

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

New Estimates for 2004

Revised Estimates for 2003

By Mark A. Ledbetter

THE Bureau of Economic Analysis (BEA) annually publishes a comparison of BEA's measure of personal income and the Internal Revenue Service (IRS) measure of adjusted gross income (AGI); both are widely used measures of household income. However, each measure is based on different concepts, and each is used for different purposes. This comparison features the "AGI gap," which is the difference between the BEA-derived estimates of adjusted gross income and the IRS estimate of adjusted gross income.¹ (For more information, see "Estimating the AGI gap.")

Adjusted gross income is the key measure of indi-

vidual income that is defined by the Internal Revenue Code. It is used as the basis for computing certain tax credits and itemized deductions. The definition of AGI can change from year to year because of changes in the tax code.

BEA's personal income estimate is a more comprehensive income measure than the IRS AGI measure. The personal income and outlay account records the distribution of income to the household sector and measures its value and composition in the national economy. It represents a component of a sequence of interconnected, macroeconomic flow accounts that is often used to examine trends in national economic activity because its definition is consistent through all years measured.

Analysts use this comparison of personal income and adjusted gross income in a variety of ways. For example, because major changes in the tax law affect the

1. For more information about the source data and the methodologies that are used to prepare BEA-derived estimates of AGI and the AGI gap, see Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income," *SURVEY OF CURRENT BUSINESS* 84 (April 2004): 8–22.

Key Terms

Adjusted gross income (AGI), for Federal income tax purposes, includes all income that is received in the form of money, property, and services and that is not explicitly exempt by law.

Personal income is the income received by individuals, nonprofit institutions serving households, private noninsured welfare funds, and private trust funds from all sources. It includes income that is taxed, that is partly taxed (such as social security benefit payments), and that is tax-exempt (such as tax-exempt interest, nontaxable transfer payments, and Medicare, Medicaid, and welfare benefit payments). It is the sum of "compensation of employees (received)," proprietors' income, rental income, personal income receipts on assets, and personal current transfer receipts; contributions for government social insurance is subtracted. Personal income includes imputed income, but it excludes net gains from the sale of assets (capital gains), pension benefit payments, and employee and self-employed contributions for government social insurance. For more information about personal income, see <www.bea.gov/bea/regional/articles/spi2005>.

BEA-derived adjusted gross income is BEA's concep-

tual measure of adjusted gross income without taxpayer misreporting. It is based on IRS tabulations of data from individual income tax returns, corporate income tax returns, nonfarm sole proprietorship income tax returns, partnership income tax returns, and extrapolated estimates for tax-exempt income and for private foundation income.

The **AGI gap** is the difference between the BEA-derived adjusted gross income and IRS adjusted gross income. The AGI gap for each type of income is the difference between the BEA-derived adjusted gross income for that type of income and the reallocated IRS adjusted gross income.

The **relative AGI gap** for each type of income shows the AGI gap by type of income as a percentage of the BEA-derived adjusted gross income by type of income.

Misreporting adjustments are adjustments to IRS source data that are designed to correct for the effects of taxpayer misreporting in the tax return tabulations and economic census data used in the NIPAs. These adjustments account for income that is underreported on tax returns and for the income that is earned by individuals who do not file tax returns.

IRS estimates of adjusted gross income, the reconciliation tables are often used by analysts to convert adjusted gross income into a consistent time series for budget and fiscal policy analyses or to extrapolate projections of adjusted gross income.

The components of personal income and adjusted gross income are similar. The major differences are that personal income consists of both taxable income and tax-exempt income and that adjusted gross income consists only of taxable income. Personal income includes other items, such as misreporting adjustments, imputed income, income of nonprofit institutions serving households, the investment income of insurance carriers, and employer contributions for government social insurance.

This year's article includes two changes to the comparison between personal income and AGI:

- Three lines have been added to tables 1 and 2, showing the AGI gap, the percent distribution of the AGI gap, and the relative gap excluding the misreporting adjustment. Table 5, "The AGI Gap Less Misreporting Adjustment and Relative AGI Gap by Type of Income, 1990–2004," has also been added.
- A double-counting correction was made for unemployment compensation received by state government employees that reduced the BEA-derived AGI \$2.1 billion in 2004 (for more information, see the section "Estimating the AGI gap").

The AGI gap for 2004

The total AGI gap for 2004—the most recent year for which AGI data are available—was \$1,088.2 billion (table 1). The misreporting adjustment, which adjusts the IRS data for underreported and unreported income, accounts for \$458.4 billion of the gap. For the remaining \$629.8 billion "AGI gap less misreporting adjustment," precise explanations are not easily identifiable. For more information, see the section "Misreporting adjustments and the AGI gap."

