse side for computation of alternative tax)

12 Subtract line 11 from line 10. Enter here and in Part IV, line 1, on reverse side
13 If line 10 shows a LOSS-Enter here and in Part IV, line 1, the smallest of the following: (a) the amount on line 10; (b) the amount on page 1, line 11 b . Form 1040, computed without regard to capital gains and losses; or (c) $\$ 1.000$
Part II-GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250assets held more than 6 months (see instructions for definitions)
Where double headings appear, use the first heading for section 124 S and the second heading for section 12 SO.


Part III-PROPERTY OTHER THAN CAPITAL ASSETS


## INSTRUCTIONS (References are to the Internal Revenue Code)

GAINS AND LOSSES FROM SALES OR EXCHANGES OF
PROPERTY.-Report details in approprate part or parts.
In column (a) of Farts I, II, and III use the following symbols to indicate how the property was auqured: "A" for purchase on the open market; "B" for exercise of stak option or through employee stock purchase plan; "C" for inhoritame or gatt; " $D$ tor exchange involving carrober of prior assct hass; and "E" for other.
"Capital assets" defined.-T'lue term "cupital assets" means property held by the taxpuyer (whether or not connected with his trade or business) but ducs NOT include-
(a) stock in trade or other property of a kind pronctly includible in his inventory if on hand at the close of the taxable year;
(b) property held by the taxpayer pramaly for sale to customers in the ordinary course of his trade or business;
(c) property used in the trade or busincss of a character which is subject to the allowance for depreabtion prosided in section 167;
(d) real property used in the trade ur buiness of the taspajer;
(c) certain government (ibligations issued on or after March 1, 1941, at a discount, payble whihout mecrest and maturing at a fixed date not exceeding 1 year from date of issuc;
(f) certan copjrights, literary, musical, or artistic compositions, ctic; or
(g) accounts and notes receisable acquired in the ordinary course of trade or business for services rendered or foom the sale of property referred to in (a) or (b) , whese.
special rules apply to dealers in securities for detemining capital gain or urdinary loss on the salc or exthange of scuasties. Certain atal property subdivided for sale maty be treated as capital assets. sections 1236 and 1237 .

If the total distributions to which an emplogee is entitled under on emplegecs pension, bonus, or profteshandeg trust plan, which is exempt from tax under secton $501(1)$, are pad to the cmplogee in one tasable jear, on acount of the enpplayces soparation from setvice, the aggregate amount of sudf dosthbuton, to the ceatent it exueds the amounts contributed by the emplogee, shall be treated as a long. term captal gan. (See section -402(a).)

Gain on sale of depreciable property between hushand and wife or between a shareholater and a "controlled corporation" shall be treated as ordinury gan

Cuns and lonses from tramactions described in section 1231 (see Ineww) thatll be reated as gans and lisses from the sale or exdrange of caputal assets held for more than 6 mmathas if the total of these

arins excecus the total of these losses. If the tot.al of these arins does nut exceed the total of these lusses, such gains and losses shall not be treated as gains and losses from the sale or exchange of copital assets. Thus, in the etent of a net gain, all these transactions should be entered in Part I of Schedule D. In the crent of a net lose, all these transactions should be entered in Part III of Schedule D, or in other appliable schedules on Form 1040.
Seetion 12.31 deals with gains and losses arising from-
(a) sale, exchange, or involuntary conversion, of land (including in certan wases unharvested crops sold with the land) and depreciable property if they are used in the trade or business and held for more than 6 months.
(b) sale, exchange, or involuntary conversion of livestock hold for draft, breching, or dary purposes (but not including poultry) and held for 1 year or more.
(c) the cutting of tumber or the disposal of timber, coal, or domestic iron ore, to which section 631 applies, and
(d) the involuntary conversion of capital assets held more than 6 months.
Sce sectons 1231 and 631 for specific conditions applicable.
Gain from disposition of depreciable property under sections 1245 and 1250-assets held more than 6 months (Part 11).-Report any gain from such property held for 6 months or less in Part III.) Except as provided below section 1215 property; means depreable (a) personal property (other than haerterk) in lating intangible personal property; and (b) t.angible real property (except for buildings and their structural components) if used as an integral part of manufaturing, production, or eatration, or of furnshing tranportation, communtations, eleatrital encrgy, gas, water, or sewage disposal services, or used as a rescarch or storage fatility in connetion with these activitics.
Faicpt as prosided below section 1250 property means depreciable real property (other than section 12.45 property).
See sections 1245(b) and 1250(d) for exceptions and limitations involving; (a) disposition by gift; (b) tranvers at death; (6) certun t.ax-fice transations; (d) like kind exchanges, involuntary converions; (e) sales or exdhanges to effectuate F:CC policies and cwhanges to comply with S.E.C. orders; (f) property dis. tributed by a partaceship to a purtner; and ( $g$ ) disposition of principal revidence ( (xectorn 1250 only).
(Instructions continued on reverse side of duplicate)

Part III-PROPERTY OTHER THAN CAPITAL ASSETS


## INSTRUCTIONS (Continued from reverse side of original)

Column i of Part II, section 1250 property only.-If held for more than 6 months, but not more than 1 year, enter the smaller of (1) column $h$, or (2) column f-2.

If held for more than 1 jear, enter the result of multiplying the smallier of (1) column h, or
(2) whuma f-2 less the amount of depreciation com puted for the same period using the straight line method,
by the percentage obtained by subtracting from $100 \%$, one percentage point for each tull month held in excess of 20 months.
Whace substantial mprovements have been made within the preced-
ing 10 ycars, see section $1250(\mathrm{f})$.
Basis.-In determining gain or loss use cost, except as specially provided. The basis of property acquited by gift after December 31, 1920, is the cost or ather basis to the donor in the event of gain, but, in the esent of luss, it is the lower of either such donor's basis or the fair market walue on date of gift. If a gift tax was paid with respect to property received by gift, see section 1015 (d). Gencr. ally, the basis of property acquired by inheritance is the fair matket value at the date of death. For special cases involving property asquired from a decedent, see section 101 - .
Installment sales.-If you sold personal property for more than $\$ 1,000$ or teal property regardless of amount, you may be eligible to report any gain under the installment plan if (1) there is no pay. ment in the jear of sale, or (2) the payments in the jear of sale do not exceed 30 percent of the selling price. The election must be made in the jear of sale even though no payment was received in that year. Sce section 453.

For treatment of a portion of payments as "unstated interest" on deferred payment sales, see section 483.

Sale of personal residence. -Tax on a portion or all of the gain from the sale of your principal residence may be deferred if:
(a) within 1 year after (or before) the sale, you purchase another residence and use it as your principal residence; or
(b) within 1 year after (or before) the sale, you begin construction of a new revidence and use it as your principal structionce not later than 18 munths after the sale.
If you sold property for $\$ 20,000$ or less on or after your 65th birthday which was owned and used by you as your principal residence for at least 5 of the last 8 years any gain on the sale need not be included in income. If the property was sold for more than $\$ 20,000$ part of the gain must be taken into income.

Contact your nearcst Intermal Revenue Service office for full details
or to obtain Form 2119 which may be uned to seport the ule ur exchange or to figure your new basis.

Nonbusiness debts. - If a debt, such as a personal loan, become, totally worthless within the taxable year, the loss resulting therefrom shall be conovered a loss from the sate or exchange, during the taxable year, of a capital assct held for not more than 6 months. Enter such loss in column (g) and describe in column (a), Part I. This does not apply to: (a) a debt evidenced by a corporate security with interest coupons or in registered form and (b) a debt acquired in yout thide ve business.

Limitation on allowable capital losses.-If line 10, Part I, shows a net loss. the loss shall be allowed as a deduction, only to the ex. tent of the smafler of (1) line ilb (or line 9 if tix table is used), page 1, Form 1010 computed without capital gains (losses), or (2) $\$ 1,000$. The excess of such allowable loss orer the lesser of tems (1) and (2) above is called "capital loss carrover." Any such carrootcr loss may be carred forvard indefinitely. Capital losses retain thear charater as enther short-term or long-tem when carsied over to the succeeding year. To the extent the net capital losscs are deducted from ordinary income, the net short-term capital loss must be considered as ictucted first.

Losses in transactions between certain persons.-No deduction is allowable for losses from sales or exchanges of property directly or indirectly between (a) members of a famly, (b) a corporation and an individual (or a fiduciary) owning more than 50 percent of the corporation's stock (Iiquidations excepted), (c) a grantenr and fiduciary of any trust, (d) a fiduciary and a beneficiary of the same trust, (e) a fiduciary and a fiduciary or bencficiary of another trust created by the same grantor, or (f) an individual and a taxexempt organization controlled by the individual or his family. Putners and partnerships see section 707 (b).

Long-term capital gains from regulated investment com-panies.-Include in income as a long-term capital gain the amnunt you are notified on Form 2439 which constitutes your share of the undistributed capital gains of a regulated investment company. You are entitled to a credit of 25 percent of this amount which should be included with the amount claimed on line 20, page 1, Form 1040. The remaining 75 percent should be added to the basis of your stock.
Losses on small business stock.-If you had a loss on section 12 fí stock which would (but for that section) be treated as a loss from the sale or exchange of a capital asset, it shall be treated as a loss from the sale or exchange of an asset which is not a capital asset to) the evtent provided in that section.

