

Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income

- New Estimates for 1996
- Revised Estimates for 1982–95

By *Thae S. Park*

THIS ARTICLE presents a comparison of the Bureau of Economic Analysis (BEA) measure of personal income and the Internal Revenue Service (IRS) measure of adjusted gross income (AGI) of individuals by type of income. The article explains the major definitional and statistical differences between the BEA and the IRS measures, describes the various uses of the two measures, and presents a partial reconciliation of the two measures that is prepared by converting BEA's measure of personal income by type of income to the same definitional basis as the IRS measure. It also discusses the sources of the "AGI gap"—the unexplained difference remaining between a BEA estimate of AGI and the IRS AGI, the trends in the AGI gap for 1947–96, and the sources of the revision to the AGI gap for 1982–95.¹

BEA's measure of personal income and the IRS measure of AGI are two widely used measures of household income. In general, personal income, which is prepared as an integral part of the national income and product accounts (NIPA's), is the more comprehensive measure. Personal income is a measure of the current incomes earned by households and by nonprofit institutions serving individuals, and thus, it is often used in assessing trends in consumer spending, saving,

and investment. It includes income that is generally taxed—such as wages and salaries, income from rent, self-employment earnings, dividends, interest, and government employee retirement benefits—and income that is partly taxed, such as social security benefits. It also includes several types of income that are not taxed, such as tax-exempt interest and nontaxable transfer payments, including medicare, medicaid, and welfare benefits. Personal income includes income whether or not it is properly reported to IRS. In order to provide a comprehensive measure of personal saving, personal income also includes other types of income, such as employer contributions to employee pension plans, the investment income of these plans, and imputed income related to home ownership and to imputed financial service charges. Personal income excludes net gains from sale of assets, private pension benefits, and personal contributions for social insurance.

AGI, on the other hand, is an income concept defined by tax law, so AGI consists only of taxable sources of income net of special adjustments as reported on Form 1040. Therefore, it excludes many of the types of income that are included in the BEA measure.

Although the two series are based on different concepts and serve different purposes, they are often used in conjunction with one another. In particular, personal income, which is available much sooner than AGI, is frequently used as an extrapolator for AGI, and this article provides information that enables users to adjust the BEA measure to bring it closer in definition to AGI. In addition, the AGI gap is used as a rough indicator of the noncompliance by individuals with the Federal tax code.

The new and revised estimates in this article reflect the incorporation of the results of this year's annual revision of the NIPA's, which included a

1. Annual and quarterly estimates of BEA personal income are published monthly in table 2.1 of the national income and product accounts (NIPA's) in the section "BEA Current and Historical Data" of the SURVEY OF CURRENT BUSINESS (monthly estimates are shown in table B.1). Estimates of IRS AGI are published annually in *Statistics of Income—Individual Income Tax Returns*. The estimates of the relationship between total personal income and total AGI are presented annually in NIPA table 8.26, most recently for 1982–94 on page 146 of the August 1998 SURVEY and for 1995–96 on page 13 of the September 1998 SURVEY. The estimates for 1947–81, which are not revised, are published in U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts of the United States for 1929–94: Volume 2* (Washington, DC: U.S. Government Printing Office, 1998): 354–355. All estimates are available through the Commerce Department's STAT-USA Economic Bulletin Board and Internet services; for information, call 202-482-1986, or access the STAT-USA Internet site at <www.stat-usa.gov>. The reconciliation by type of income for 1947–94 is also available in printed form on request; for information, write to the Government Division (BE-57), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

redefinition of dividend payments in personal income, and updated estimates of AGI from the *Statistics of Income Bulletin*.² As a result of the redefinition, capital gains dividends is no longer a reconciliation item in tables 1 and 2, which show the reconciliation between personal income and AGI.

2. As part of the 1998 annual revision, dividend payments were revised back to 1982 to exclude distributions that reflect capital gains income. In practice, the redefinition meant that the capital gains distributions of regulated investment companies—that is, mutual funds—were excluded from personal dividend income. The estimates of personal income were also revised back to 1995 to reflect the usual annual NIPA revisions. For more information, see Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts," SURVEY 78 (August 1998): 7–32. For AGI data, see Internal Revenue Service, *Statistics of Income Bulletin* (Washington, DC: U.S. Government Printing Office, Summer 1998).

BEA Estimates of AGI

The preparation of BEA estimates of AGI, "BEA-derived AGI," begins with NIPA personal income. Personal income consists of the income received by persons from all sources—that is, from participation in current production, from both government and business transfer payments, and from government interest (which is treated like a transfer payment).³ It is calculated as the sum of wage and salary disbursements, other labor income, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment,

3. "Persons" consists of individuals, nonprofit institutions that primarily serve individuals, private noninsured welfare funds, and private trust funds.