The relative AGI gap—the gap as a percentage of BEA-derived adjusted gross income—was 13.8 percent. The "relative AGI gap less misreporting adjustment"—the gap less the misreporting adjustment as a percentage of BEA-derived adjusted gross income—was 8.0 percent

BEA also calculates the AGI gap by type of income (tables 1–4). For each type of income, the unexplained portion of the AGI gap can be calculated by subtracting the misreporting adjustment from the corresponding AGI gap estimate. The "AGI gap less misreporting adjustment" by type of income is only calculated for wage and salary disbursements, nonfarm proprietors' income, rental income, and personal interest income (tables 1, 2, and 5).

Revisions to the AGI gap for 2003

The AGI gap for 2003 was revised down \$14.0 billion to \$1,027.8 billion (table A and table 2). The relative AGI gap for 2003 was revised to 14.2 percent from 14.4 percent.

Table A. Sources of Revision to the AGI Gap for 2003

[Billions of dollars]

Line ¹		2003
1	Personal Income	-5.5
2	Less: Portion of personal income not included in AGI	8.9
3	Nontaxable transfer payments	7.3
4	Employer contributions for employee pension and insurance funds	-14.4
5	Imputed income in personal income	-0.2
6	Investment income of life insurance carriers and pension plans.....	7.4
7	Investment income received by nonprofit institutions and retained by fiduciaries.....	-2.0
8	Differences in accounting treatment between NIPAs and tax regulations, net.....	14.9
9	Other personal income exempt or excluded from adjusted gross income.....	-4.1
10	Plus: Portion of adjusted gross income not included in personal income	0.4
11	Contributions for government social insurance.....	0.0
12	Net gain from sale of assets	0.0
13	Taxable pensions	2.5
14	Small business corporation income	0.0
15	Other types of income	-2.1
21	Equals: BEA-derived adjusted gross income	-14.0
22	IRS adjusted gross income	0.0
28	Adjusted gross income (AGI) gap	-14.0
30	Relative AGI Gap	-0.2

1. Line numbers in this table correspond to those in table 2.
 BEA Bureau of Economic Analysis
 IRS Internal Revenue Service
 NIPAs National income and product accounts

Because IRS adjusted gross income for 2003 was unrevised, the entire revision to the 2003 AGI gap is accounted for by a revision to BEA-derived adjusted gross income. The downward revision to BEA-derived adjusted gross income reflects a \$5.5 billion downward revision to BEA personal income, an \$8.9 billion upward revision to items included in personal income but not in adjusted gross income, and a \$0.4 billion upward revision to items included in adjusted gross income but not in personal income.

The revision to BEA-derived adjusted gross income can also be viewed as the sum of revisions to the following: BEA data (\$7.1 billion), IRS data that underlie estimates of BEA-derived adjusted gross income but not IRS adjusted gross income (-\$2.1 billion), and data that are derived independently of both BEA personal income and IRS adjusted gross income (-\$19.0 billion) (table B).

All revisions to estimates of the reconciliation items that are prepared independently of personal income and of adjusted gross income carry through to BEA-derived adjusted gross income.² (These estimates are derived from source data that are not used to prepare

2. "Carry through" is used to describe a revision to a reconciliation item in personal income or in adjusted gross income that results in a revision to the AGI gap. The revision to a reconciliation item in one measure of income that is not offset by an identical revision to the other measure of income is said to carry through to the AGI gap.

estimates of personal income or adjusted gross income.) Revisions to the components of adjusted gross income (parts of lines 9, 12, 14, and 15 in table 1) also carry through to BEA-derived adjusted gross income.

Table B. Revisions That Carry Through to BEA-derived Adjusted Gross Income Gap
[Billions of dollars]

	2003
Revisions to the BEA-derived adjusted gross income (AGI) gap	-14.0
Due to revisions to personal income	7.1
Personal income.....	-5.5
Contributions for government social insurance.....	0.0
Less.....	-12.7
Employer contributions to pension and insurance funds.....	-14.4
Imputed income included in personal income.....	-0.2
Gain on internal revenue code section 1231 assets.....	0.1
Inventory valuation and capital consumption adjustments.....	0.0
Nonfarm proprietors' income.....	4.9
Excess farm inventories.....	0.2
Small business corporation dividends in personal income.....	-3.3
Due to revisions to AGI components	-2.1
Net gain from sale of assets.....	0.0
Small business corporation income.....	0.0
Miscellaneous components.....	-2.1
Due to revisions to reconciliation items with source data unrelated to personal income or AGI	-19.0
Taxable Pensions.....	2.5
Less.....	21.5
Nontaxable personal current transfer receipts.....	7.3
Investment income retained by life insurance carriers and pensions plans.....	7.4
Fiduciary income.....	-1.1
Nonprofit income.....	-0.9
IRA-Keogh excluding capital gain.....	1.9
Exempt military pay.....	-0.8
Tax-exempt interest.....	0.0
Other miscellaneous items.....	7.8

NOTE: Subtotals may not sum to totals because of rounding.