## SCHEDULE F <br> (Form 1040) <br> USTRessury Department Internas Revenue Service <br> Schedule of Farm Income and Expenses <br> (Compute social security self-employment tax on Schedule F-1 (Form 1040)) Attach this schedule to your income tax return. Form 1040

Name and address as shown on Form 1040


PART II.-SALES OF PURCHASED LIVESTOCK AND OTHER ITEMS PURCHASED FOR RESALE


PART III.-FARM EXPENSES FOR TAXABLE YEAR (see separate instructions)
(Do not include personal or living expenses or expenses not attributable to production of farm income, such as laxes, insurance, repars, etc., on your dwelling)


Total of columns 1, 2, and 3. Enter here and in Part IV, line 4 below (cash method), or page 2, Part VII, line 6 (accrual method)

*Use this amount for optional method of computing net earnings from self-employment. (See line 3, Schedule F-1 (Form 1040).)

PART V.—DEPRECIATION (see instructions) ( $D_{0}$ not include property vou and vour tamily occupy as a dwelling, its lurnishings, ando ther ilemis usedin personal purposes) This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedures 62-21 and 65-13 as well as for those taxpayers who wish to continue using practices authorized prior to these revenue procedures. Where double headings appear use the first heading for depreciation under Revenue Procedures $62-21$ and $65-13$ and the second heading for other authorized practices.


## SUMMARY OF DEPRECIATION

|  | Straight line | Declining datance | $\begin{aligned} & \text { Sum of the } \\ & \text { years digits } \end{aligned}$ | Units of production | Additional first year (section 179) | Other (specify) | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1 Under Rev. Proc. 62-21. |  |  |  |  | $\square$ |  |  |
| 2 Other . . . |  |  |  |  |  |  |  |

PART VI.-FARM INCOME FOR TAXABLE YEAR-ACCRUAL METHOD
(Do not include saies of livestock held tor dralt, breeding, or darry purposes; report such sales on Schedule D (Form 1040), and omit them from "Do hand at beginning of year" column)


PART VII.-SUMMARY OF INCOME AND DEDUCTIONS-ACCRUAL METHOD
1(a) Inventory of livestock, crops, and products at end of year
(b) Sales of livestock, crops, and products during year
(c) Other farm income (specify):



10 Net farm profit (or loss) (subtract line 9 from line 5). Enter here and on page 2, Part II, line 6, Form 1040. Make your computation of self-employment income and the self-employment tax on Schedule F-1
*Use this amount for optional method of computing net earnings from self-employment. (See line 3, Schedule F-1 (Form 1D40).)

# Computation of Social Security Self-Employment Tax on Farm Earnings (for social security) 

Attach this schedule to your income tax return, Form 1040
(See instructions-page 2)

- If you had wages, including tips, of $\$ 6,600$ or more which were subject to social security taxes, do not fill in this page.
- Each self-employed person must file a separate schedule. See instructions, page 2, for joint returns and partnerships.
- If you had net earnings from self-employment from both farm and nonfarm sources, fill in only lines 1 and 2 (line 3 , if applicable), and use separate Schedule C-3 to compute your self-employment tax. Net farm earnings from self-employment should be entered in Schedule C-3 (Form 1040) on line 5(d).
NAME AND ADORESS (as shown on page 1. Form 1040)

CHOICE OF METHODS - A farmer must report his net farm earnings for self employment tax purposes. Net earnings may be computed under the optional method (line 3, below) by a farmer (1) whose GROSS profits are $\$ 2,400$ or less, or (2) whose GROSS profits are more than $\$ 2.400$ and NET profits are less than $\$ 1,600$. If your GROSS profits from iarming are not more than $\$ 2,400$ and you elect to use the optional method, you need not complete lines 1 and 2.

## COMPUTATION UNDER REGULAR METHOD

1 Net farm profit (or loss) from:
(a) Schedule $F$, page 1 , line 8 (cash method), or page 2, line 10 (accrual method)
(b) Farm partnerships

2 Net earnings from selfemployment from farming. Add lines 1 (a) and (b)


## COMPUTATION UNDER OPTIONAL METHOD

3 If gross profits from farming are:* (a) Not more than $\$ 2,400$, enter two thirds of the gross profits
(b) More than $\$ 2,400$ and the net farm profit is less than $\$ 1,600$, enter $\$ 1,600$
*NOTE.-Gross profis from farming are the total of the gross profits from Schedule F, Part IV. line 3 (cash method), or Part VII, line 5 (accrual method), plus the distributive share of gross profit from farm partnerships as explained on page 2 . If line 2 (or line 3, if you choose the optional method) is under $\$ 400$, do not fill in rest of page. COMPUTATION OF SOCIAL SECURITY SELF-EMPLOYMENT TAX
4 The largest amount of combined wages and self employment earnings subject to social security $\$ \mathbf{6 , 6 0 0} 00$ tax is
5 (a) Total "F.I.C.A." wages as indicated on Form W-2
(b) Unreported tıps, if any, subject to F.I C.A. tax from Form 4137, line 9
(c) Total of Unes $5(\mathrm{a})$ and $5(\mathrm{~b})$. Enter here and in item $G$ below

6 Balance (line 4 less line 5(c))
7 Selfemployment income. Enter here and in item H of Schedule SE below your choice of EITHER:
(a) REGULAR METHOD. - The smaller of line 2 or 6
(b) OPTIONAL METHOD. - The smaller of line 3 or 6

8 Selfemployment tax-If line 7 is $\$ 6,600$, enter $\$ 405.90$; if less, multiply the amount on line 7 by 6. I $5 \%$. Enter this amount here and on Form 1040, line 15, page 1 . . . . . . . . . . . . . . . . . . . . . . \$

Do not detach

Important. - The amounts reported on the form below are for your social security account. This account is used in figuring any benefits, based on your earnings, payable to you, your dependents, and your survivors. Fill in each item accurately and completely.


## SOCIAL SECURITY SELF-EMPLOYMENT TAX INSTRUCTIONS

Indwiduals derwing income from farming operations are subject to selfemployment tax. See page 1 of this form for computation of earning from selfemployment and selfempluyment tax. This tax must be paid regatdless of age and even though the individual is receiving sochal security henefits. If you have filed Form 4029, Applation Eor Exemption from Tax on Self Enplogment Income and W"aiver of Benefis, do not file Schedute $\mathrm{F}-1$; however, write "Ex. empt-Form $-1029^{\circ}$ to the left of the entry space on the self-employment tax line. page 1 of Form 1040.

Optional method for computing net earnings from selfemployment from farming.-If a farmer's gross protits for the year from farming are not more than $\$ 2.400$, he may report twothirds of his gross farm inuome instead of his actual net earnings from farming. If his gross profis from farm self-employment are more than $\$ 2.400$ and his actual net earnings from farming are less than $\$ 1,600$, he may report $\$ 1.600$. For the purpuse of the optional method, a partner should compute his share of gross profes from a farm partnership in accordince with the partnership agreement. In the case of guaranteed payments, his share of the partnership's gross profits is his guaranceed payments plus his share of the gross profits after such gross profits are reduced by all guaranteed payments of the partnership.

## SHARE-FARMING ARRANGEMENTS

An individual who undertakes to produce a crop or livestock on land belonging to another for a proportionate share of the crop or livestock produced, or the proceeds thereof, is considered to be an independent contractor and a selfemployed person rather than an employee. His net earnings should be reported on Suhedules F and F-1 (Form 1040) for income tax and self-employment tax purposes.
Farm rentals.-Rental income from a farm counts for social security purposes if the arrangement provides for material participa. tion by the landlord and he does participate materially in the produc. tion of the crop or livestock or in the management of the production of one or more farm products. Such rental income is farm earnings and should be reported on page 1 or 2 of Schedule F. "Material participation" means the taking of an important part in the actual production or in the making of management decisions. If there was no material partacipation, report such rental income in Part II of Schedule B (Form 10.40).

## MORE THAN ONE TRADE OR BUSINESS

If an individual is engaged in farming and in one or more other trades or businesses, his net earnings from self-employment are the combined net earnings from self-employment of all his trades or businesses. Thus, the loss sustained in one trade or business will operate to reduce the income derived from another trade or business. In such cases, wse both Schedule F (Form 1040) and Schedule C (Form 1040) to determine net profit from the farm and nonfarm activities, respectively. Make the combined computation of self. employment tax on page 1 of Schedule C-3 (Form 10.40). Fill in Schedule F-1 (Form 1040) through line 3 .

## JOINT RETURNS

Where husband and wife file a joint income tax return, page 1 of this Schedule should show the name of the one with self-employment income from farming. W'here husband and wife each had selfemployment income, a separate Schedule $\mathrm{F}_{-1}$, or a separate Schedule C-3, whichever is appropriate, must be filed by each. However, the total of the amounts shown as profit (or loss) from all businesses should, for income tax purposes, be reported on page 2, Part 11, line 4 ot 6 . Form 1040, and the combined self-employment tax should be entered on page 1, line 15, Form 1040 .

## COMMUNITY INCOME

For the purpose of computing net earnings from self-employment (but not for income tax), if any of the income from farming is community income, all the income from such farm operations is considered the income of the husband unless the wife exercises substantially all
the management and contel of the operation, in which case all of suth manne is considered the income of the wife. (Also see instructions on purtacersheps which follow.)

If eeparate income tax returns are filed by husband and wife, S.hedules F and $\mathrm{F}-1$ or Schedules C and $\mathrm{C}-3$, whichever are approprote, must be ateached to the return of the one with self-employnent income. Communty incone included on such a schedule must, however, be allouated, for income tax purposes between the two returns (on page 2, Part II. Ine 4 or line 6, Form 1040) on the buis of the community property laws.