Table 1.—Comparison of Personal Income with AGI, by Type of Income, 1995

[Billions of dollars]

Line	Personal income	Wage and salary disbursements	Proprietors' income with IVA and CCAadj		Rental income of persons with CCAadj	Personal dividend income	Personal interest income	Taxable pensions and annuities ¹	Taxable unemployment compensation	Taxable social security benefits ²	Other personal income ³	Income not included in personal income	
			Farm	Nonfarm									
1	Personal income	6,072.8	3,428.5	22.4	465.6	133.7	192.8	704.9	122.2	21.9	54.5	925.4	0
2	Less: Portion of personal income not included in adjusted gross income	2,022.9	81.2	-7.7	4.1	86.2	111.8	492.1	0	0	0	1,214.1	41.1
3	Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits	817.3	0	0	0	0	0	0	0	0	0	817.3	0
4	Other labor income except fees	396.4	0	0	0	0	0	0	0	0	0	396.4	0
5	Imputed income in personal income ⁴	240.3	10.4	.4	5.6	64.8	0	159.1	0	0	0	0	0
6	Investment income of life insurance carriers and private noninsured pension plans ⁵	227.7	0	0	0	0	0	227.7	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries	53.1	0	0	.3	5.3	17.9	29.0	0	0	0	.4	0
8	Differences in accounting treatment between NIPA's and tax regulations, net	51.2	0	-8.1	-1.9	16.1	14.1	31.0	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income	237.1	70.8	0	0	0	79.8	45.4	0	0	0	0	641.1
10	Plus: Portion of adjusted gross income not included in personal income	739.4	9.8	0	2.0	2.8	0	0	169.0	0	0	293.6	262.2
11	Personal contributions for social insurance	293.6	0	0	0	0	0	0	0	0	0	293.6	0
12	Gains, net of losses, from sale of property	167.4	0	0	0	0	0	0	0	0	0	0	167.4
13	Taxable private pensions ⁷	169.0	0	0	0	0	0	0	169.0	0	0	0	0
14	Small business corporation income	79.2	0	0	0	0	0	0	0	0	0	0	79.2
15	Other types of income	30.3	9.8	0	2.0	2.8	0	0	0	0	0	0	15.7
16	Plus: Intercomponent reallocation	0	11.7	0	-4	0	74.5	-74.5	-6.4	0	0	-4.8	0
17	Fees in other labor income	0	5.3	0	0	0	0	0	0	0	0	-5.3	0
18	Fiduciaries' share of partnership income ⁸	0	0	0	-4	0	0	0	0	0	0	.4	0
19	Interest received by nonfarm proprietors	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies	0	0	0	0	0	74.5	-74.5	0	0	0	0	0
21	Taxable disability income payments	0	6.4	0	0	0	0	0	-6.4	0	0	0	0
22	Equals: BEA-derived adjusted gross income	4,788.5	3,368.8	30.2	463.1	50.3	155.6	138.2	284.8	21.9	54.5	0	221.1
23	Adjusted gross income of IRS (as reported)	4,189.4	3,201.5	-7.9	169.3	17.2	94.6	154.8	221.1	19.3	45.7	52.7	221.1
24	Plus: Intercomponent reallocation	0	0	.3	47.8	4.6	0	0	0	0	0	-52.7	0
25	Estate or trust income	0	0	0	1.5	4.6	0	0	0	0	0	-6.1	0
26	Partnership income	0	0	.3	46.3	0	0	0	0	0	0	-46.6	0
27	Other reallocations	0	0	0	0	0	0	0	0	0	0	0	0
28	Adjusted gross income of IRS (reallocated)	4,189.4	3,201.5	-7.6	217.1	21.8	94.6	154.8	221.1	19.3	45.7	0	221.1
29	Adjusted gross income gap	599.1	167.4	37.7	246.0	28.5	61.0	-16.6	63.7	2.6	8.8	0	0
30	Percent distribution of AGI gap	100.0	27.9	6.3	41.1	4.8	10.2	-2.8	10.6	.4	1.5	.....	.....
31	Relative AGI gap ⁹	12.5	5.0	125.1	53.1	56.7	39.2	-12.0	22.4	11.7	16.2	.....	.....
32	Addendum: Misreporting adjustments included in personal income	284.3	78.9	.....	213.7	1.0	.....	-9.3	.....	.....	.....	.....	.....

personal dividend income, personal interest income, and transfer payments to persons, less personal contributions for social insurance.

The IRS measure of AGI is defined as the sum of all the items of "gross income" less a set of specific adjustments to gross income that are authorized by legislation. Gross income includes all income that is received in the form of money, property, and services and that is not expressly exempt from taxation; it excludes, for example, interest on tax-exempt State and local govern-

ment bonds, voluntary contributions to thrift savings plans, and nontaxable social security benefits. The specific adjustments to gross income include subtractions for contributions to individual retirement accounts, for alimony paid, for moving expenses, and for several items related to self-employment income.