Misreporting adjustments and the AGI gap

The misreporting adjustment is a measure of income that is not reported on tax returns and is added to reported income in BEA's estimation of personal income. The misreporting adjustment comprises a filer adjustment, measuring the amount of income that is underreported on tax returns, and a nonfiler adjustment, which measures the amount of income earned by tax return nonfilers. The income adjustment for filers of tax returns is based on the Taxpayer Compliance Measurement Program (TCMP) and the Information Returns Program (IRP).³ The nonfiler adjustment is based on the 1999 Census Bureau's exact match study. That study attempted to match income levels reported to the IRS with income data of individuals in the Social Security Administration's records and with income

3. The most recent TCMP and IRP studies were prepared in 1988. Data for the National Research Program will replace the TCMP and IRP estimates. During the next comprehensive revision of the national income and product accounts, which is tentatively scheduled for October 2008, BEA plans to incorporate the results of the IRS National Research Program (NRP) study of individual tax compliance for 2001. The NRP study includes measures of filing compliance, reporting compliance, and payment compliance. For more information, see Charles Bennett, "Preliminary Results of the National Research Program's Reporting Compliance Study of Tax Year 2001 Individual Returns," *IRS Research Bulletin* (2005): 3-14; <www.irs.gov/pub/irs-soi/05bennett.pdf>.

data reported for sole proprietorships and partnerships in the Census Bureau's Current Population Survey.⁴

The filer adjustments for underreported income are the largest component of the misreporting estimate. In 2004, filer adjustments accounted for 90 percent of the total misreporting adjustment, 89 percent of the wages and salaries misreporting adjustment, approximately 92 percent of the nonfarm proprietorships misreporting adjustment, and the entire rental and interest income misreporting adjustment. For 2004, the nonfiler adjustment accounted for 10 percent of the total misreporting adjustment, 11 percent of the wages and salaries misreporting adjustment, and approximately 8 percent of the nonfarm proprietorships misreporting adjustment. The nonfiler adjustment includes both the income of those not legally required to file tax returns and the income of those who are required to file tax returns.⁵ Because the nonfiler adjustment includes some legal nonfiling of income, it should not be used as a measure of noncompliance.⁶

The "AGI gap less misreporting adjustment" is the gap between personal income and AGI after all known and measurable statistical and definitional differences are taken into account. The remaining difference results from known definitional differences that cannot be estimated, statistical discrepancies, data sampling and nonsampling errors, differences in source data for AGI and personal income, incomplete source data, timing anomalies, and other unknown factors.⁷ The "AGI gap less misreporting adjustment" should also not be used as a measure of noncompliance, because it contains immeasurable sources of tax-exempt income and other discrepancies previously mentioned.

Estimating the AGI gap

The AGI gap by type of income is estimated in three steps. First, an estimate of BEA-derived adjusted gross income is prepared by adjusting the estimates of BEA personal income to conform to the IRS definition of

4. A 2003 exact match study will be used in the 2007 annual NIPA revision. Both filer and nonfiler adjustments are extrapolated forward to the present to prepare estimates for missing years. For more information, 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; and Ledbetter, 12.

5. The Census Bureau's exact match studies do not differentiate between the incomes of those required and not required to file tax returns. In 2004, taxpayers are required to file tax returns if their incomes are above the \$7,150 taxable threshold.

6. The IRS publishes an official estimate of the level of tax avoidance. For more information, please read the online article "Understanding the Tax Gap" on the IRS Web site at <www.irs.gov/newsroom/article/0,,id=137246,00.html>.

7. For more information on the statistical discrepancy in the national income and product accounts, see Robert P. Parker and Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts," *SURVEY* 77 (August 1997): 19.

adjusted gross income. Certain types of income are subtracted from personal income because they are not included in adjusted gross income (lines 3–9 in tables 1 and 2), and certain types of income are added to personal income to be consistent with adjusted gross income (lines 11–15).

Second, certain types of personal income are reallocated so that BEA-derived estimates of adjusted gross income by type of income conform to the definitions of adjusted gross income (lines 17–20). In addition, certain types of adjusted gross income that are undefined in personal income, such as estate and trust income, are reallocated so that adjusted gross income by type of income conforms to the BEA-derived adjusted gross income (lines 24–26).