## PARTNERSHIPS

In computing his combined net earnings from selfemployment, a partner should indude his entite share of such earnings from a partnership including any guaranteed payments. No part of that share may be allocated to the partner's wife (or husband) even though the income may, under Siate law, be community income. However, in the case of a hushond and wife farm partnership, like other fartnerships, the distrihutise share of each must be entered as partnership income in Part III of Sihedule B for income tax purposes, and on page 1, line 1 (b), of separate Schedule F-1 for self-employment tax purposes. (Use separate Schedule C-3, to report nonfarm income for social security purposes.)
Note.-If a member of a continuing partnership dies, a portion of the deceased partner's distributive share of the partnership"s ordinary income (nr loss) for the taxable year of the partnership in which he died must be included in the partner's net earnings from selfemployment. In such cases consult your nearest Internal Revenue Service office as to how to report.

## EXCLUSIONS FROM SELF-EMPLOYMENT

In determining the amount of net farm earnings from self-employment the following items should be excluded:
Real estate rentals.-Rentals from real estate, including any personal property that is leased with the land. This includes rentals received in cash or crop shares. These amounts should be reported in Part II of Schedule B. See, however, "Farm Rentals" under "Share-Farming Arrangements" on this page.
Property gains and losses.-Gains and losses from the sale, exchange, or involuntary conversion of capital assets and other property which is not held primarily for sale to customers. These amounts should be reported on separate Schedule D (Form 1040).
Net operating losses.--In determining the net earnings from self-employment, no deduction for net operating losses of other years shall be allowed. Such deduction should be entered on page 2, Part 11, line 7, Form 1040.
Other items.-Any other item of incone or expense which was included in line 2 and which does not enter into the computation of net farm earnings from self-employment should be eliminated from line 2 and an explanation attached.

## SCHEDULE SE (FORM 1040)

Schedule SE, which is the lower portion of page 1 of Schedule F-1, provides the Social Secunty Administration with the information on self employment income necessary for computing benefits under the social security program.
To assure proper credit to your account, enter your name and social security account number on Schedule SE (Form 1040) exactly as they are shown on your soctal secutity card. If you do not have a soctal securty account number, you must get one. These account numbers are obtainable from any Social Security district office. Your local post office will give you the address. Do not delay filing your return beyond its due date.

Regardless of whether joint or separate returns are filed by husband and wife, Schedule SE (Form 1040) must show only the name of the one with self-employment income. However, if both had self-employment income, a separate Schedule SE must be filed by each.

## INSTRUCTIONS FOR SCHEDULE F (FORM 1040)—1966

The term "farm" does ant inlude the cultaviting or uperatigy of a farm for recreation or pleasure,


CASH RECEIPTS AND DISBURSEMENTS METHOD
Under this method include in income (1) the ammont of ash and the value of merchandase of other properey secened from the sate at buestock and produce which aere maned danme the las attle year on prior years, (2) the profits recened from the sale of any liwestuch and other sems which were purchased, and (3) manac racival from all nther sources. Farm expenses will be the amesunes fatid durng the taxable year plus deductions such as deprectatan, et

## ACCRUAL METHOD

The gross profits are obtaned as indicated in unmmary of income and deductions on page 2 of Schedule $F$. Farm expase will be the atual expenses incurced during the yerr. whether pad or not You may value anventories acording to the "farm prise method," which provides for the valuation of inventuries a market pruce less direct cost of disposition, in adtuon to other methemb Famers rasione hestock may value their inventontes of ammal ancimbling to enther the "farm-price method" or the "unt liverterh-pmee an thal

## INCOME

All farm income from whaterer subure nows be reperted in Schedule For in Schedule D (Form 1010). Asisthang of whan rectived instead
 be treated as income to dhe extent of its mathe: walue The value of fam produce cunsumed by the farmer ana! ha, fanaly need not be reported as income. but expence moural in hamy nuh produce
 growing crops should be included It win kise II in a part of your crop land on a crop share basis, repure the wop shires reverved in rental income only for the year in which the ste re latal to mones. or its equivalent If you received reat.l burne th in the operation
 the income in Patt II of Schedale B (Fumathin)
Agricalture Program Payments.
In Cash.-Ent<e the tutal amount of prace cuppott paymeats. dwersion payments, and cost share payments reconcet in wath (shate do aft)
 the form of materials, suth as fertalaed or lane or wh furm of services, such as grading or the whstathon of dimb, int. s the the. 1 amount pard by the Department of Asmultue te the what wi contractor on this line
 tion).-If commodaties ase pledged as sermaty for a lom from the Commodity Credit Corporation, income is mat wasid:cel retavid until the commodities are delivered ot forfatid the the curparitum unless an election is made to molude there amounts in imum whon recesved If you made tha eleation. or deluered or forfoted the pledged commodity, enter the amounts iccoval in thas biar if you made sudi an election, atach to your meturna tatemont howing details of such loans You must continue tio reput mmar loans an incman until you receive permission from the Cornmathace to alinge your method of accounting.

Patronage dividends recenved from ampe;atives m wh. quatital written notices of allocation, or other properts (to the extent of tar market value), are to be included in farm income

Patronage dividends received in the form of nompualifeal writion notices of allocation are not to be in linded an tomone at the tance if receipt. However, amounts received at the tune of rakmption, wale, or other disposition must be reported is imemene
Dividends received on purchases of capital ansets ar deprestable property used in farming ate not inchided in moneme, but the pur. chase price of such iterns must be redmed socordmgly Divilend you receive on nonbusiness purchaves are not includal in income
Report sales, exchanges, or involunfay converamas of aputal assets and other property in separate Shedule D (Form 1040 )
Income from farmang is subject to the sem ial security solf emplus ment tax. See page 2 of Schedule $t 1$ (Furm info) If you have filed Form 4029, Applacition fur Excmption fiom Tux on Self complosment Incone and Wraiser of Bencfits, du nit file Sihedule F-1; how. ever, write "Exempt-Form 4029 " to the left of the entry space on the self employment tax line, page 1 of Form 10 to.

## EXPENSES AND OTHER DEDUCTIONS

Labor hired.-Amounts pad for regular farm labor, piecework. contract labor, and other forms of hared latoer Dee not develue the value of your oun latore or that of your wife or fambly Only thit part of the hoard which is purihased for lared lathor should bee de ducted The value of products furnished by the farm and unced in the board of hised labor is not dedutible However. the ust of rations parchased for latorers or sharerappers is deductable Do not deduct amounts paid to persoms enpaged in houseladd work except to the extent that the services of such person are used in except to the extent that the services of such
bourding and otherwise caring for form laburer

Repairs and maintenance.-Amounts expended for repairs ind marntunue of firm buldings (except your dwelling), fences, dram, and ther furm improvenconts, and for repairs and maintename if fimm mathaty and equipment; cost of ordinary tools of wort he ar wall wont whit is shmels, rakec, etc. Amounts paid for teplatements ai, wr wlituns to, farm machinery, farm huildings, or wher farme equpment of a permanent nature are not deductible.
Utilities. The farm share of the expenditures for water rent, electraty, telephone ett. Do not deduct personal expenses.
Fertilizers and lime. -These and similar materials may be etther capitalized or deducted as an expense

Supplies purchased.-Cost of twine, spray materials, poisons, disinfectints, cans, batrels, baskets, egg cases, bags, etc

Taxes.-State and local taxes. Do not deduct Fedoral income tax-s; estate, inheritance. legacy, succession, and gift taxes; nor thes ase-sed for any imponvement or betterinent Do not deduct live on four dwelling or household property and other taxes not whitsel th the humaers of farming.

Insurance. -Cirst of all insurance on farm buildangs (except your Wwellage), in in moprovements, equipment, crops, and livestock.

Rent Gif turm, part of farm, or pasture.-Rent pid in cash. A tenint fane premg tent to has lindlard in the form of crops raised in the fisin (undara arep share agreenent) may not deduct as rent the value of the crop guon to the landlord. but the temant may deduct all amounts patid by ham in tassing the crop

Conservation expenses..-You may deduct certain expenditures fincluding ary amonat pard on any assessment levied by a soil or water conserbaton of Arainage district to defray expenditures made by such district) for soll or water conservation and the prevention of crosion if surth copenditutes are in respect of land used by you.
The allowable dedution for any one year may not exceed 25 percont of your prom momuc from farming. but any excess may be carried rwer to bucceding years with the same limit applying to those years.
To clam a deductoon for these expenditures you must (a) elect to do sor for the firet t.roble year for which such expendetures are paid ty claming suh deduction on your return, or, (b) secure consent from the Distrut Director of Internal Revenue for any other year. Gase vinu have clected to do so, ynu must continue to treat such expenditures as dedutaons in all future taxable years unless you secure cunsent from the District Ditector to change.

Retirement plans, etc. (oiher than your share).-Enter deduction for contributhms or or under a pencion, profit sharing, annuity, or bonil purthase plan. and compensation under a deferred pay. ment plan for yout amployces on the lane provided on page 1, Part 1II, column 3, of Subedule F . If the plan includes you as a self. emplayed individual, enter your share on page 2. Part III, line 4 , Furin 1040 and attach Form 2950SE For other plans attach Form 2950 (optinnal in the first year-sce instructions for that form)

Autornobile expenses, Special Rule.-See page 7 of the Form 110.10 Inseructions for optional method.

Other farm expenses.- Include such items as advertising, stationery, stamps, acount books, other office supplies, tratel, etc.

You may deduct expenditures an clearing land to make it suitable for firmang Ihis deduction is limited to $25 \%$ of taxable income from fanmang, of $\$ \$, 000$ whichever is lesser.