NIPA personal income is converted to AGI by first deducting those items that are included in personal income but not in AGI. These items include nontaxable transfer payments, other labor

Table 2.—Comparison of Personal Income with AGI, by Type of Income, 1996

[Billions of dollars]

Line	Personal income	Wage and salary disbursements	Proprietors' income with IVA and CCAAdj		Rental income of persons with CCAAdj	Personal dividend income	Personal interest income	Taxable pensions and annuities ¹	Taxable unemployment compensation	Taxable social security benefits ²	Other personal income ³	Income not included in personal income	
			Farm	Nonfarm									
1	Personal income	6,425.2	3,631.1	38.9	488.8	150.2	248.2	719.4	128.8	22.4	60.4	936.9	0
2	Less: Portion of personal income not included in adjusted gross income	2,092.8	87.2	8.5	-23.3	96.8	136.2	506.5	0	0	0	1,238.3	42.6
3	Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits	856.3	0	0	0	0	0	0	0	0	0	856.3	0
4	Other labor income except fees	381.5	0	0	0	0	0	0	0	0	0	381.5	0
5	Imputed income in personal income ⁴	260.1	10.8	4	6.2	75.2	0	167.5	0	0	0	0	0
6	Investment income of life insurance carriers and private noninsured pension plans ⁵	230.0	0	0	0	0	0	230.0	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries	51.3	0	0	.3	6.0	17.7	26.7	0	0	0	.6	0
8	Differences in accounting treatment between NIPA's and tax regulations, net	45.8	0	8.1	-29.8	15.7	15.0	36.8	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income	267.9	76.4	0	0	0	103.5	45.4	0	0	0	0	642.6
10	Plus: Portion of adjusted gross income not included in personal income	873.1	12.0	0	2.5	2.8	0	0	184.6	0	0	306.3	365.0
11	Personal contributions for social insurance	306.3	0	0	0	0	0	0	0	0	0	306.3	0
12	Gains, net of losses, from sale of property	249.5	0	0	0	0	0	0	0	0	0	0	249.5
13	Taxable private pensions ⁷	184.6	0	0	0	0	0	0	184.6	0	0	0	0
14	Small business corporation income	89.3	0	0	0	0	0	0	0	0	0	0	89.3
15	Other types of income	43.4	12.0	0	2.5	2.8	0	0	0	0	0	0	26.1
16	Plus: Intercomponent reallocation	0	12.2	0	-6	0	81.6	-81.6	-6.7	0	0	-4.9	0
17	Fees in other labor income	0	5.5	0	0	0	0	0	0	0	0	-5.5	0
18	Fiduciaries' share of partnership income ⁸	0	0	0	-6	0	0	0	0	0	0	.6	0
19	Interest received by nonfarm proprietors	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies	0	0	0	0	0	81.6	-81.6	0	0	0	0	0
21	Taxable disability income payments	0	6.7	0	0	0	0	0	-6.7	0	0	0	0
22	Equals: BEA-derived adjusted gross income	5,205.6	3,568.1	30.4	514.0	56.2	193.7	131.3	306.7	22.4	60.4	0	322.3
23	Adjusted gross income of IRS (as reported)	4,536.0	3,376.9	-7.1	176.9	20.6	104.3	165.7	238.8	19.3	53.2	65.2	322.3
24	Plus: Intercomponent reallocation	0	0	.3	59.2	5.6	0	0	0	0	0	-65.2	0
25	Estate or trust income	0	0	0	2.1	5.6	0	0	0	0	0	-7.7	0
26	Partnership income	0	0	.3	57.2	0	0	0	0	0	0	-57.5	0
27	Other reallocations	0	0	0	0	0	0	0	0	0	0	0	0
28	Adjusted gross income of IRS (reallocated)	4,536.0	3,376.9	-6.8	236.1	26.2	104.3	165.7	238.8	19.3	53.2	0	322.3
29	Adjusted gross income gap	669.6	191.2	37.2	277.9	30.0	89.4	-34.4	67.9	3.1	7.2	0	0
30	Percent distribution of AGI gap	100.0	28.6	5.6	41.5	4.5	13.4	-5.1	10.1	.5	1.1		
31	Relative AGI gap ⁹	12.9	5.4	122.3	54.1	53.3	46.2	-26.2	22.1	13.8	12.0		
32	Addendum: Misreporting adjustments included in personal income	299.5	84.0		224.4	1.0		-10.0					

1. Consists of the taxable portion of government employee pension payments included in personal income—disability military retirement pay and the taxable portion of Federal Government and of State and local government employee pension payments.

2. Taxable social security benefits also include a small amount of taxable railroad retirement benefits.

3. Consists primarily of other labor income and the nontaxable portion of government and business transfer payments to persons, less personal contributions for social insurance.

4. Consists of the imputations included in personal income shown in NIPA table 8.19 (line 58), except for employer-paid health and life insurance premiums (line 115). In this table, these premiums are included in line 4.

5. Consists of imputed interest received by persons from life insurance carriers and private noninsured pension plans as shown in NIPA table 8.18 (line 51).