Third, the estimates of “AGI reallocated” (line 27) are subtracted from the estimates of BEA-derived adjusted gross income (line 21) to yield an estimate of the AGI gap (line 28).

The relative AGI gap (line 30) is the AGI gap as a percentage of BEA-derived adjusted gross income.

To correct for double-counting that was reflected in previous estimates of the AGI gap, an adjustment was made to eliminate the double-recording of unemployment compensation received by state government em-

ployees because of classification differences between the BEA and IRS treatments of unemployment compensation received by state government employees. BEA classifies the unemployment compensation received by state government employees as unemployment compensation. The IRS classifies this income as “other income” on Form 1040 because the unemployment compensation drawn from state unemployment compensation funds is ultimately reimbursed by state governments.

In order to correct for this double-counting, BEA’s estimate of unemployment compensation received by state employees was removed from IRS “other income” in line 15 of tables 1 and 2. To correct for a classification difference, BEA’s estimate of unemployment compensation received by state employees was also reallocated within line 26, “other allocations.” For line 26, the amount of unemployment compensation received by state employees was subtracted from the column “income not included in personal income,” and added to the column “taxable unemployment compensation.”

Tables 1–5 follow.

Table 1. Comparison of Personal Income With Adjusted Gross Income (AGI) by Type of Income for 2004

[Billions of dollars]

Line	Personal Income												Income not included in personal income
	Total	Wage and salary disbursements	Proprietors' income with IVA and CCAAdj		Rental income of persons with CCAAdj	Income receipts on assets		Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security ¹	Other personal income ²		
			Farm	Nonfarm		Personal dividend income	Personal interest income						
1	Personal income	9,731.4	5,392.1	36.2	874.9	127.0	537.1	890.8	(³) 3.2	37.0	119.3	1,713.8	0.0
2	Less: Portion of personal income not included in adjusted gross income	3,597.2	157.1	30.2	58.5	98.5	321.7	699.4	0.0	0.0	0.0	2,133.7	98.0
3	Nontaxable personal current transfer receipts	1,266.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,266.4	0.0
4	Employer contributions to pension and insurance funds	866.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	866.1	0.0
5	Imputed income in personal income ⁴	287.4	13.6	0.2	3.6	78.1	0.0	191.8	0.0	0.0	0.0	0.0	0.0
6	Investment income retained by life insurance carriers and pensions plans ⁵	439.8	0.0	0.0	0.0	1.5	44.4	393.9	0.0	0.0	0.0	0.0	0.0
7	Investment income received by nonprofit institutions or retained by fiduciaries	57.7	0.0	0.0	0.5	6.2	22.6	27.2	0.0	0.0	0.0	1.2	0.0
8	Differences in accounting treatment between NIPAs and tax regulations, net	160.1	0.0	30.0	54.4	12.6	28.6	34.4	0.0	0.0	0.0	0.0	0.0
9	Other personal income exempt or excluded from adjusted gross income	519.7	143.5	0.0	0.0	0.0	226.1	52.0	0.0	0.0	0.0	0.0	(⁶) 98.0
10	Plus: Portion of adjusted gross income not included in personal income	1,742.8	30.5	0.0	5.9	5.7	0.0	0.0	525.1	0.0	0.0	418.7	756.9
11	Employee and self-employed contributions for government social insurance	419.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	419.3	0.0
12	Net gain from sale of assets	476.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	476.2
13	Taxable pensions ⁷	525.0	0.0	0.0	0.0	0.0	0.0	525.0	0.0	0.0	0.0	0.0	0.0
14	Small business corporation income	195.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	195.1
15	Other types of income	127.2	30.5	0.0	5.9	5.7	0.0	0.0	0.0	0.0	0.0	-0.6	85.6
16	Plus: Reallocation by type of NIPA income	0.0	21.4	0.0	-1.2	0.0	23.6	-23.6	-21.4	0.0	0.0	1.2	0.0
17	Fiduciaries' share of partnership income ⁸	0.0	0.0	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0
18	Interest received by nonfarm proprietors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Interest distributed by regulated investment companies	0.0	0.0	0.0	0.0	0.0	23.6	-23.6	0.0	0.0	0.0	0.0	0.0
20	Taxable disability income payments	0.0	21.4	0.0	0.0	0.0	0.0	0.0	-21.4	0.0	0.0	0.0	0.0
21	Equals: BEA-derived adjusted gross income	7,877.0	5,286.8	5.9	821.1	34.2	239.0	167.8	506.9	37.0	119.3	0.0	658.9
22	IRS adjusted gross income (as reported)	6,788.8	4,921.8	-13.2	247.2	27.4	146.8	125.5	394.3	32.7	110.5	134.9	661.0
23	Plus: Reallocation by type of IRS income	0.0	0.0	0.2	126.6	8.1	0.0	0.0	0.0	2.1	0.0	-134.9	-2.1
24	Estate or trust income	0.0	0.0	0.0	5.9	8.1	0.0	0.0	0.0	0.0	0.0	-14.0	0.0
25	Partnership income	0.0	0.0	0.2	120.7	0.0	0.0	0.0	0.0	0.0	0.0	-120.9	0.0
26	Other reallocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	-2.1
27	IRS Adjusted gross income (reallocated)	6,788.8	4,921.8	-13.1	373.8	35.5	146.8	125.5	394.3	34.9	110.5	0.0	658.9
28	Adjusted gross income gap (line 21–line 27)	1,088.2	365.0	19.0	447.3	-1.2	92.2	42.3	112.7	2.1	8.8	0.0	0.0
29	Percent distribution of AGI gap	100.0	33.5	1.7	41.1	-0.1	8.5	3.9	10.4	0.2	0.8	.....	.....
30	Relative AGI gap ⁹	13.8	6.9	319.5	54.5	-3.6	38.6	25.2	22.2	5.7	7.4	.....	.....
31	Addendum: Misreporting adjustment included in personal income	458.4	115.3	356.7	2.2	-15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	AGI gap less misreporting adjustment (line 28–line 31)	629.8	249.7	19.0	90.6	-3.5	92.2	58.1	112.7	2.1	8.8	0.0	0.0
33	Percent distribution of AGI gap less misreporting adjustments	100.0	39.7	3.0	14.4	-0.6	14.6	9.2	17.9	0.3	1.4	.....	.....
34	Relative AGI gap less misreporting adjustments ¹⁰	8.0	4.7	319.5	11.0	-10.1	38.6	34.6	22.2	5.7	7.4	.....	.....