Depreciation.- Allowance for depreciation of buildings, improve. mons, mulunery, or other farm equipment of a permanent nature. Sumbir asuct mav be grouped together as one item for reportia! purpurem th the depreciation schedule on Schedule F. In compuetng depicciann dor mot melude the value of farm land or land on which farm lomating: ure lacited. Do not claim depreciation on livestack of .114s "the property ind luded in your inventory. Depreciation. h ewever, mas be clamed on livestock acquired for work. breeding, if hiry purnmes which are not included in your inventory of hvestock puchared or mased for sale. See instructions for Form 1040 for necthos of computing depreciation

Losses.- Insses of farm buildings, machmery, and other farm puperty ine included in your inventory, if not compensated by insurance or uthermise losses of property included in your inventory wre wen wre of by the reduced amount of the inventory at the end of the yeal The total loss of a prospective crop by frost, starm. flood. in firc is tut draluctable When using the cash method, the value of aramin rioved ty you and lost by death is not deductible; for animals furthand and list by death, the cost less depreciation allowed or alhisatle in deduatile if not compensated by insurance or otherwise. Du not kedut peramal losses.

Nict operating loss deduction.--Any net operating loss deduction shomat lie conterid on page 2, Part II, line 7, Form 1040.

Additional information available.- More information and illus. tutsee samplev are contained in I.R.S. Publication No. 225. Farmer's I ix Cianke. thas bouklet may be obtained free of charge from your wunts ugrmulturil agent or any Internal Revenue Service Office.

SCHEDULE G (Form 1040)
US. Treasury Department
INCOME AVERAGING
Attach this schedule to your income tax return, form 1040
Name and address (as shown on page 1 of your tax return)

## PART I.—TAXABLE INCOME AND ADJUSTMENTS



## PART V.-COMPUTATION OF ALTERNATIVE TAX

1 Amount from line 10, Part IV
2 Amount from line 5, Part IV
3 (a) Amount from line 2, Part II
(b) Amount from line $3(c)$, Part II
(c) Sum of lines 3 (a) and 3(b)

4 Tax on amount on line $3(c)$
5 Difference (line 2 less line 4)
6 Amount from line 1, Part IV
7 Sum of lines 1, 2, 3, and 4, Part III
8 Tax on amount on line 7
9 Difference (ine 6 less line 8 )
10 Sum of lines 5 and 9
11 Amount from line 3, column (a). Part I
$1250 \%$ of line 11
13 If ine 10 is more than line 12, enter difference-otherwise alternative tax does not apply
14 Alternative tax (line 1 less line 13). Enter here and on line 12, page 1. Form 1040, and write "Sch. G" to left of entry.
Use this space for additional information such as determining base period income in accordance with General Instruction $C$ or itemizing of line 5 , Part I, etc.

## General Instructions



1040 it you meet the requatemeats of (i) utizeaship or resideace, wod (2) sapport On a pumt returo both hubaind and wife oust meet the requaremeots
(1) Citizenship or residence requirement.- You must have been a utizen or resudent of the L'mited States throughout 1966. A ourresideat alien at aoy time duriag the five tixable year pertod ending with 1966 is not eligible.
(2) Support requirement.- y'ou must have furonshed at least 50 percent of your uwn suppurt for each of the years 1962 through 1965. In a year in which you were marned it is only necessary that you together with your wife prowded at least 50 percent of the support of both of yous For definition of support see page 4. Furm 10.40 Iostructioas.

Exceptions. The support requremeot is waived if-
(1) You were age 25 ur mote before the end of 1966 and you were not a full-tione studeot during at lease any four of your taxable years hegioniog after you have attatoed the age of 21 . Thus, generally, if you are age $2 s$ or over and have beeo out of school for 4 yesw soce age 21 , you are eligible for averaging. You are a student for a taxable year of during 5 calendar mooths of that year you were a full-time studeot at an educational institution or were pursurge a full-tane course of institutional on-farom tratoiog under the supervistoo of an accredited akent of an educational insurution of of a State or political subdivision of a State.
(2) More than so percent of your adpusted taxable iocome for 1966 (lioe 7, columo (a). Part 1) is attributable to work performed by jou in substantial part during two or more of the four taxable years preceding 1966, or
(3) You file a joint return for 1966 aod not more than 25 per cent of the aggregate adjusted gross incoane (hoe 9, page 1, Form 1040) is attributable to you. Your husband (wife), however. must meet the surport requiremeat.
B. PROVISIONS INAPPLICABLE.-If you file Schedule G you may not
(1) Exclude from income any part of your earned income from sources wathout the United States (see section 911 and Form 2555) and all income from soutces within possessions of the United States (see sections 931-934 and Form 1040E).
(2) Use the tax tables on pages 12,13, and 14, of the Form 1040 instructions. You may, however, use the standard deduction
(3) Avail yourself of the limitation on tax under section 72 (n) (2) for income resulting from certain distributions from an employees' trust.
C. BASE PERIOD INCOME RULES. -Your base period income for each of your base perrod years (1962-1965) must be determined in a manner consistent with your return for 1966. If you make a separate return for 1966, you must determine your separate base period income for each of your base period years. If a husband and wife make a joint seturn for 1966, they must determine the sum of their separate base period incomes for each base period year. Thus, if you and your wife make a joint return for 1966 and were married and made joint returns with each other for any base period year, your base period income for each such year is your aggregate taxable income for that year. If you make a return for 1966 as a surviviag widow (er) (under section 2(b)), your base period income for each of the base period yeats (1962-1965) is the sum of your base period income and that of your deceased husband (wife) for each such year. If a hus-
bund and wite marred to 19 or and ande a joint retura for 1966, and Dettuer person was martied from 1962 through 1965, thear base permed ancumes for each of thase years is the sum of the horband's separate bise persod income and that of his wife for eadr such year

In sume cases the computatem of four separate base permed income for a bave pernod yeat may require as moy as three computands. The tath to exh wate determane how many computatoos are oeces. sary For instance, if you were marned for 1966 and made a poine return with your wite (lioshand), but had a difiereot wife (hosband) for 1966 thao for a base permed jear, two computations are necessary. In whalase, your separate hase periond to ame for the year in question is the larger of the followiog nmounts
(1) The amount of your adpusted separate incoone and deduc. tions for the base pernod year.
(2) Oae half the total anount of base period rocome resultung from addng your adjusted separate nowme and deductoons to the adjunted separate income and deductions of yoor wife (hosband) for that base period year.

However, if you and your wife file separate returns for 1966, a thard whputation is necessary. Your separate base period iosome will be the largent of the amonots deteromaed under (1) and (2) above aod
(3) One-half the total towuot of the base perion racome resulting from addiog your adousted separite income aod deductioos tis the adjusted veparate incoone and deductions of your wife (husband) for 1966 for that base period year.
The amount of your separate income and deductions for a base perrod year in the excess of your gross income for that year over your allowable deductions. Your separate deductions for a ay base period year for which you made a separate returo are the deduckions allowable on that returo If you made a pont return for a base period year, your separate deductions are (1) in the case of deductions altowable in coaputiog your adjusted zross income, the surn of such deductions attributable to your gross incomes, and (2) in the case of deductions allowable in computiag tuxable income (exemptions and temized deductioas), the amouat resulting from inultiplying the amount of such deductions allowable on the forat return by a fraction whose aumerator is your adjusted gross income and whose denominator is the aggregate adjusted gross income on the foint returo. However, if 85 perctet or more of the aggregate adjusted gross income of a husbaod and wife is attributahle to either one, all of the deductions allowable in computing taxable income are allowable to the one to whom such incoove is attributable. See specific instruction 1 , under Part I, on adjusted gross income.

In computing your separate base period income when conmunity property laws are applicable, you must take into account all of the earned income you earned, without regard to the community property laws, or your share of the communty earned income under the communuty property laws, whichever is greater.

If you must determine your separate base penod income for any of the base penod years, show the computation and give names under which the returns were filed in the space provided on page 2 . If additional space is needed show your computation on an attachment. An example, illustrating such computation follows:
$H$ and $W$ are calcodar year taxpayers who were married and otherwise eligible to choose the benefits of income averaging for the taxable year 1966 for which they made a joint return. W, however, was married to and made a joiot return with A for the taxable year 1962. H was unomarried for 1962. II and $W$ compute their base period income for 1962 in the following manner:

## A \& W (Joint Return)

$\$ 16,000$
2,000
$\$ 18,000$
3,600
$\$ 14,400$

| $\mathbf{W}$ | $\mathbf{H}$ |
| :---: | :---: |
| $\$ 4,500$ | $\$ 3,000$ |
| 1,500 | 1,000 |
| $\$ 6,000$ | $\$ 4,000$ |
| 1,200 | $(1)$ |
| $\$ 4,800$ | $\$ 2,400$ |

(Total of itemized deductions and personal exemptions on $\mathrm{A} \& \mathrm{~W}^{\prime \prime}$ s joint return) 18000 (A and W*s adjusted gross income from $\times 3600$ joint return)
Method No. 1 - W's separate income and deductions. . . . . . . . . . . . . . . . . . . . . . . . . $\$ 4,800$
Method No. 2 - W and A's taxable income from joiot return, $\$ 14.400 \times 50$ percent . . . . . . . . . . . . . . $\$ 7,200$
W's separate base period income is $\$ 7,200$, the larger of the two methods. $H$ and W's base period income (since there are no adjustments) for 1962 is $\$ 9,600$ (H's separate base period income of $\$ 2,400$ (unmarried in 1962) plus W's separate base period income of $\$ 7,200$ ).

## SPECIFIC INSTRUCTIONS

The following instructions are numbered to correspond with the line numbers in each part of the form.

