

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

- New Estimates for 1995
- Revised Estimates for 1947–94

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 difference remaining between the BEA-driven AGI and the IRS AGI—the trends in the AGI gap for 1947–95, and the sources of the revision to the AGI gap.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 is the more comprehensive measure: It is a measure of incomes earned by households and nonprofit institutions serving individuals, and it includes wages and salaries, income from rent, self-employment, dividends and interest, and social security and other transfer payments. It covers all the major types of income, whether or not they are taxable, except gains or losses on the sale of assets; it also covers income without regard to whether it is properly reported to the Internal Revenue Service. 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 imputed financial service charges.

AGI, on the other hand, consists only of taxable sources of income as reported on Federal tax forms; therefore, it excludes many of the types of income that are included in the BEA measure. AGI is a measure of the individual income tax base and is linked directly to tax payments, whereas personal income is a measure of current incomes earned by household and nonprofit institutions and is used in assessing trends in consumer spending, saving, and investment. Although the two series measure different concepts and serve different purposes, they are often used in conjunction with one another. In particular, personal income, which is available much earlier than AGI, is frequently used as an extrapolator for AGI. In addition, the AGI gap is used as a rough indicator of noncompliance by individuals with the Federal tax code.

The new and revised estimates in this article reflect the incorporation of the following information: For 1947–92, the results of the completion of the comprehensive revision of the NIPA's that were released in May 1997; beginning with 1993, the results of the annual revision to the NIPA's that were released in July 1997; and information from the *Statistics of Income Bulletin*.²

The BEA-Derived AGI

The estimation of the BEA-derived AGI begins with NIPA personal income, which is the sum of wage and salary disbursements, other labor income, proprietors' income with inventory

1. Estimates of BEA personal income are published monthly in the SURVEY OF CURRENT BUSINESS in table 2.1 of the national income and product accounts (NIPA's); 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 1992–96 in the September 1997 SURVEY. The estimates in table 8.26 beginning with 1947 are available through STAT-USA'S Economic Bulletin Board and Internet services and will be available in *National Income and Product Accounts of the United States for 1929–94*, which will be published later this year. The reconciliation by type of income for 1947–91 is also available on request. For information, write to the Government Division (BE-57), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

2. Internal Revenue Service, *Statistics of Income Bulletin* (Washington, DC: U.S. Government Printing Office, Fall 1997).

valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and transfer payments to persons, less personal contributions for social insurance. Personal income includes the incomes of individuals, nonprofit institutions that primarily serve individuals, private noninsured welfare funds, and private trust funds. Proprietors' income is treated in its entirety as received by individuals. The income (and saving) of life insurance carriers and private noninsured pension plans is credited to persons.

The IRS measure of AGI is computed by adding all the items of "gross income" and subtracting a set of specific adjustments to gross income that

are authorized by legislation. Gross income includes all income received in the form of money, property, and services that is not expressly exempt from taxation; it excludes, for example, interest on tax-exempt State or local government bonds, voluntary contributions to thrift savings plans, and nontaxable social security benefits. The adjustments to gross income include subtractions for contributions to individual retirement accounts, alimony paid, moving expenses, and 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 income, imputations, and other sources of