1. These benefits also include a social security equivalent benefit portion of tier 1 railroad retirement benefits.

2. Consists primarily of employer contributions for employee pension and insurance funds and nontaxable transfer payments to persons less contributions to government social insurance.

3. Includes tier 2 railroad retirement benefits that are taxed as if the benefits were paid under private employer retirement plans.

4. Consists of all the imputations in personal income in NIPA table 7.12 except for employer contributions for health and life insurance premiums; these premiums are included in line 4.

5. Consists of imputed interest received by persons from life insurance carriers (NIPA table 7.11) and the investment income of private and government employee pension plans.

6. Statutory adjustments or specific adjustments ("above-the-line deductions") from total income included to arrive at AGI.

7. Consists of the taxable portion of private and government employee retirement plan benefit payments.

8. Consists of partnership income retained by fiduciaries.

9. Adjusted gross income gap (line 28) as a percentage of BEA-derived AGI (line 21).

10. Adjusted gross income gap less misreporting adjustment (line 32) as a percentage of BEA-derived AGI (line 21) without misreporting adjustment (line 31).

BEA Bureau of Economic Analysis

CCAAdj Capital consumption adjustment

IRS Internal Revenue Service

IVA Inventory valuation adjustment

NIPAs National income and product accounts

Table 2. Comparison of Personal Income With Adjusted Gross Income (AGI) by Type of Income for 2003

[Billions of dollars]