## Part I

1 Except as noted below, enter on tha line the amount (atever less than zero) from-
(a) Form $10-40$ (1962-66) - line 11d. page I
(b) Form 10.10 A (1964-65) line s. page a Ta Compututun Form 1040A (1962-6i) - Ine 5, pake 3 (1040A Instratum

For any year tur whelt gou use the tax tables to compute your tax. jou may arrse at the ammont th be entered in line 1 , by subtracting iron your adjusted gross incone (see helow) the standard deduction and $\$ 600$ multiplied by the nomber of exemptions. Adjusted gross income is -

$$
\begin{array}{ll}
\text { (a) Form } 1040(1962-66) & \text { lanc 9, page } 1 \\
\text { (b) Form } 1040 \mathrm{~A}(1963-64-65) & \text { item 7, page } 1
\end{array}
$$

NOTE: If you were not married to and did not file a pont return with the same wife (husband) for every year after 1961, or were not single for all those jears, it will be netessary to determine the amount to be entered in columns (b), (c), (d), and ( $t$ ) in accordance with Gencral Instruction C.

2 Enter on this line for ead base pernd ycar the net amount of income previously exiluded from ancume because it was earned incone derwed from sources without the Lnited States or from income within its possessions (sections 911 and 931-934). For 1966 you may not exilude such amounts frona gross mome and they will therefore be reflected in taxahle income

3 If any amount entered in line t, chlamns (b). (c), (d), and (e) is an amount determined under Base Period income Rules (General Instruction C) then the capital gain net income for the same year must be determined using the same method that was used for that year in line 1.

4 You must enter for all years certan amounts of income attribut able to interests in property which were recenved, during 1966 or any base period year ( 1962 through 1965), as a gitt, bequest, devise, or inheritance, but only if the amount of such net income for 1966 exceeds $\$ 3,000$. (If the property was recenved pror to 1962 no entry is required.) If you have an interest in more than one piece of property, the income to be taken into account ts the sum of the incomes (losses) for the year from each prece of property, If the adjustment is required for 1966 (because it exceeds $\$ 3,000$ ), then an entry for this nem must be made for all the base period years for income ( Jisregard any net loss(es)) in those years attributathe to gitts, etc., recesed during the base permed even though such income for any of these years does not exceed $\$ 3,000$. Unless you establish the actual amount of net income attributable to an interest in property for all the years 1962 through 1966, the amount of net income is deemed to be 6 percent of the far market value of sull interest on the date of its receipt for all such years

The above rules do not, however, apply to income attributable to gifts, bequests, devises, or inheritances between husband and wife if they file a joint return for 1966 (including a joint return filed by a survivor with his deceased wife (husband) for 1966), or if one of them files a return as a surviving widow (er) for 1966. The rules do apply where the property transferred wats received by the transferor husband (wife) in any of the years 1962 through 1966 , as a gift bequest, devise, or inheritance.

5 Include incone attributable to the following sources in the total to be entered on this line (show stemization in space provided on page 2)
(a) Wagering inome. The amount which is attrabutable to the excess of gans over losses from wagering transactions
(b) Income from onl and gas properties. The amount recesed trom the sale of any orl or gas property to which section 632 apples
(c) Clamm agunst the L'nited States. The amount received from the Enited States to which sectuon $13+7$ applies.
(d) Excen Cummunity Income If you are married, at resident of a communaty property state, and file a separate return for 1966. fore must ind lade in thas line the exeess of the communty earned onome reportable by you oser the amount of such income attorb. utable $\$ 0$ zour servies. No adjustment need be made where the cummenty earned inumae attrabutable to your servies eviceds 50 periont if the aygregate community earned income. The follow. ing eximple Mustrates thas.-

Commanity Eumed lncome

| Attributable to Service of |  |  |
| :---: | :---: | :---: |
| H | W | Total |
| $\$ 40,000$ | $\$ 20,000$ | $\$ 60,000$ |

(1) H filang a separate retorn has no adjustment since the anmunt of earned income attributable to his services ( $\$ 40,000$ ) evceds su percent of the aggregate community earned income ( $\$ 30,000$ )
(2) W fling a separate return must include in the total for this line $\$ 10,000$, the excess of the community earned income repurtable by her $(\$ 30,000)$ over the amount of community earned inconse attributable to her services $(\$ 20,000)$.
(e) Cortain amounts recened by owner-employees. The amount of income resulting from a premature or excessive distribution from a qualitied employees' pension plan or trust to an employee who 13 (or was) also an owner of the business. The amount of such income is the anwount subject to a penalty under section $72(81)$ (5)

## Part II

3(a). Generally, the entry on this line is one-fourth of the sum of the capital gan net income in line 3 , columns (b), (c), (d), and (e), Patt 1 However, capatal gatn net ancome for any base period year may not exced the bate period income (line 7, columns (b), (c), (d) and (e), Part I) for such year computed without reduction by the capstal gain net income for such year. Line 6, Part I, indicates whether the ddustnent for any year is necessary. If any of the amounts on line $G$ in columns (b), (c), (d), and (e) are less than zero, then for that year add lines 3 and 6 . If the resulting sum is leas than zero your capital gain net income for such year is zero. The following examples wall illustrate this.-

| Example (1)- | Column (b) | Part I |
| :---: | :---: | :---: |
| Line 3 |  | \$100 |
| Line 6 |  | (670) |
| Capital gatn net income tor thas year for computing entry for line 3(a), Part II | rposes of | ero |
| Example (2)- |  |  |
| Line 3 |  | \$2000 |
| Line 6 | . . . | (1300) |
| Capual gan net income for thas year for computing entry for line 3(a), Part II | purposes of | \$700 |

## Parts IV and V

To hgure your tax use the tax rate schedules on page 11 of the instructuon booktet for Form 10.40 .

## Form 1000-Es DECLARATION OF ESTIMATED INCOME TAX FOR INDIVIDUALS 1966 Internal Revenue Service <br> INSTRUCTIONS

1. Purpose of declaration.-The purpose of the declaration is to provide a basis for paying currently any income tax due in excess of the tax withheld. Therefore, declarations are required only from individuals whose wages or other income exceed the amounts specified in Instruction 2.
2. Who must make a declaration.-Every citizen or resident of the United States shall make a declaration of his estimated income tax if his total estimated tax exceeds his withholding (if any) by $\$ 40$ or more and he:
(a) can reasonably expect gross income exceeding-
(1) $\$ 10,000$ for a head of household or a widow
or widower entitled to the special tax rates;
(2) $\$ 5,000$ for other single individuals;
(3) $\$ 5,000$ for a married individual not entitled
to file a joint declaration;
(4) $\$ 5,000$ for a married individual entitled to file
a joint declaration, and the combined income of both husband and wife can reasonably be expected to exceed \$10,000; OR
(b) can reasonably expect to receive more than $\$ 200$ from sources other than wages subject to withholding.
3. When and where to file declaration.-Your declaration must be filed on or before Apri! 15, 1966, or such later dates as are specified in Instructions 6,7 , and 8 . File it with the District Director of Internal Revenue for your district. If you have no legal residence nor place of business in the United States, file with the Director of International Operations, Internal Revenue Service, Washington, D.C., 20225.
4. Payment of estimated tax.-Your estimated tax may be paid in full with the declaration, or in equal installments on or before April 15, 1966, June 15, 1966, September 15, 1966, and January 15, 1967. The first installment must accompany the declaration. Make checks or money orders payable to "Internal Revenue Service."

The declaration of estimated tax form is designed to apply the overpayment credit from 1965, if any, against the first installment of your 1966 estimated tax by entering the full amount of the credit on line 7 and line 8. However, if you wish to apply your 1965 overpayment credit evenly against each installment rather than all against the first installment, divide the credit shown on line 7 by the number of installments required to be made, and enter that portion on line 8.
5. Joint declaration.-A husband and wife may file a joint declaration, except in the following cases: No joint declaration may be made if either the husband or the wife is a nonresident alien; if they are separated under a decree of either divorce or separate maintenance; or if they have different taxable years. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them in such manner as they may agree.
6. Farmers and fishermen.-If at least two-thirds of your gross income is derived from farming or fishing, you may file the declaration on or before January 15, 1967, instead of April 15, 1966. If you wait until January 15, 1967, you must then pay the entire amount
of the estimated tax (line 9 of the declaration). However, if you file your final tax return on or before February 15, 1967, and pay the total tax at that time, you need not file a declaration for 1966.
7. Changes in income, exemptions, etc.-Even though your situation on April 15 is such that you are not required to file at that time, your circumstances may change so that you will be required to file a declaration later. In such case the time for filing is as follows: June 15, if the change occurs after April 1 and before June 2; September 15, if the change occurs after June 1 and before September 2; January 15, 1967, if the change occurs after September l. The estimated tax may be paid in equal installments on the remaining payment dates.

If by January 31, 1967, you file your 1966 income tax return and pay in full the balance of tax due, then on or before January 15, 1967, you need not - (a) file any required amended declaration; (b) file an original declaration which would be due for the first time on January 15, 1967; or (c) pay the last installment of estimated tax.
8. Amended declaration.-II, after you have filed a declaration, you find that your estimated tax is substantially increased or decreased as a result of a change in your income or exemptions, you should file an amended declaration on or before the next filing date-June 15, 1966, September 15, 1966, or January 15,1967 . For this purpose, use the form provided on back of the bill if one is mailed to you for estimated tax payments. If you do not receive a bill, obtain Form 1040-ES (Amended) from any Internal Revenue Service office.