Table 1.—Comparison of Personal Income with AGI, by Type of Income, 1992

[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 | 5,277.2 | 2,986.4 | 37.1 | 386.7 | 79.4 | 159.4 | 667.2 | 98.2 | 39.7 | 27.6 | 795.7 | 0 |
| 2 | Less: Portion of personal income not included in adjusted gross income | 1,732.4 | 63.2 | 3.4 | 29.9 | 48.2 | 66.7 | 446.0 | 0 | 0 | 0 | 1,039.6 | 35.5 |
| 3 | Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits | 692.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 692.8 | 0 |
| 4 | Other labor income except fees | 346.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 346.5 | 0 |
| 5 | Imputed income in personal income ⁴ | 182.2 | 9.1 | .5 | 4.8 | 24.9 | 0 | 142.9 | 0 | 0 | 0 | 0 | 0 |
| 6 | Investment income of life insurance carriers and private noninsured pension plans ⁵ | 200.2 | 0 | 0 | 0 | 0 | 0 | 200.2 | 0 | 0 | 0 | 0 | 0 |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries | 50.7 | 0 | 0 | .3 | 6.0 | 14.5 | 29.6 | 0 | 0 | 0 | .3 | 0 |
| 8 | Differences in accounting treatment between NIPA's and tax regulations, net | 83.7 | 0 | 2.9 | 24.7 | 17.3 | 10.6 | 28.2 | 0 | 0 | 0 | 0 | 0 |
| 9 | Other personal income exempt or excluded from adjusted gross income | 176.2 | 54.0 | 0 | 0 | 0 | 41.5 | 45.1 | 0 | 0 | 0 | 0 | ⁶ 35.5 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 571.9 | 6.2 | 0 | 1.3 | 2.4 | 0 | 0 | 147.4 | 0 | 0 | 248.4 | 166.2 |
| 11 | Personal contributions for social insurance | 248.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 248.4 | 0 |
| 12 | Net gain from sale of assets | 109.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 109.1 |
| 13 | Taxable private pensions ⁷ | 147.4 | 0 | 0 | 0 | 0 | 0 | 147.4 | 0 | 0 | 0 | 0 | 0 |
| 14 | Small business corporation income | 47.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 47.9 |
| 15 | Other types of income | 19.2 | 6.2 | 0 | 1.3 | 2.4 | 0 | 0 | 0 | 0 | 0 | 0 | 9.3 |
| 16 | Plus: Intercomponent reallocation | 0 | 9.6 | 0 | -3 | 0 | 45.9 | -52.5 | -4.9 | 0 | 0 | -4.5 | 6.5 |
| 17 | Fees in other labor income | 0 | 4.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -4.8 | 0 |
| 18 | Fiduciaries' share of partnership income ⁸ | 0 | 0 | 0 | -3 | 0 | 0 | 0 | 0 | 0 | 0 | .3 | 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 | 52.5 | -52.5 | 0 | 0 | 0 | 0 | 0 |
| 21 | Taxable disability income payments | 0 | 4.9 | 0 | 0 | 0 | 0 | 0 | -4.9 | 0 | 0 | 0 | 0 |
| 22 | Capital gains dividends | 0 | 0 | 0 | 0 | 0 | -6.5 | 0 | 0 | 0 | 0 | 0 | 6.5 |
| 23 | Equals: BEA-derived adjusted gross income | 4,116.7 | 2,939.0 | 33.7 | 357.8 | 33.6 | 138.7 | 168.7 | 240.7 | 39.7 | 27.6 | 0 | 137.3 |
| 24 | Adjusted gross income of IRS (as reported) | 3,629.1 | 2,805.7 | -2.5 | 154.0 | 9.7 | 77.9 | 162.3 | 186.5 | 31.4 | 23.1 | 43.8 | 137.3 |
| 25 | Plus: Intercomponent reallocation | 0 | 0 | 1.4 | 39.1 | 3.2 | 0 | 0 | 0 | 0 | 0 | -43.8 | 0 |
| 26 | Estate or trust income | 0 | 0 | 0 | .7 | 3.2 | 0 | 0 | 0 | 0 | 0 | -4.0 | 0 |
| 27 | Partnership income | 0 | 0 | 1.4 | 38.4 | 0 | 0 | 0 | 0 | 0 | 0 | -39.8 | 0 |
| 28 | Other reallocations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | Adjusted gross income of IRS (reallocated) | 3,629.1 | 2,805.7 | -1.1 | 193.1 | 12.9 | 77.9 | 162.3 | 186.5 | 31.4 | 23.1 | 0 | 137.3 |
| 30 | Adjusted gross income gap | 487.6 | 133.3 | 34.8 | 164.6 | 20.7 | 60.8 | 6.3 | 54.2 | 8.3 | 4.5 | 0 | 0 |
| 31 | Percent distribution of AGI gap | 100.0 | 27.3 | 7.1 | 33.8 | 4.3 | 12.5 | 1.3 | 11.1 | 1.7 | .9 | | |
| 32 | Relative AGI gap ⁹ | 11.8 | 4.5 | 103.4 | 46.0 | 61.7 | 43.8 | 3.8 | 22.5 | 20.9 | 16.2 | | |
| 33 | Addendum: Misreporting adjustments included in personal income | 232.6 | 67.7 | | 171.9 | .9 | | -7.9 | | | | | |

See the footnotes at the end of table 4.