Line		Personal Income										Income not included in personal income	
		Total	Wage and salary disbursements	Proprietors' income with IVA and CCAAdj		Rental income of persons with CCAAdj	Income receipts on assets		Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security ¹		Other personal income ²
				Farm	Nonfarm		Personal dividend income	Personal interest income					
1	Personal income	9,163.6	5,112.7	29.2	782.1	133.0	422.6	914.1	⁽³⁾ 3.2	53.6	106.2	1,607.1	0.0
2	Less: Portion of personal income not included in adjusted gross income	3,368.7	152.0	20.3	43.1	101.5	263.5	696.7	0.0	0.0	0.0	2,004.0	87.6
3	Nontaxable transfer payments to persons.....	1,187.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,187.3	0.0
4	Employer contributions to pension and insurance funds.....	815.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	815.6	0.0
5	Imputed income in personal income ⁴	271.6	13.2	0.2	3.0	78.2	0.0	177.1	0.0	0.0	0.0	0.0	0.0
6	Investment income retained by life insurance carriers and pensions plans ⁵	429.2	0.0	0.0	0.0	2.2	32.0	395.0	0.0	0.0	0.0	0.0	0.0
7	Investment income received by nonprofit institutions and retained by fiduciaries.....	55.8	0.0	0.0	0.5	7.8	20.9	25.6	0.0	0.0	0.0	1.1	0.0
8	Differences in accounting treatment between NIPAs and tax regulations, net.....	142.0	0.0	20.1	39.6	13.3	23.7	45.3	0.0	0.0	0.0	0.0	0.0
9	Other personal income exempt or excluded from adjusted gross income.....	467.2	138.8	0.0	0.0	0.0	187.0	53.8	0.0	0.0	0.0	0.0	⁽⁶⁾ 87.6
10	Plus: Portion of adjusted gross income not included in personal income	1,440.0	22.0	0.0	4.3	5.4	0.0	0.0	491.4	0.0	0.0	395.8	521.1
11	Contributions for government social insurance.....	396.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	396.5	0.0
12	Net gain from sale of assets.....	294.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	294.0
13	Taxable pensions ⁷	491.4	0.0	0.0	0.0	0.0	0.0	0.0	491.4	0.0	0.0	0.0	0.0
14	Small business corporation income.....	148.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	148.6
15	Other types of income.....	109.4	22.0	0.0	4.3	5.4	0.0	0.0	0.0	0.0	0.0	-0.7	78.5
16	Plus: Reallocation by type of NIPA income	0.0	17.1	0.0	-1.1	0.0	21.0	-21.0	-17.1	0.0	0.0	1.1	0.0
17	Fiduciaries' share of partnership income ⁸	0.0	0.0	0.0	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0
18	Interest received by nonfarm proprietors.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	Interest distributed by regulated investment companies.....	0.0	0.0	0.0	0.0	0.0	21.0	-21.0	0.0	0.0	0.0	0.0	0.0
20	Taxable disability income payments.....	0.0	17.1	0.0	0.0	0.0	0.0	0.0	-17.1	0.0	0.0	0.0	0.0
21	Equals: BEA-derived adjusted gross income	7,234.9	4,999.8	8.9	742.2	36.8	180.1	196.3	477.5	53.6	106.2	0.0	433.5
22	IRS adjusted gross income (as reported)	6,207.1	4,649.9	-12.4	229.7	29.2	115.1	127.2	372.9	44.0	97.8	117.9	435.8
23	Plus: Reallocation by type of IRS income	0.0	0.0	0.0	110.2	7.7	0.0	0.0	0.0	2.3	0.0	-117.9	-2.3
24	Estate or trust income.....	0.0	0.0	0.0	4.7	7.7	0.0	0.0	0.0	0.0	0.0	-12.4	0.0
25	Partnership income.....	0.0	0.0	0.0	105.5	0.0	0.0	0.0	0.0	0.0	0.0	-105.4	0.0
26	Other reallocations.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	0.0	0.0	0.0	-2.3
27	IRS adjusted gross income (reallocated)	6,207.1	4,649.9	-12.4	339.9	36.9	115.1	127.2	372.9	46.3	97.8	0.0	433.5
28	Adjusted gross income gap (line 21–line 27)	1,027.8	349.9	21.3	402.3	-0.1	64.9	69.2	104.6	7.3	8.4	0.0	0.0
29	Percent distribution of AGI gap.....	100.0	34.0	2.1	39.1	0.0	6.3	6.7	10.2	0.7	0.8	.....	.....
30	Relative AGI gap ⁹	14.2	7.0	239.9	54.2	-0.3	36.1	35.2	21.9	13.6	7.9	.....	.....
31	Addendum: Misreporting adjustment included in personal income	425.4	111.8	0.0	326.0	2.1	-14.5	0.0	0.0	0.0	0.0	0.0	0.0
32	AGI gap less misreporting adjustment (line 28–line 31).....	602.3	238.1	21.3	76.4	-2.2	64.9	83.6	104.6	7.3	8.4	0.0	0.0
33	Percent distribution of AGI gap less misreporting adjustments.....	100.0	39.5	3.5	12.7	-0.4	10.8	13.9	17.4	1.2	1.4	.....	.....
34	Relative AGI gap less misreporting adjustments ¹⁰	8.3	4.8	239.9	10.3	-6.1	36.1	42.6	21.9	13.6	7.9	.....	.....

1. These benefits also include a social security equivalent benefit portion of tier 1 railroad retirement benefits.
 2. Consists primarily of employer contributions for employee pension and insurance funds and nontaxable transfer payments to persons less contributions to government social insurance.
 3. Includes tier 2 railroad retirement benefits that are taxed as if the benefits were paid under private employer retirement plans.
 4. Consists of all the imputations in personal income in NIPA table 7.12 except for employer contributions for health and life insurance premiums; these premiums are included in line 4.
 5. Consists of imputed interest received by persons from life insurance carriers (NIPA table 7.11) and the investment income of private and government employee pension plans.
 6. Statutory adjustments or specific adjustments ("above-the-line deductions") from total income included to arrive at AGI.