6. Statutory adjustments.

7. Consists of the taxable portion of private pension payments received by individuals.

8. Consists of partnership income retained by fiduciaries.

9. Adjusted gross income gap (line 30) as a percentage of the BEA-derived AGI (line 23).

AGI Adjusted gross income

BEA Bureau of Economic Analysis

CCAAdj Capital consumption adjustment

IVA Inventory valuation adjustment

IRS Internal Revenue Service

NIPA National income and product accounts

income, imputations, and other sources of income excluded from the IRS definition of AGI; they also include adjustments for differences between the accounting treatment used in the NIPA's and the treatment specified by Federal tax regulations (tables 1 and 2, lines 3–9). Next, those items that are excluded from personal income but that are included in AGI, such as net capital gains and personal contributions for social insurance, are added to personal income (lines 11–15). Finally, an adjustment is made to reallocate certain income components to make the BEA-derived AGI comparable with IRS AGI by type of income (lines 17–21 and 25–27).⁴

The AGI Gap

The estimates of the BEA-derived AGI differ significantly from the IRS estimates of AGI. The "AGI gap" is the difference between the total BEA-derived AGI (line 22) and total IRS AGI (line 23), and the AGI gap for each type of income (line 29) is the difference between the BEA-derived AGI for that type of income (line 22) and the reallocated IRS AGI for that type of income (line 28). The percent distribution of the AGI gap by type of income is shown in line 30, and the relative AGI gap for each type of income, which is the AGI gap for that type of income (line 29) as a percentage of the BEA-derived AGI for that type of income (line 22), is shown in line 31.

The AGI gap results from several sources. First, there are errors in the source data used to estimate those personal income components that are not based on IRS AGI data, primarily because of sampling and other statistical errors. (AGI data are used only for the estimates of nonfarm proprietors' income and royalty payments.) Second, there are errors in the reconciliation items because reliable data are unavailable to estimate some known items, such as income earned by individuals who are not required to file income tax returns; because some of the source data used to estimate known items contain errors; and because some of the differences between the definition of personal income and AGI are unknown. Third, there are errors in the IRS measure of total AGI and its components because the estimates are based on a probability sample. Fourth, the estimates of BEA-derived AGI include both explicit

and implicit adjustments for tax return misreporting (noncompliance). Explicit adjustments are made for the effects of tax return misreporting on the source data used to prepare the estimates of wage and salary disbursements, nonfarm proprietors' income, royalty income, and personal interest income (line 32).⁵ Implicit adjustments are also embedded in the source data used for some components of personal income because the source data are from the payers of the income.⁶ The IRS estimates of AGI are based on unaudited tax returns that are not adjusted for misreporting. (However, the sample returns are edited for consistent statistical definitions and for incorrect or missing entries in order to make them consistent with other entries on the returns and with accompanying schedules.)

Overall, BEA believes that the explicit and implicit adjustments for misreporting account for a major part of the AGI gap. In 1996, the explicit adjustments accounted for \$299.5 billion of the \$669.6 billion gap. Thus, the AGI gap can be considered a rough indicator of noncompliance with the Federal tax code, and the relative AGI gap—the AGI gap as a percentage of the BEA-derived AGI—can be considered a rough indicator of the noncompliance rate in the reporting of income included in the IRS measure of AGI.⁷

The AGI Gap by Type of Income for 1947–96

Table 3 shows the estimates of the AGI gap for total income and for each type of income for 1947–96, and table 4 shows the relative AGI gap for total income and for each type of income for 1947–96. Over this period, the relative AGI gap for total income declined from about 13 percent in 1947 to about 9 percent in 1968, and then it increased to about 13 percent in 1993 and remained at that level through 1996. The relative AGI gap for wage and salary disbursements is the smallest

5. The major source data for these adjustments are the 1988 Taxpayer Compliance Measurement Program and Census Bureau "exact-match" files for 1990. For additional information about the calculation of these adjustments, see Robert P. Parker, "Improved Adjustments for Misreporting of Tax Return Information Used To Estimate the National Income and Product Accounts, 1977," SURVEY 64 (June 1984): 17–25; "The Comprehensive Revision of the U.S. National Income and Product Accounts: A Review of Revisions and Major Statistical Changes," SURVEY 71 (December 1991): 39–40; and "Improved Estimates of the National Income and Product Accounts for 1959–95: Results of the Comprehensive Revision," SURVEY 76 (January/February 1996): 24–25.

6. For detailed information about the principal source data and estimating methods used to prepare personal income and its components, see "Updated Summary NIPA Methodologies," SURVEY 78 (September 1998): 14–35 and the text on the CD-ROM *State Personal Income, 1929–97*; this information is also available on BEA's Web site at <www.bea.doc.gov>.

7. The AGI gap does not include adjustments for the misreporting of types of income excluded from personal income, such as net gains from the sale of assets, income from small business corporations, and alimony.

4. For a detailed description of the reconciliation items, see Thae S. Park, "Relationship Between Personal Income and Adjusted Gross Income: New Estimates for 1993–94 and Revisions for 1959–92," SURVEY 76 (May 1996): 80–84. However, this article's description of the method used to prepare estimates of the reconciliation items does not reflect the redefinition of dividends payments (see footnote 2).

among the types of income, primarily because income tax withholding at the source is required for wage and salary disbursements. The relative AGI gap for wage and salary disbursements declined from about 3 percent in 1947 to about 1 percent in 1982 and then increased to about 5 percent in 1996. The trends in the relative AGI gaps for non-wage incomes largely offset each other (see the addenda in table 4).⁸

For nonwage incomes subject to the requirements for filing information returns, the trend in the combined relative AGI gap is generally downward (the first addenda item in table 4).⁹ This trend is largely offset by a generally upward trend

9. The primary examples of these incomes are personal dividend income and personal interest income. An AGI gap for personal dividend and personal interest income combined is shown in the table because of the difficulty in recent years of accurately deriving separate gaps for these incomes. The difficulty is related to the reconciliation item for distributions from regulated investment companies, which are classified as interest in personal income. Although the IRS instructs taxpayers to report these distributions as dividends rather than as interest, some taxpayers may have inadvertently reported them as interest. Because the amount of this misreporting is not known and because the entire amount of the distributions in personal income is reallocated to personal dividend income in reconciliation (tables 1 and 2, line 20), the AGI gap for personal dividend income is overstated, and the AGI gap for personal interest income is understated.