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 1-4 show the reconciliation between personal income and AGI, by type of income for 1992-95; the deductions for items included in personal income, but not included in AGI, are shown in lines 3-9.) Next, those items that are included in AGI but not in personal income—such as capital gains and losses, contributions for social security, and other types of income—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 17-22 and 26-28).³

The AGI Gap

The estimates of the BEA-derived AGI differ significantly from the IRS estimates of AGI. The AGI gap for total income is the difference between the total BEA-derived AGI (line 23) and total IRS AGI (line 24). The AGI gap for each type of income (line 30) is the difference between the

3. For a detailed explanation 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.

Table 2.—Comparison of Personal Income with AGI, by Type of Income, 1993

[Billions of dollars]

| Line | | Personal income | Wage and salary disbursements | Proprietors' income with IVA and CCAdj | | Rental income of persons with CCAdj | 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 | 5,519.2 | 3,089.6 | 32.4 | 418.4 | 105.7 | 185.3 | 651.0 | 106.4 | 34.8 | 30.8 | 864.8 | 0 |
| 2 | Less: Portion of personal income not included in adjusted gross income | 1,845.4 | 68.4 | -6.3 | 22.7 | 69.1 | 76.9 | 457.6 | 0 | 0 | 0 | 1,120.5 | 36.6 |
| 3 | Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits | 740.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 740.0 | 0 |
| 4 | Other labor income except fees | 380.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 380.1 | 0 |
| 5 | Imputed income in personal income ⁴ | 209.1 | 9.4 | .6 | 5.2 | 49.6 | 0 | 144.2 | 0 | 0 | 0 | 0 | 0 |
| 6 | Investment income of life insurance carriers and private noninsured pension plans ⁵ | 214.6 | 0 | 0 | 0 | 0 | 0 | 214.6 | 0 | 0 | 0 | 0 | 0 |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries | 49.0 | 0 | 0 | .3 | 4.0 | 14.8 | 29.5 | 0 | 0 | 0 | .3 | 0 |
| 8 | Differences in accounting treatment between NIPA's and tax regulations, net | 62.5 | 0 | -6.9 | 17.2 | 15.5 | 12.4 | 24.4 | 0 | 0 | 0 | 0 | 0 |
| 9 | Other personal income exempt or excluded from adjusted gross income | 190.1 | 58.9 | 0 | 0 | 0 | 49.7 | 44.9 | 0 | 0 | 0 | 0 | 636.6 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 603.6 | 7.2 | 0 | 1.5 | 2.6 | 0 | 0 | 147.6 | 0 | 0 | 260.3 | 184.4 |
| 11 | Personal contributions for social insurance | 260.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 260.3 | 0 |
| 12 | Net gain from sale of assets | 125.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 125.0 |
| 13 | Taxable private pensions ⁷ | 147.6 | 0 | 0 | 0 | 0 | 0 | 147.6 | 0 | 0 | 0 | 0 | 0 |
| 14 | Small business corporation income | 51.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51.9 |
| 15 | Other types of income | 18.8 | 7.2 | 0 | 1.5 | 2.6 | 0 | 0 | 0 | 0 | 0 | 0 | 7.5 |
| 16 | Plus: Intercomponent reallocation | 0 | 10.4 | 0 | -3 | 0 | 41.0 | -56.3 | -5.4 | 0 | 0 | -4.6 | 15.3 |
| 17 | Fees in other labor income | 0 | 5.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5.0 | 0 |
| 18 | Fiduciaries' share of partnership income ⁸ | 0 | 0 | 0 | -3 | 0 | 0 | 0 | 0 | 0 | 0 | .3 | 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 | 56.3 | -56.3 | 0 | 0 | 0 | 0 | 0 |
| 21 | Taxable disability income payments | 0 | 5.4 | 0 | 0 | 0 | 0 | 0 | -5.4 | 0 | 0 | 0 | 0 |
| 22 | Capital gains dividends | 0 | 0 | 0 | 0 | 0 | -15.3 | 0 | 0 | 0 | 0 | 0 | 15.3 |
| 23 | Equals: BEA-derived adjusted gross income | 4,277.5 | 3,038.8 | 38.7 | 396.9 | 39.3 | 149.4 | 137.1 | 248.7 | 34.8 | 30.8 | 0 | 163.1 |
| 24 | Adjusted gross income of IRS (as reported) | 3,723.3 | 2,892.1 | -3.7 | 155.7 | 13.4 | 79.7 | 131.1 | 194.0 | 27.6 | 24.7 | 45.6 | 163.1 |
| 25 | Plus: Intercomponent reallocation | 0 | 0 | .9 | 41.2 | 3.5 | 0 | 0 | 0 | 0 | 0 | -45.6 | 0 |
| 26 | Estate or trust income | 0 | 0 | 0 | 1.0 | 3.5 | 0 | 0 | 0 | 0 | 0 | -4.6 | 0 |
| 27 | Partnership income | 0 | 0 | .9 | 40.2 | 0 | 0 | 0 | 0 | 0 | 0 | -41.0 | 0 |
| 28 | Other reallocations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | Adjusted gross income of IRS (reallocated) | 3,723.3 | 2,892.1 | -2.8 | 196.9 | 16.9 | 79.7 | 131.1 | 194.0 | 27.6 | 24.7 | 0 | 163.1 |
| 30 | Adjusted gross income gap | 554.1 | 146.6 | 41.5 | 200.0 | 22.3 | 69.7 | 5.9 | 54.6 | 7.3 | 6.1 | 0 | 0 |
| 31 | Percent distribution of AGI gap | 100.0 | 26.5 | 7.5 | 36.1 | 4.0 | 12.6 | 1.1 | 9.9 | 1.3 | 1.1 | | |
| 32 | Relative AGI gap ⁹ | 13.0 | 4.8 | 107.2 | 50.4 | 56.9 | 46.6 | 4.3 | 22.0 | 20.8 | 19.9 | | |
| 33 | Addendum: Misreporting adjustments included in personal income | 249.3 | 70.5 | | 185.0 | 1.0 | | -7.9 | | | | | |