7. Consists of the taxable portion of private and government employee retirement plan benefit payments.
 8. Consists of partnership income retained by fiduciaries.
 9. Adjusted gross income gap (line 28) as a percentage of BEA-derived AGI (line 21).
 10. Adjusted gross income gap less misreporting adjustment (line 32) as a percentage of BEA-derived AGI (line 21) without misreporting adjustment (line 31).
 BEA Bureau of Economic Analysis
 CCAAdj Capital consumption adjustment
 IRS Internal Revenue Service
 IVA Inventory valuation adjustment
 NIPAs National income and product accounts

Table 3. The BEA and IRS Measures of AGI and the AGI Gap by Type of Income for 1990–2004

[Billions of Dollars]

Year	BEA-derived AGI	IRS AGI	AGI gap	Wage and salary disbursements	Proprietors' income with IVA and CCAj		Rental income of persons with CCAj	Income receipts on assets			Taxable pension and annuities	Taxable unemployment compensation	Taxable social security benefits
					Farm	Nonfarm		Total	Personal dividend income	Personal interest income			
1990.....	3,798.4	3,405.4	393.0	106.4	27.7	134.8	4.2	59.2	44.7	14.6	54.5	2.8	3.0
1991.....	3,856.8	3,464.5	392.3	92.1	29.8	138.7	8.2	66.1	45.2	20.9	50.1	3.6	3.2
1992.....	4,092.0	3,629.1	462.9	121.9	30.6	162.7	12.5	65.2	34.4	30.8	56.6	8.3	4.5
1993.....	4,245.4	3,723.3	522.1	139.3	38.1	195.6	12.3	65.4	31.2	34.2	57.1	7.4	6.1
1994.....	4,473.7	3,907.5	566.2	146.1	27.0	214.8	15.4	86.5	48.1	38.4	64.0	3.8	8.0
1995.....	4,759.8	4,189.4	570.4	153.5	36.9	233.1	17.0	49.0	31.2	17.9	68.6	2.6	8.8
1996.....	5,144.5	4,536.0	608.5	178.2	31.2	259.3	16.1	44.8	40.0	4.8	70.2	3.2	7.2
1997.....	5,578.0	4,970.0	608.0	190.2	31.3	264.4	16.4	23.8	43.8	-20.0	71.3	3.1	6.5
1998.....	6,120.2	5,416.0	704.3	227.6	26.3	286.0	15.8	71.0	47.2	23.8	72.2	3.1	6.7
1999.....	6,553.5	5,855.5	698.0	251.1	25.4	322.9	16.6	-5.1	6.3	-11.4	77.0	3.3	6.9
2000.....	7,125.4	6,365.4	760.1	280.8	21.2	368.4	13.8	-17.8	17.1	-34.9	91.4	3.8	7.3
2001.....	7,005.0	6,170.6	834.4	281.8	18.5	377.9	10.2	42.0	39.7	2.3	90.8	5.3	7.7
2002.....	6,976.8	6,033.6	943.2	314.5	13.7	379.2	6.9	113.6	78.2	35.4	96.5	10.7	8.1
2003.....	7,234.9	6,207.1	1,027.8	349.9	21.3	402.3	-0.1	134.1	64.9	69.2	104.6	7.3	8.4
2004.....	7,877.0	6,788.8	1,088.2	365.0	19.0	447.3	-1.2	134.5	92.2	42.3	112.7	2.1	8.8

AGI Adjusted gross income
 BEA Bureau of Economic Analysis
 CCAj Capital consumption adjustment
 IRS Internal Revenue Service
 IVA Inventory valuation adjustment

Table 4. The Relative AGI Gap by Type of Income for 1990–2004

[Percent]