Any amended declaration should be filed with the District Director with whom the original declaration was filed even if you move to another district, and whether or not you expect to file your individual income tax return for 1966 in that district.
9. Fiscal year.-If your return is not on a calendar year basis, change all dates to correspond with your fiscal year.
10. Additional charge for failure to pay estimated income tax.-An additional charge of $6 \%$ a year is imposed by law for underpayment of installments of estimated tax except in certain situations. The charge does not apply if each insta!lment is paid on time and (a) is at least 70 percent ( $662 / 3 \%$ for farmers and fishermen) of the amount due, (b) is at least as much as would have been paid if based on the tax shown on your 1965 return, or (c) is based on a tax computed by using your income for last year and this year's tax rates and exemptions. For additional exceptions in unusual cases see Form 2210.
11. How to estimate your tax for 1966. - If you made a 1965 return on Form 1040 and expect your income, exemptions, and deductions for 1966 to be the same, enter on line 1 (b) of your 1966 declaration the amount shown on line l(a). Use Form 1040 for 1965, together with related instructions, to assist you in estimating your tax for 1966.
12. Self-employment tax.-While it is not required, you may if you wish include estimated self-employment tax in your declaration of estimated tax.


#### Abstract

TAX COMPUTATION SCHEDULE-FOR TAXPAYERS NOT USING TAX TABLE Page 2 1. Enter amount of total income expected in 1966 (line 9, page 1, Form 1040) . . . . . . . . . . . . . . . . . . . . . 2. If deductions are itemized, enter total of such deductions. If deductions are not itemized and line 1 , abote is $\$ 5,000$ or more: Enter the larger of: (a) 10 percent of line 1 ; or ( $b$ ) $\$ 200$ ( $\$ 100$ if married and filing separate returns) plus $\$ 100$ for each exemption clamed on line 4 below. The deduction under ( $a$ ) or (b) is limited to $\$ 1,000$ ( $\$ 500$ if married filing separate returns) 3. Subtract line 2 from line 1. Enter the difference here 4. Enter your exemptions ( $\$ 600$ for each exemption, including additional exemptions for age and blindness) 5. Subtract line 4 from line 3. Enter the difference here. This is your estamated taxable income 6. Tax on amount on line 5 . (Include tax from recomputation of prior year investment credit.) NOTE: If you use the "income avesaging" method for computing your tax use Schedule G (Form 1040) as a guide. If you expect to use the capital gans alternative tax computation, use Schedule D (Form 1040) as a guide. 7. Credits: (a) Credit for income tax payments to a foreign country or U.S. possession; (b) Income tax paid at source on tax-free covenant bond interest; (c) Retirement income credit; and (d) Investment credit. 8. Y'our estimate of 1966 income tax (line 6 less line 7). Enter here and on line I (b) below

KEEP A COPY OF THE DECLARATION FOR YOUR RECOROS FORM 1040-ES U.S. DECLARATION OF ESTIMATED INCDME TAX FOR INDIVIDUALS—1966 U.s. Treanury Departinent   |  | Fifst name and initial (If point declaration, use names and initials of both) | Last name |
| :---: | :---: | :---: |
| Please print | Address (Number and street, city, State, and Postal ZIP code) |  |  1. (a) Tax from line 14 , page 1, 1965 Form 1040 ..; (b) your estimate of 1966 income tax 2. Estimated income tax withheld and to be withheld during eatire year 1966 3. ESTIMATED TAX (line 1 b less line 2) (If less than $\$ 40$, no declaration is required) 4. Your estimate of 1966 self-employment tax (Optional-see instruction 12) 5. Total (add lines 3 and 4) 6. COMPUTATION OF INSTALLMENT. Check proper box below and enter amount indicated. If this declaration is $\{\square$ April 15, 1966, enter $1 / 4$ of line 5 ; $\square$ Sept. 15, 1966, enter $1 / 2$ of line 5 due to be filed on: $\{\square$ June 15, 1966, enter $1 / 3$ of line 5; $\square$ Jan. 15, 1967, enter amount on liae 5$\}$ 7. If you had an overpayment on your 1965 income tax returo which you elected to have applied as a credit against your 1966 estimated tax, enter the amount here 8. If you wish to apply the entire overpayment credit against your first installment, enter the amount on line 7 here. If you wish to apply the credit evenly, divide it by the number of installments due and enter the amount here . . 9. Amount to be paid with this declaration at time of fling (line 6 less line 8) 


I declare that this declaration bas beeo examioed by me and to the best of my knowledge is correct.

If joint estimate, both husbaod and wife must sign
FORM 1040-ES
U.S. DECLARATION OF ESTIMATED INCOME TAX FOR INDIVIDUALS—1966
U. $B$ Trenaury Department
loteral Revenue Servico

For calendar year 1966 or fiscal year ending ..............................................................

| Please prin! or type | Fifst name and initial (II joint declaration, use names and mintials of both) | Last name | Your soclat tocurity numbor)(Husbaod's foint declaration) |
| :---: | :---: | :---: | :---: |
|  | Address (Number and street, city, State, and Postal ZIP code) |  |  |
|  |  |  | Wife's number, If joint deciaration |

1. (a) Tax from line 14, page 1, 1965 Form $1040 \ldots \ldots \ldots \ldots$............. (b) your estimate of 1966 income tax.
2. Estimated income tax withheld and to be withheld during entire year 1966.
3. ESTIMATED TAX (line 1 b less line 2) (lf less than $\$ 40$, no declaration is required)
4. Your estimate of 1966 self-employment tax (Optional-see instruction 12)
5. Total (add lioes 3 and 4)
6. COMPUTATION OF INSTALLMENT. Check proper box below and enter amount indicated.

If this declaration is $\{\square$ Aprl 15, 1966, enter $1 / 4$ of line $5 ; \square$ Sept. 15, 1966, enter $1 / 2$ of line 5 due to be filed on: $\{\square$ June 15, 1966, enter $1 / 3$ of line $5 ; \square$ Jan. 15, 1967, enter amount on line 5$\}$
7. If you had an overpayment on your 1965 income tax return which you elected to have applied as a credit against your 1966 estimated tax, enter the amount here
8. If you wish to apply the entire overpayment credit against your first installment, enter the amount on line 7 here. If you wish to apply the credit evenly, divide te by the number of installments due and enter the amount here
9 Amount to be pard with this declaration at time of filing (line 6 less line 8)
I declare that this declaration has been examined by me and to the best of my knowledge is correct.
Signature(s)
(6) 7 788e4-1

If joint estimate, both husband and wife must sign
romm 2948 U.S. Treasury Department-Internal Revenue Service
(Attach this statement to your income tar return or use it as a guide to
prepare your own statement. See example on reverse side)

## GROUP I

a. Taxpayer and wife if EITHER is 65 years of age or older,
b. Each 65-year-old (or over) dependent parent of the taxpayer or his wife.

## GROUP II

a. Taxpayer and wife if BOTH are under 65 years of age,
b. Dependent parents, who are under 65 years of age, of taxpayer or wife,
c. All other dependents regardless of age.

Note: Far 1967 and after, the 3 percent and l percent limitation in figuring the medical and dental expenses will apply to all taxpayers without regard to age.

Name of taxpayer claiming the deduction
Name(s) of dependent parent(s) 65 years of age or over, if any

## MEDICAL AND DENTAL EXPENSES FOR PERSONS IN GROUP I

1. Medicine and drugs
\$ $\qquad$
2. Medical and dental expenses (other than medicine and drugs)
3. Line 1 plus line 2 . $\$$ $\qquad$

## MEDICAL AND DENTAL EXPENSES FOR PERSONS IN GROUP II

4. Medicine and drugs.
\$ $\qquad$
5. $1 \%$ of line 9 , page I, Form 1040
6. Excess, if any, of line 4 over line 5
5..
7. Medical and dental expenses (other than medicine and drugs)
8. Line 6 plus line 7
9. $3 \%$ of line 9, page 1, Form 1040
10. Excess, if any, of line 8 over line 9

## TOTAL DEDUCTION FOR MEDICAL AND DENTAL EXPENSES

11. Line 3 plus line 10. Enter here and on line 7, Part IV, page 2 of Form 1040 (See
"Maximum Limitations" below).

## MAXIMUM LIMITATIONS

A. The amount on line 11 may not exceed $\$ 5,000$ multiplied by the number of persons claimed as exemptions on the individual income tax return. (If taxpayer or wife is 65 or over and in addition is disabled, see "B.") The deduction is further limited by the following amounts:
(1) $\$ 10,000$ if the taxpayer is single and not a head of household or a widow or widower entitled to the special tax rates,
(2) $\$ 10,000$ if the taxpayer is married but files a separate return,
(3) $\$ 20,000$ if the taxpayer files a joint return, is a head of household, or is a widow or widower entitled to the special tax rates.
B. If the taxpayer (or his wife) is 65 years of age or over and in addition is disabled, he may qualify for an increased maximum limitation. For this purpose disabled means that any individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. For further information, consult your nearest Internal Revenue Service office.