Table 3.—The BEA and IRS Measures of AGI and the AGI Gap by Type of Income, 1947–96

(Billions of dollars)

Year	BEA-derived AGI	IRS AGI	AGI gap	Wage and salary disbursements	Proprietors' income		Rental income of persons	Personal dividend and personal interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits
					Farm	Nonfarm		Total	Personal dividend income	Personal interest income			
1947	171.0	149.7	21.3	3.9	10.5	1.2	2.1	3.3	1.3	2.0	.3	0	0
1948	184.3	163.5	20.8	5.2	8.5	1.3	2.2	3.4	1.3	2.1	.3	0	0
1949	182.1	160.6	21.6	6.1	7.8	2.1	1.6	3.7	1.3	2.4	.2	0	0
1950	203.3	179.1	24.1	5.4	7.9	3.8	1.9	4.8	1.9	2.9	.3	0	0
1951	230.0	202.3	27.7	6.6	8.8	4.8	2.2	4.9	1.7	3.2	.5	0	0
1952	242.4	215.3	27.1	6.0	7.6	5.6	2.3	5.1	1.8	3.2	.5	0	0
1953	257.0	228.7	28.3	6.5	6.2	7.0	2.3	5.7	2.0	3.7	.6	0	0
1954	258.2	229.2	29.0	6.7	6.7	7.0	3.0	5.0	.8	4.2	.7	0	0
1955	279.9	248.5	31.4	7.1	6.3	8.2	3.2	5.8	.9	4.8	.9	0	0
1956	300.9	267.7	33.1	9.0	6.3	7.3	3.3	6.1	.7	5.4	1.1	0	0
1957	314.3	280.3	34.0	7.4	5.6	9.3	3.7	6.8	.7	6.2	1.2	0	0
1958	317.4	281.2	36.2	9.2	5.1	9.2	4.0	7.4	.7	6.7	1.3	0	0
1959	341.9	305.1	36.8	7.8	7.2	9.7	2.3	8.1	.9	7.2	1.7	0	0
1960	354.1	315.5	38.6	8.9	6.4	10.1	2.3	9.0	1.3	7.6	1.9	0	0
1961	368.4	329.9	38.5	7.6	5.7	11.4	2.5	9.1	1.4	7.7	2.1	0	0
1962	390.3	348.7	41.6	9.3	6.2	11.8	2.4	9.7	1.5	8.2	2.2	0	0
1963	411.7	368.8	42.9	8.4	6.9	12.6	2.8	9.8	1.6	8.2	2.4	0	0
1964	445.0	396.7	48.4	10.3	6.3	14.1	3.0	11.9	2.4	9.5	2.8	0	0
1965	482.8	429.2	53.6	11.8	6.9	14.4	3.3	14.0	2.9	11.1	3.2	0	0
1966	524.6	468.5	56.1	13.6	7.2	15.9	3.3	12.6	1.0	11.6	3.5	0	0
1967	558.9	504.8	54.1	11.2	5.5	16.5	3.9	13.0	1.0	12.0	4.0	0	0
1968	612.2	554.4	57.8	13.7	5.3	16.9	3.2	14.4	1.4	13.0	4.3	0	0
1969	667.4	603.5	63.9	12.6	8.1	18.7	3.6	15.9	1.3	14.6	5.0	0	0
1970	703.7	631.7	72.0	13.3	9.8	20.4	4.0	18.4	1.7	16.7	6.1	0	0
1971	749.5	673.6	75.9	13.5	8.7	23.6	4.0	18.9	2.1	16.9	7.1	0	0
1972	829.9	746.0	83.9	11.1	11.8	28.7	4.2	19.9	2.7	17.2	8.2	0	0
1973	931.8	827.1	104.6	16.8	18.8	32.2	4.1	24.1	4.1	20.1	8.6	0	0
1974	1,009.3	905.5	103.8	9.1	18.6	38.1	3.2	25.4	2.9	22.4	9.5	0	0
1975	1,051.8	947.8	104.0	13.9	13.3	42.1	2.8	21.1	1.3	19.8	10.7	0	0
1976	1,172.4	1,053.9	118.5	13.6	11.8	53.5	2.4	25.3	4.0	21.3	11.9	0	0
1977	1,300.6	1,158.5	142.1	19.7	10.2	61.2	4.3	34.4	6.4	28.0	12.2	0	0
1978	1,473.1	1,302.4	170.7	25.0	14.1	73.4	4.6	38.8	7.6	31.2	14.9	0	0
1979	1,662.0	1,465.4	196.6	20.0	17.3	84.5	6.3	49.5	9.8	39.7	18.5	.4	0
1980	1,832.1	1,613.7	218.4	20.8	19.2	89.1	9.6	55.5	14.2	41.3	23.4	.8	0
1981	2,021.8	1,772.6	249.2	21.4	23.4	90.5	17.0	67.1	25.5	41.7	28.8	.9	0
1982	2,099.4	1,852.1	247.3	16.4	18.3	95.2	21.9	60.0	23.0	37.1	33.5	2.0	0
1983	2,234.8	1,942.6	292.2	24.6	27.7	109.7	24.2	64.1	26.3	37.8	39.2	2.6	0
1984	2,488.5	2,139.9	348.6	29.5	31.7	141.7	28.7	66.1	32.8	33.3	45.0	1.3	4.6
1985	2,651.7	2,306.0	345.8	44.5	28.4	147.5	29.4	45.5	26.6	18.9	46.0	1.4	3.2
1986	2,878.9	2,481.7	397.3	59.3	31.9	147.3	26.8	64.2	24.5	39.7	63.4	1.2	3.1
1987	3,156.5	2,773.8	382.7	80.6	36.1	121.5	22.5	64.0	34.8	29.1	52.6	2.6	2.8
1988	3,430.7	3,083.0	347.6	84.1	38.5	122.8	17.1	40.4	32.3	8.2	40.0	2.0	2.8
1989	3,666.5	3,256.4	410.2	112.6	35.2	127.2	14.3	63.2	55.2	7.9	52.2	2.5	3.0
1990	3,821.5	3,405.4	416.0	119.0	31.7	134.2	15.7	57.9	56.2	1.7	51.6	2.9	3.0
1991	3,864.1	3,464.5	399.6	106.2	32.4	138.9	18.8	49.0	55.7	-6.7	47.2	3.9	3.2
1992	4,101.7	3,629.1	472.6	133.3	34.8	164.6	20.7	52.1	45.7	6.3	54.2	8.3	4.5
1993	4,254.6	3,723.3	531.3	146.6	41.5	200.0	22.3	52.8	46.9	5.9	54.6	7.3	6.1
1994	4,488.5	3,907.5	581.0	158.8	33.5	223.1	24.7	76.7	68.8	7.9	52.5	3.8	8.0
1995	4,788.5	4,189.4	599.1	167.4	37.7	246.0	28.5	44.4	61.0	-16.6	63.7	2.6	8.8
1996	5,205.6	4,536.0	669.6	191.2	37.2	277.9	30.0	55.1	89.4	-34.4	67.9	3.1	7.2