Year	Total relative AGI gap	Wage and salary disbursements	Proprietors' income with IVA and CCAj		Rental income of persons with CCAj	Income receipts on assets			Taxable pension and annuities	Taxable unemployment compensation	Taxable social security benefits	Addenda	
			Farm	Nonfarm		Total	Personal dividend income	Personal interest income				The sum of income items except wages, subject to the requirements for filing information returns ¹	The sum of income items not subject to the requirements for filing information returns ²
1990.....	10.3	3.9	96.1	44.0	38.5	16.2	35.8	6.0	25.5	15.5	13.2	19.2	48.1
1991.....	10.2	3.3	105.2	44.5	50.4	18.7	36.9	9.1	22.1	13.5	13.1	19.5	49.6
1992.....	11.3	4.2	103.8	45.7	49.4	21.3	30.6	15.9	23.3	21.0	16.2	21.8	50.1
1993.....	12.3	4.6	107.9	49.8	42.0	23.7	28.1	20.7	22.8	21.0	20.0	22.9	53.7
1994.....	12.7	4.6	134.4	50.6	43.3	29.3	36.9	23.3	23.8	15.8	17.2	25.6	53.5
1995.....	12.0	4.6	125.7	51.7	43.8	16.4	24.8	10.3	23.7	11.8	16.2	19.4	55.3
1996.....	11.8	5.0	127.7	52.2	38.0	14.2	27.7	-2.8	22.7	14.0	12.0	17.7	54.4
1997.....	10.9	5.0	125.2	51.0	36.7	7.5	26.7	-13.2	21.5	15.3	9.5	14.2	53.1
1998.....	11.5	5.5	141.5	50.7	35.3	19.3	28.5	11.8	20.5	15.5	8.9	18.3	52.3
1999.....	10.7	5.7	129.5	52.2	36.3	-1.7	4.5	-6.9	20.2	15.7	8.4	10.4	53.3
2000.....	10.7	5.9	174.1	54.9	29.8	-5.4	10.4	-21.3	21.9	18.3	7.5	9.8	55.3
2001.....	11.9	5.8	243.0	54.6	20.2	11.7	25.0	1.1	21.1	16.4	7.6	15.8	54.2
2002.....	13.5	6.5	(³)	53.9	15.9	31.0	43.1	19.2	21.2	19.8	8.0	23.5	53.6
2003.....	14.2	7.0	239.9	54.2	-0.3	35.6	36.1	35.2	21.9	13.6	7.9	25.1	53.8
2004.....	13.8	6.9	319.5	54.5	-3.6	33.1	38.6	25.2	22.2	5.7	7.4	24.1	54.0

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.

3. The calculation of the relative AGI gap for farm proprietors' income is not applicable because of a negative BEA-derived AGI value.

NOTE: The relative AGI gap is the AGI gap as a percentage of the BEA-derived AGI; see line 31 in tables 1 and 2.

AGI Adjusted gross income
 CCAj Capital consumption adjustment
 IVA Inventory valuation adjustment

Table 5. The AGI Gap Less Misreporting Adjustment and Relative AGI Gap by Type of Income for 1990–2004

[Billions of dollars]

Year	Total		Wage and salary disbursements		Nonfarm proprietors' income with IVA and CCA _{adj}		Rental income of persons with CCA _{adj}		Personal interest income	
	AGI gap	Relative gap (percent)	AGI gap	Relative gap (percent)	AGI gap	Relative gap (percent)	AGI gap	Relative gap (percent)	AGI gap	Relative gap (percent)
1990.....	172.9	4.6	43.6	1.6	-30.6	-10.0	3.3	30.0	23.7	9.8
1991.....	171.3	4.4	28.3	1.0	-26.2	-8.4	7.2	44.4	29.6	12.9
1992.....	229.7	5.6	54.2	1.9	-9.6	-2.7	11.5	45.5	38.7	20.0
1993.....	277.3	6.5	72.7	2.4	10.6	2.7	11.3	38.7	42.1	25.5
1994.....	308.1	6.9	76.7	2.4	18.4	4.3	14.5	40.6	46.9	28.5
1995.....	294.9	6.2	80.9	2.4	21.9	4.8	16.0	41.3	27.2	15.7
1996.....	319.6	6.2	101.2	2.8	38.6	7.8	14.9	35.2	14.8	8.7
1997.....	312.6	5.6	111.7	2.9	37.5	7.2	15.1	33.7	-8.7	-5.7
1998.....	386.3	6.3	143.4	3.5	40.1	7.1	14.7	32.7	36.9	18.3
1999.....	344.4	5.3	155.7	3.6	52.5	8.5	15.3	33.5	2.0	1.2
2000.....	381.8	5.4	181.0	3.8	75.1	11.2	12.2	26.3	-18.6	-11.3
2001.....	446.2	6.4	178.5	3.7	77.9	11.3	8.1	16.0	19.5	9.7
2002.....	541.8	7.8	208.1	4.3	71.3	10.1	5.3	12.3	49.8	27.0
2003.....	602.3	8.3	238.1	4.8	76.4	10.3	-2.2	-6.1	83.6	42.6
2004.....	629.8	8.0	249.7	4.7	90.6	11.0	-3.5	-10.1	58.1	34.6

AGI Adjusted gross income
 CCA_{adj} Capital consumption adjustment
 IVA Inventory valuation adjustment