## EXAMPLE FOR COMPLETING STATEMENT ON REVERSE SIDE.

A taxpayer with $\$ 10,000$ total income (line 9, page 1, Form 1040) files a joint return with his wife. The taxpayer is 67 years old, his wife is 64 , and they have a dependent 20 years old. Taxpayer and his wife paid $\$ 250$ for medicine and drugs, and $\$ 1,500$ for medical and dental expenses for themselves. In addition, they paid $\$ 140$ for medicine and drugs. and $\$ 225$ for medical and dental expenses for their dependent. The taxpayer's and his wife's expenses would both be in Group I, their dependent's expenses in Group II. The statement should be completed as follows:

## MEDICAL AND DENTAL EXPENSES FOR PERSONS IN GROUP I

1. Medicine and drugs . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $\$ 250.00$
2. Medical and dental expenses (other than medicine and drugs) .................... $1,500.00$
3. Line 1 plus line 2
$\$ 1,750.00$
MEDICAL AND DENTAL EXPENSES FOR PERSONS IN GROUP II
4. Medicine and drugs . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $\$ 140.00$
5. $1 \%$ of line 9, page 1, Form 1040. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 100.00

6. Medical and dental expenses (other than medicine and drugs) . . . . . . . . . . . . . . . 225.00

7. $3 \%$ of line 9, page 1, Form 1040. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 300.00

TOTAL DEDUCTION FOR MEDICAL AND DENTAL EXPENSES


#### Abstract

11. Line 3 plus line 10 $\$ 1,750.00$


Itemize below amounts paid for medical and dental expenses in 1966; show amount and to whom paid.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
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$\qquad$

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These historical data for years 1957 through 1966 are not precisely com－ parable among all years，for the data span a period of years during which there were changes in law，return forms，and methods of obtaining data．

Table 64．－NTMBER OF RETURNS AND ADJUSTED GROSS INCOME BY ADJ＇STED GROSS INCOME CLASSES，1967－196G

|  | aterar |  |  |  |  |  | ：$\because=$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | －－ |  |  |  | ． |  |  |  |  |
| 3ram | 1 | － 3.3 |  | 为，+ | －．s．－．${ }^{\text {a }}$ | $\because$ ． | ，\％ | － 31.4 | $\cdots \cdots$ | $\therefore$ ． |
|  | ＂ | － $12 \times$ | $\cdots, \ldots$ |  | ¢ $, ~ \cdots \cdots, 11$. | ＊． 1. | $\therefore 4,-14$ | 11， | ，＇ | ＇3，, ， 2 ， |
| Oner | $\cdots$ | －， | －，$\cdot$ | $\stackrel{1}{2}$ |  | ＋， | $\therefore$ 吅 | 1， | $\therefore \cdots \cdots$ | 1， a |
| \％， | － | － | ，．，＝n | 7， | c－，a | 20， | $\because{ }^{\prime \prime}$ | $\therefore 371$ | 3, | 2，＋， |
| 3，cic mees | － | $\because \sim 1$. | －12， | 12，-2 |  | －．．－tm | － $1+1.1$ | －，33 | ， |  |
| 3， 2000 duer | 北，＂is | －7， 2.4 | 2， | $\therefore 1$. | －1．${ }^{\prime}$ | －．．．，－ | ，－n， | －4，，－3： | ¢－ | 2：41 |
|  | $\cdots$ | 32，37\％ | ， $5=$－, － | $\therefore$ ，二小＋1 | ． | －1．：－ |  |  |  |  |
| 3¢，mier a | $\cdots$ | 3－，双 | ， | －n， | ， | 35， | ，n－20： | ， |  | \％ |
| Sa，ader | $\cdots, \cdots$ | －．， 0 ， | $4, \ldots$ | 二心， | ，曻， | $3 \mathrm{c}, \cdots$ | $\ldots 4,1+$ | 20．．．1 | －．． $2, \ldots$ | － 4 |
| \＃，0ut riee | －${ }^{1}$ | ［2， 4 ， | 3， 2,2, | －1．－ | $\therefore$ ，$\cdot \cdots, \cdots$ | － |  | $\therefore$ | …4，，． | $\therefore$ |
| \＄e， 200 under $\hat{\$}+0$ | －，－＇，${ }^{\text {c }}$ | ，＂＇ |  |  | $\therefore$ ， $2+1$, | … | －，－． | $\cdots$, | －$\quad 14,4$ | －， $2=0$ |
|  |  |  | $1, \cdots \sim 2,5 \cdots$ | －$\cdot, \cdots$ | －，${ }^{\text {，}}$ ， | 1－， |  | ＋，．．7 | $\cdots$ | $\cdots, 3 \times$ |
|  | ，2－， | － | －，－\％\％ | － | ，＝t | 三，${ }^{\text {a }}$ | ，4，， | 4．， | 4，1，，＜ | －\％ |
|  | －2， | ， | $\checkmark \prime$ | 1．， | 1 4 | 1．，，＋1 | $\cdots, \cdot 1$ | $\therefore$ |  | 12，1： |
|  |  | 2．1 | －1， | 12， 2 ， | －4，${ }^{\text {3 }}$ | －， | － | $\therefore$ I． | ＂ |  |
| Eviduc zaer |  |  | －1，${ }^{\text {a }}$ |  |  |  | $\cdots$ |  |  |  |
|  |  | 三－ |  |  |  | － |  | 4 |  | ， |
|  | E． 3 | － | ， | －${ }^{-1}$ |  |  |  | 1. |  | 20 |
|  | $\cdots-\cdots$ |  | －$\because,$. | $\because, \ldots$ | 433，1 | －．，＇m | －${ }^{\text {a }}$ ，．．． | 1. | 4 | $\therefore .$. |
|  |  | re |  | 2 |  | － |  |  |  |  |
| Orase－いbs | $\therefore, \cdots \cdots, 3=$ |  | $\therefore$ ，＋3， | － | ，\％E， | ざった。 | $\therefore \therefore+3$ | ＂＇， | －， 1 | $\cdots$ |
|  | $\cdots$ | － |  | ，＂－ | $\cdots, 4, \ldots-4$ | 2ギっく | －＇－，$\quad \cdots$ | ＋1． | ＋．－+ | －＂，\％ |
| Wrier \＄0．c． | $\cdots, \cdots \ll, \ldots$ | 1，3．4 | $\cdots, 01, \ldots+0$ | ， | $\therefore+3{ }^{\text {a }}$ ， | 1，，\％ | ，，． | 1，3\％ | ＂，＊＊ | 1，4 |
| sazersors． | $\therefore \therefore=0$ | 二心！ | － | － | $\therefore$ | $\therefore \square$ |  | － | ＇ta |  |
|  | 为 | 1－20 | 是 | － | － | 1－2， | － | －， 23. | ，1－． | A， 3 ， |
| \％，0．0 | ， | ， | $\cdots$ |  | $\checkmark$ | － | ，＂＇， | －1， | ， 0 ， | －－， |
|  |  | ［E， | －a． | $\cdots$ | －¢，＂ic | ＜n， | $\therefore$ | $\cdots$ | － 0.30 | cm， |
|  | －，25，＜is | Si， | 江，吅 | s，，－${ }^{\text {a }}$ | ，${ }^{\text {a }}$ | 12，：火 | ，4 | 3， | $\therefore$ ¢，$\quad$－ | － |
|  | $\therefore 3$－ 3, | 34， | $\therefore$ 二小， | － | － | 35.10 |  | $\therefore 0$ | －$\because$ c．－． | 湜， |
|  | 4， $3=1$ | 20， 2 ， | ＂， | － |  |  | $\cdots$ | $\because \cdots$ | 4，${ }^{\circ}$ | 为， |
|  |  |  |  |  | －-1. |  |  |  |  |  |
| \％utar | $\cdots$ | 管， | ？， | 边 | $\therefore \cdots$ | 为， | ？，14，， 1 | ， | $\because, \lll<$ |  |
|  |  | －$\rightarrow$ ， | ＋，－－， | $\cdots$, | ，．．．${ }^{\text {a }}$ | －．， 3 | $\therefore$ ， | －-3 | C， | $5 \times 25$ |
|  | E， | 5r， 4 m | ＋，－4．0．${ }^{\text {a }}$ | ，．．． |  | Su．： | ， | $\therefore, \cdots$ | ，．．．${ }^{\text {a }}$ |  |
|  | ニ2， |  | ， |  |  | －${ }^{4}$ | $1 \cdots$, | ＋2，,$\ldots$ | ， 3 | 4,5 |
| Branemerion z | ， | ＋－\％ |  | ，： | $2 \cdot$ | $\therefore \therefore$ | $\cdots$ |  | ， | ， |
|  |  | $\cdots$ |  |  |  | ，＇a |  | 1，¢\％ |  | 1， |
|  | $\cdots$ | ， | －21 | ，．．： | ，之2，土－ | －，－ | －ジ， | $\cdots, \cdot<$ | － $2,4$. | －，$\cdot$－ |

[^28]

Table 67. -SOURCES OF INCOME BY TYPE, 1957-1966


Table 68, -ITEMIZED DEDUCTIONS ON RETURNS WITH ADJUSTED GROSS INCOME, BY TYPE, 1957-1966

|  | 2957 | $\underline{15}$ | 2959 | 之प̆ | 14.1 | 196 | $1+0.3$ | 14,44 | $1 \geqslant 5$ | 1900 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | (\#1/lion dollars) |  |  |  |  |  |  |  |  |  |
|  | $\therefore{ }^{14}$ | 2゙, 4t | 20, 17 | 32.523 | 28,34 | $41,+15 \cdot 1$ | 4.053 | 45, 332 | 50,031 | 54,505 |
| $\because \quad . \quad \therefore \quad!\cdot \bullet .1$ |  |  |  | $\int \begin{array}{r}\text { a, } \\ 10,4 \\ 3,47 t \\ i, 750\end{array}$ | $\left\{\begin{array}{c}\text { mit } \\ \text { mindated }\end{array}\right.$ | $\left\{\begin{array}{l}5,074 \\ 1,3,44 \\ 10,274 \\ 7,51\end{array}\right.$ | $\left\{\begin{array}{l}\text { met } \\ \text { matuintes }\end{array}\right.$ | $\left\{\begin{array}{r}7,375 \\ 10,071 \\ 12,457 \\ 8,307\end{array}\right.$ | $\left\{\begin{array}{l}\text { Nut } \\ \text { daruater }\end{array}\right.$ | $\left\{\begin{array}{r}7,081 \\ 17,408 \\ 14,771 \\ 7,122\end{array}\right.$ |
| $1 \dagger$ |  | (\}), $7 \times 1$ | $\int$ | $\left\{\begin{array}{r}103 \\ 450 \\ 3, \therefore 4\end{array}\right.$ | ) | $\left\{\begin{array}{l}\text { \} } \\ \end{array}\right.$ | $\int$ | $\left\{\begin{array}{l}\text { 4,98 } \\ \end{array}\right.$ | 1 | \{ 5,2,22 |