BEA-derived AGI for that type of income (line 23) and the reallocated IRS AGI for that type of income (line 29). The percent distribution of the AGI gap by type of income is shown in line 31, and the relative AGI gap for a type of income, which is the AGI gap for that type of income (line 30) as a percentage of the BEA-derived AGI for that type of income (line 23), is shown in line 32.

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 IRS estimates of AGI are based on unaudited tax returns that are not adjusted for misreporting (noncompliance).

The BEA-derived AGI includes both explicit and implicit adjustments. Explicit adjustments are made for the effects of tax return misreporting

Table 3.—Comparison of Personal Income with AGI, by Type of Income, 1994

[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 | 5,791.8 | 3,240.7 | 36.9 | 434.7 | 124.4 | 204.8 | 668.1 | 113.4 | 24.1 | 46.7 | 898.0 | 0 |
| 2 | Less: Portion of personal income not included in adjusted gross income | 1,934.6 | 74.9 | 10.4 | 3.3 | 82.4 | 94.3 | 459.4 | 0 | 0 | 0 | 1,170.8 | 39.1 |
| 3 | Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits | 770.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 770.5 | 0 |
| 4 | Other labor income except fees | 399.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 399.9 | 0 |
| 5 | Imputed income in personal income ⁴ | 230.2 | 9.8 | .4 | 5.4 | 63.0 | 0 | 151.5 | 0 | 0 | 0 | 0 | 0 |
| 6 | Investment income of life insurance carriers and private noninsured pension plans ⁵ | 206.6 | 0 | 0 | 0 | 0 | 0 | 206.6 | 0 | 0 | 0 | 0 | 0 |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries | 49.5 | 0 | 0 | .3 | 4.6 | 14.9 | 29.3 | 0 | 0 | 0 | .4 | 0 |
| 8 | Differences in accounting treatment between NIPA's and tax regulations, net | 62.0 | 0 | 9.9 | -2.4 | 14.8 | 12.8 | 26.8 | 0 | 0 | 0 | 0 | 0 |
| 9 | Other personal income exempt or excluded from adjusted gross income | 216.0 | 65.0 | 0 | 0 | 0 | 66.6 | 45.2 | 0 | 0 | 0 | 0 | ⁶ 39.1 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 656.0 | 8.6 | 0 | 1.8 | 2.8 | 0 | 0 | 150.6 | 0 | 0 | 277.5 | 214.7 |
| 11 | Personal contributions for social insurance | 277.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 277.5 | 0 |
| 12 | Net gain from sale of assets | 129.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 129.8 |
| 13 | Taxable private pensions ⁷ | 150.5 | 0 | 0 | 0 | 0 | 0 | 150.5 | 0 | 0 | 0 | 0 | 0 |
| 14 | Small business corporation income | 71.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 71.7 |
| 15 | Other types of income | 26.3 | 8.6 | 0 | 1.8 | 2.8 | 0 | 0 | 0 | 0 | 0 | 0 | 13.1 |
| 16 | Plus: Intercomponent reallocation | 0 | 11.2 | 0 | -4 | 0 | 65.3 | -74.6 | -6.1 | 0 | 0 | -4.7 | 9.3 |