AGI Adjusted gross income
BEA Bureau of Economic Analysis
IRS Internal Revenue Service

in the combined relative AGI gap for incomes not subject to the requirements for filing information returns (the second addenda item). The combined relative AGI gap for nonwage incomes subject to the filing requirements declined from about 39 percent in 1947 to about 17 percent in 1988, increased to about 23 percent in 1994, and then declined to about 19 percent in 1996.¹⁰

The combined relative AGI gap for incomes not subject to the filing requirements increased from

about 34 percent in 1947 to about 81 percent in 1984, decreased to about 50 percent in 1990, and then increased to about 58 percent in 1996.

The relative AGI gap for total income for 1996 is slightly higher than that for 1995 largely due to increases in the AGI gaps for wage and salary disbursements, nonfarm proprietors' income, and personal dividend income.

Sources of the Revision to the AGI Gap

Table 5 shows the revisions to BEA-derived AGI and to the AGI gap for 1982–95. For 1982–94, the revisions reflect the incorporation of the

10. Beginning in 1984, taxes have been withheld on taxable pensions unless the recipient elects not to have the tax withheld and on interest and dividends if the recipient fails to furnish a correct taxpayer identification number or has interest or dividends that were underreported on past returns.

Table 4.—The Relative AGI Gap by Type of Income, 1947–96

[Percent]