|  | I＇ | 1？ | 1 |  | 1 Lel | （＂ | － | 14 min | $1^{4 \prime}$ | \％$\quad$ \％ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Nuter ners |  |  |  |  |  |  |  |  |  |  |
| ire ：． | $\therefore{ }^{\prime}$ | ， 1 | ＊， | ， | ＇＂，＂＇ | ， | ，．．． | ，＂＇ | 1 | 1，＂ |
| a： | －， 4 |  | ， | ， | ＇，＇ | ，，．．． | ， | － | ， | ，${ }^{\prime \prime}$ |
| ：．．．v：$\ddagger$ ，$\ldots$ ．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．．． | 1， | $\cdots$ | ，• | ， 1 | 1，1 ${ }^{\prime}$ | 1, | 1， 11 | 1，14． | 1 ， | 1， |
|  | 1， |  | ， | ， | 1, | 3， | ；${ }^{\text {a }}$ | $1:$ | ， | ， |
|  | 2, | 1，, 1 | ； | ， | ，， 1 | ， 1 | 1，${ }^{\text {a }}$ | 1，＇ | ，，17： | ， |
| \％， | ＇${ }^{\prime}$ | 1，1 | $\therefore$ | ＂， | 1＇，＇， | ＊，， | i， 1 | 1， | $10, \ldots$ | 1，＇， 1 |
| ミ－\％\％：\％－ | ， | ， | ，+11 | ， | ，，${ }^{\prime}$ | －，，，${ }^{\prime \prime}$ | ，${ }^{+\prime}$ | ，＇t |  | 1， 14 |
| \％， | 2，＇273 | 1， | 1， | ，＇， | ， | ，$, \cdots, 1$ | ， | ，1 | ＇，＇， | ，＇，． |
| s－， | 2， | 1， 1 | 1，1＂ | ， | 1＇，${ }^{\prime}$ | ${ }^{1} 1, \cdot 1$ | ；＇ | 1，${ }^{\prime}$ ，＇， | ， |  |
| ＊， | 12， | 1， | 1＇， | 1, | ， | $\ldots$, | ，－ | ，＇。 | ， 1 | ， 1 ，$=$ |
| き，－－－－ | ？， | 11，＇， | ．， 6 | 1 ， | 1，＂， | ，＂ | ， | 1,16 | ＋，it | ， |
|  | 2，${ }^{\text {a }}$ | ， | ，$\cdots$ | ， 1 | －＇，，＇， | ［＇，．＇． | ， | ＂， | $\because$, | ， |
|  | ，10，${ }^{2}$ | ， | ， | ， 1.1 | ＇，$\cdot$ ， | 1．， | L．， | 1，${ }^{\text {a }}$ | ， | ， 4 |
| \＆－ | ， | ， | ， | ，＂＇ | 11， 1 |  |  | 1，， | ${ }^{1}$ ， | i，，14 |
|  | ，110 | ，＂tas | $\cdots$ | ， 1 | ，＇＊ | ，$\quad$ ， | ，$\quad$ ： | ，＇． | ＇，＇＇ | ， |
| \＄1，趐 | k | － | $\cdots$ |  | ＇، | 1. | ， | 1，＇＂ | 1， | ＋${ }^{\prime}$ |
| \％，， |  | 4 | $\cdot 1$ |  | $\because$ |  | － | ．r＊ | ＇． |  |
|  |  |  |  |  |  |  |  |  |  |  |
| 4．3 | ，1．4． | ， 4 | ，－＇ |  | ， | 1， tat | 11．． | 11， 7 | 1．，＂ 1 |  |
|  | ＇，＂ | 4，703 | ＇， 31. | ， | － $0 \cdot 4$ | 11，003 | 11，411 | 11， | $1, \cdots$ | 1，17 |
| Thler q ibic．．． | 13 | 13 | 14 | $1 \cdot$ | 1. | $1^{\prime \prime}$ |  | 1.6 | ．． |  |
| Fobl | 4 | 3.4 | 4 | 4 | $\ldots$ | H | 4 |  |  | $\therefore 1$ |
|  | 100 | 10 | 2＂ | $j^{-1}$ | 1＊＊ | －180 | 1－2 | 12 | $2 \cdot$ | 1 |
| \＆，000 | 4 | 249 | 2－ | $2 \cdots$ | ＂i． | WE | 1. | － | 1 | 4 |
|  | 4 | － | $\cdots$ | $\therefore$ | $\therefore$ | $\cdots$ | －．． | ， |  | \％ |
| ¢， | － | $\therefore 41$ | $\cdots$ | $\therefore 11$ | い | Pr | $\because 11$ | $\cdots$ | $\therefore$ | 1. |
|  |  | \％ |  | 4 |  | 6 | 11 | （1） | 4 | a＂ |
|  | C0） | 210 | － | $\cdots$ | $\cdots 1$ | \％ | 2 | in | 3 | 1 |
|  |  |  |  | ： |  |  |  | $\cdots$ | E 2 | 410 |
| \＄10， 000 urder $\ddagger 1$, | 0 | 90. | 431 | 1，17． | 1，．， | 1，inc | 1； | 1，1＂ | 1，il | 1，1 |
| \＄15，dix ricie \％， | 0 | ＋23 | 02 |  | － |  | ace | ， | ， | 1，100， |
| \＄0，000 5 der \＄ | ，271 | ， 0 | ，2210 | － | $\cdots$ | ， | ， 1 |  | －， | ， 4 |
| \＄ 56,000 under \＄10，（Ck | 1，338 | 1，321 | 1，414 | 1，301 | 1，1＂ | $1,4+3$ | 1，11 | 1， | ， | ， 158 |
| \＄100，（00 unter \＄ |  |  |  |  |  |  |  |  |  |  |
| \＄：00，000 | 1， $1 \therefore$ | 1， | 14 | ＇，${ }^{\text {a }}$ | ， | ， 14 | － | 1， | $\cdots{ }^{\prime \prime}$ |  |
|  | 29 | －1 | $30^{\circ}$ | －- |  | 318 | 河 | $\cdots$ | 4 | cide |
|  | 34 | 34 | 4 | 4.1 | $\therefore$ | 33 | 51 | it | $\pm$ | 81 |
| zitarent ieverver ${ }^{3}$ |  |  |  |  |  |  |  |  |  |  |
| Grazed tutal．． | 3，329 | － 205 | －．，5： | ， | C，${ }^{\text {a }}$ ： | ， 255 | 1，1． | 1．， 1. | 11，te | 1．${ }^{\text {a }}$ |
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| Jraer \＄0ic．．．．．．．．．．． | $\cdots$ | 3 |  |  | 4. | 51 | 5 | u | 1 | 13 |
| \＄00 | 3 | but | － | \％ | $\therefore=$ | 300 | $14=$ | 15 | 2．31 | 14 |
|  | 40 | －45 | S2． | －6 | $\therefore$ | Su | cos | $\cdots$ | $\therefore$ | \％ |
|  | 24 | －73 | 3 | 27 | $4{ }^{4}$ | 54.4 | 5\％\％ | ＇s． | 19 | 200 |
|  | $\therefore$ 二 | －5i | $\therefore 1$ | $\therefore$ | $\cdots$ | \％ | 0 | $r \cdot 1$ | ＂U3 | 2＋8 |
|  | $-10$ | $\cdots$ | － | －${ }^{4}$ | su． | 454 | － | 4.5 | t，17？ | \％ |
| 位， | －33 | 43 | $\cdots$ | 二 | － | 05 | 200 | but | tar | $\because 15$ |
|  | 201 | 11. | ．．62 | 30 | ．33） |  | 380 | $5{ }_{5}$ | 45 | 0 |
|  | $2{ }^{2}$ | 13 | $\cdots$ | $\therefore$ | $3 \cdot 6$ | 374 | S18 | 5 | （1）： | 533 |
|  | 133 | $15=$ | $\cdots$ | A． | $\therefore$. | \％om | 4＊ | 5\％ | ＇tor | 658 |
|  | 11. | 130 | 27 | 1玧 | 1 | 4， | 300 | 650 |  | \％ |
| 810， | 40 | － | 5 | \％ | 20 | $1, \ldots$ | 2， 3 | 2， 45 | 1，301 | ， 162 |
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| \＄100， 200 नiver \＃Fuc，，00． | 4 E | 105 | 1－1 | i． |  | 15. | 231， | $\because 18$ | 77 | 337 |
| $\$ 500,000$－ | ， |  | 11 | 11 | 1.4 | 15 | 14 | $\therefore$ | $\cdots$ | 30 |
| \＄1，000，000 jr more．．．．．．． |  | E |  | 11 | 11 | 12 | 14 | 17 | $\because$ | 3 |
|  | － | 41 |  | － | ： 5 | 37 | 4 | 3 做 | 4 | 120 |

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[^30]Table 70 , -NUMBER OF RETURNS, ADJUSTED GROSS INCIME, AND INCOME TAX BY STATES, $1957-196$,


Footrotes at end 2 in table. $^{\text {F }}$





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[^20]:    - Ar asterisk in e cell denotes that the estimate is not shours. separately because of high sampling variatility. fowever, the data are inclufed in the appropriate totals.

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