Year	Total	Wage and salary disbursements	Proprietors' income			Rental income of persons	Personal dividend and interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits	Addenda	
			Farm	Nonfarm	Total		Personal dividend income	Personal interest income	Incomes, except wages and salaries, subject to filing requirements ¹				Incomes not subject to filing requirements ²	
1947	12.5	3.3	74.0	5.6	44.7	37.9	23.2	64.1	56.1	0	0	38.9	34.3	
1948	11.3	3.9	68.1	5.9	41.0	35.1	20.7	61.9	49.8	0	0	36.0	29.8	
1949	11.8	4.7	69.8	10.1	31.2	35.0	19.4	61.0	35.1	0	0	35.0	30.8	
1950	11.9	3.7	68.6	15.5	33.0	38.1	23.1	64.6	44.2	0	0	38.4	32.6	
1951	12.0	3.9	68.9	18.1	35.8	38.5	21.8	65.1	47.4	0	0	39.1	34.7	
1952	11.2	3.3	66.0	20.5	36.0	39.6	23.7	63.6	47.0	0	0	40.2	34.4	
1953	11.0	3.3	60.9	24.5	35.1	42.1	25.7	64.4	48.5	0	0	42.6	34.2	
1954	11.2	3.5	64.7	24.0	46.3	34.6	9.7	64.0	45.8	0	0	35.6	36.3	
1955	11.2	3.4	62.3	25.4	48.9	35.6	10.7	65.2	50.2	0	0	37.0	36.2	
1956	11.0	4.0	60.4	21.7	47.9	34.8	8.0	65.2	54.4	0	0	36.9	33.2	
1957	10.8	3.1	59.2	26.2	51.3	35.4	6.7	65.0	51.3	0	0	37.1	35.7	
1958	11.4	3.9	53.9	26.3	53.4	37.3	7.6	64.6	50.3	0	0	38.9	35.2	
1959	10.8	3.1	69.2	25.7	39.7	37.0	9.0	62.0	53.3	0	0	39.1	35.6	
1960	10.9	3.4	66.4	27.1	38.9	38.0	12.3	60.1	54.1	0	0	40.1	35.6	
1961	10.5	2.8	59.1	29.0	41.6	37.0	12.4	57.6	53.5	0	0	39.3	35.7	
1962	10.7	3.2	61.5	28.4	39.2	35.3	12.4	53.4	48.5	0	0	37.2	35.4	
1963	10.4	2.7	67.8	29.4	43.3	32.1	12.4	47.0	47.4	0	0	34.3	37.5	
1964	10.9	3.1	66.4	30.3	45.2	35.1	16.8	48.5	47.2	0	0	36.9	37.3	
1965	11.1	3.3	63.4	29.2	48.1	36.5	18.1	49.6	47.0	0	0	38.1	36.7	
1966	10.7	3.5	60.1	30.1	47.5	31.7	6.6	46.8	44.0	0	0	33.7	36.8	
1967	9.7	2.6	58.5	29.8	51.6	30.9	6.3	44.7	44.2	0	0	33.2	35.8	
1968	9.4	2.9	58.4	28.5	45.2	31.0	8.5	43.6	41.8	0	0	32.9	33.7	
1969	9.6	2.5	65.7	30.5	48.7	30.9	7.5	42.6	42.1	0	0	33.1	37.5	
1970	10.2	2.4	74.0	32.9	51.5	32.7	9.7	43.2	43.5	0	0	34.9	41.1	
1971	10.1	2.3	76.4	35.3	50.1	31.9	11.7	40.6	43.2	0	0	34.4	42.1	
1972	10.1	1.8	70.8	38.5	47.6	31.0	13.7	38.6	42.7	0	0	33.7	44.7	
1973	11.2	2.4	68.3	39.7	41.5	32.2	17.9	38.4	39.5	0	0	33.8	46.5	
1974	10.3	1.2	74.7	43.2	32.8	29.6	12.3	36.2	36.1	0	0	31.1	48.8	
1975	9.9	1.7	73.8	45.5	30.9	24.4	5.6	31.4	33.9	0	0	27.0	48.6	
1976	10.1	1.5	72.3	48.5	25.6	25.7	14.0	30.5	32.6	0	0	27.6	49.8	
1977	10.9	2.0	90.0	49.1	39.5	29.7	19.2	33.9	29.5	0	0	29.6	51.5	
1978	11.6	2.2	74.8	51.6	38.5	29.8	20.1	33.7	31.3	0	0	30.2	53.2	
1979	11.8	1.6	85.5	54.7	48.4	31.5	22.6	35.0	33.1	0	0	31.9	57.6	
1980	11.9	1.5	106.9	57.4	59.4	28.3	26.8	28.8	35.0	26.9	0	30.0	62.3	
1981	12.3	1.4	148.4	62.6	75.0	27.4	35.5	24.0	35.7	27.3	0	29.4	71.5	
1982	11.8	1.0	215.8	64.7	86.1	22.3	30.6	19.1	35.8	21.8	0	25.7	74.8	
1983	13.1	1.5	150.9	64.5	97.7	24.1	35.1	19.7	36.0	27.1	0	27.5	75.8	
1984	14.0	1.6	182.4	68.2	113.1	22.7	40.3	15.9	35.9	17.8	36.7	26.8	80.7	
1985	13.0	2.3	180.3	66.4	121.5	16.1	32.6	9.4	32.6	17.6	25.0	21.6	78.4	
1986	13.8	2.8	132.0	64.8	149.4	21.9	28.4	19.1	37.0	15.0	22.6	27.1	76.5	
1987	12.1	3.6	101.8	51.9	122.3	21.3	34.3	14.7	29.7	17.2	18.1	24.0	62.6	
1988	10.1	3.5	100.9	45.2	90.3	13.3	29.4	4.2	22.4	14.4	16.4	16.6	54.2	
1989	11.2	4.4	96.7	44.3	78.2	17.3	40.5	3.5	26.2	17.2	14.5	20.2	51.7	
1990	10.9	4.4	96.6	43.9	69.2	15.9	41.2	7	24.5	16.0	13.2	18.7	50.3	
1991	10.3	3.8	104.8	44.6	69.7	14.6	41.9	-3.3	21.1	14.3	13.1	16.9	51.4	
1992	11.5	4.5	103.4	46.0	61.7	17.8	37.0	3.8	22.5	20.9	16.2	19.8	51.8	
1993	12.5	4.8	107.2	50.4	56.9	20.0	37.0	4.3	22.0	20.8	19.9	20.9	55.6	
1994	12.9	5.0	126.1	51.5	55.1	26.9	45.5	5.9	20.3	15.8	17.2	23.0	55.8	
1995	12.5	5.0	125.1	53.1	56.7	15.1	39.2	-12.0	22.4	11.7	16.2	18.2	57.4	
1996	12.9	5.4	122.3	54.1	53.3	16.9	46.2	-26.2	22.1	13.8	12.0	18.7	57.5	

1. Consists of personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits. These types of income have been subject to varying degrees of withholding since 1984.

2. Consists of farm proprietors' income, nonfarm proprietors' income, and rental income of persons.

NOTE.—The relative AGI gap is the AGI gap as a percentage of the BEA-derived AGI and is shown in line 32 of tables 1 and 2.

AGI Adjusted gross income
BEA Bureau of Economic Analysis

redefinition of dividend payments. For 1995, the revisions reflect the annual revision to the NIPA's, including the redefinition of dividend payments. In addition, for 1991-94, the revisions reflect the incorporation into personal dividend income of revised IRS tabulations of capital gains distributions from regulated investment companies, which are used by BEA to prepare the estimates of personal dividend income.

In general, revisions to the AGI gap result from three sources: Revisions to personal income that carry through to the AGI gap, revisions to the reconciliation items that are unrelated to the revisions to personal income or to AGI, and revisions to AGI that carry through to the AGI gap. For 1995, the AGI gap was revised down \$31.2 billion, reflecting a downward revision of \$45.5 billion to personal income that carried through to reduce

the AGI gap and net revisions of \$14.2 billion to the reconciliation items that are unrelated to the revisions to personal income (lines 7, 8, 13, 14, and 15), which carried through to increase the AGI gap.¹¹ There was no revision to AGI for 1995.

In general, the incorporation of the results of this year's annual NIPA revision did not change the trend in the relative AGI gaps for 1982-95. However, the level of the relative AGI gap for nonwage incomes subject to the requirements for filing information returns was revised down about 3 to 4 percentage points for 1993, 1994, and 1995. 

11. Personal income was revised down \$78.7 billion; \$33.6 billion of this downward revision was offset by revisions to reconciliation items directly affected by the personal income revisions (lines 3-6, most of line 9, line 11, and line 12), primarily by the redefinition of capital gains distributions from regulated investment companies. Thus, the revisions to personal income that carried through to reduce the AGI gap were \$45.4 billion.

Table 5.—Sources of Revision to the AGI Gap for 1982-95

[Billions of dollars]

Line ¹	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
1 Personal income	-3.1	-6.4	-4.0	-8.9	-18.8	-10.9	-5.8	-4.6	-8.0	-16.0	-21.6	-38.2	-33.8	-78.7
2 Less: Portion of personal income not included in adjusted gross income	0	0	0	0	0	0	0	0	0	0	0	0	0	-8.4
3 Transfer payments except taxable military retirement, taxable government pensions, and taxable social security benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	2.5
4 Other labor income except fees	0	0	0	0	0	0	0	0	0	0	0	0	0	-5.2
5 Imputed income in personal income	0	0	0	0	0	0	0	0	0	0	0	0	0	.1
6 Investment income retained by life insurance carriers and private noninsured pension funds	0	0	0	0	0	0	0	0	0	0	0	0	0	.1
7 Investment income received by nonprofit institutions or retained by fiduciaries	0	0	0	0	0	0	0	0	0	0	0	0	0	-9
8 Differences in accounting treatment between NIPA's and tax regulations, net	0	0	0	0	0	0	0	0	0	0	0	0	0	-3.2
9 Other personal income exempt or excluded from adjusted gross income	0	0	0	0	0	0	0	0	0	0	0	0	0	-1.7
10 Plus: Portion of adjusted gross income not included in personal income	3.1	6.4	4.0	8.9	18.8	10.9	5.8	4.8	8.1	6.3	6.5	15.3	9.3	39.0
11 Personal contributions for social insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	.5
12 Gains, net of losses, from sales of property	3.1	6.4	4.0	8.9	18.8	10.9	5.8	4.8	8.1	6.3	6.5	15.3	9.3	28.5
13 Taxable private pensions	0	0	0	0	0	0	0	0	0	0	0	0	0	9.4
14 Small business corporation income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Other types of income	0	0	0	0	0	0	0	0	0	0	0	0	0	.7
16 Equals: BEA-derived adjusted gross income	0	0	0	0	0	0	0	.2	.2	-9.6	-15.0	-22.8	-24.6	-31.2
17 Adjusted gross income of IRS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Adjusted gross income (AGI) gap	0	0	0	0	0	0	0	.2	.2	-9.6	-15.0	-22.8	-24.6	-31.2
19 Relative AGI gap	0	0	0	0	0	0	0	0	0	-2	-3	-5	-5	-6

1. Line numbers in this table correspond to those in table 1.
AGI Adjusted gross income
BEA Bureau of Economic Analysis

IRS Internal Revenue Service
NIPA's National income and product accounts