| 17 | Fees in other labor income | 0 | 5.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5.1 | 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 | 74.6 | -74.6 | 0 | 0 | 0 | 0 | 0 |
| 21 | Taxable disability income payments | 0 | 6.1 | 0 | 0 | 0 | 0 | 0 | -6.1 | 0 | 0 | 0 | 0 |
| 22 | Capital gains dividends | 0 | 0 | 0 | 0 | 0 | -9.3 | 0 | 0 | 0 | 0 | 0 | 9.3 |
| 23 | Equals: BEA-derived adjusted gross income | 4,513.1 | 3,185.6 | 26.5 | 432.8 | 44.8 | 175.8 | 134.0 | 257.9 | 24.1 | 46.7 | 0 | 184.9 |
| 24 | Adjusted gross income of IRS (as reported) | 3,907.5 | 3,026.8 | -7.4 | 166.2 | 16.0 | 82.4 | 126.2 | 205.4 | 20.3 | 38.6 | 48.1 | 184.9 |
| 25 | Plus: Intercomponent reallocation | 0 | 0 | .4 | 43.5 | 4.1 | 0 | 0 | 0 | 0 | 0 | -48.1 | 0 |
| 26 | Estate or trust income | 0 | 0 | 0 | 1.3 | 4.1 | 0 | 0 | 0 | 0 | 0 | -5.5 | 0 |
| 27 | Partnership income | 0 | 0 | .4 | 42.2 | 0 | 0 | 0 | 0 | 0 | 0 | -42.6 | 0 |
| 28 | Other reallocations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | Adjusted gross income of IRS (reallocated) | 3,907.5 | 3,026.8 | -6.9 | 209.7 | 20.1 | 82.4 | 126.2 | 205.4 | 20.3 | 38.6 | 0 | 184.9 |
| 30 | Adjusted gross income gap | 605.6 | 158.8 | 33.5 | 223.1 | 24.7 | 93.4 | 7.9 | 52.5 | 3.8 | 8.0 | 0 | 0 |
| 31 | Percent distribution of AGI gap | 100.0 | 26.2 | 5.5 | 36.8 | 4.1 | 15.4 | 1.3 | 8.7 | .6 | 1.3 | | |
| 32 | Relative AGI gap ⁹ | 13.4 | 5.0 | 126.1 | 51.5 | 55.1 | 53.1 | 5.9 | 20.3 | 15.8 | 17.2 | | |
| 33 | Addendum: Misreporting adjustments included in personal income | 265.6 | 74.1 | | 199.1 | 1.0 | | -8.6 | | | | | |

See the footnotes at the end of table 4.

on the source data used to prepare the estimates of wage and salary disbursements, nonfarm proprietors' income, royalty income, and personal interest income (line 33).⁴ Implicit adjustments

4. For additional information about the calculation of these adjustments, see "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.

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 77 (September 1997): 12-33.

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; several IRS audit studies provide information on the misreporting on individual income tax returns.⁵

The largest known missing reconciliation item is income that is excluded from AGI because it

5. See Internal Revenue Service, *Income Tax Compliance Research: Gross Tax Gap Estimates and Projections for 1973-1992*, Publication 7285 (Washington, DC, March 1988), and *Income Tax Compliance Research: Individual Income Tax Gap Estimates for 1985, 1988, and 1992*, Publication 1415, Revised (Washington, DC, April 1996).

Table 4.—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 | 6,150.8 | 3,429.5 | 23.4 | 465.5 | 132.8 | 251.9 | 718.9 | 123.7 | 21.9 | 54.5 | 928.6 | 0 |
| 2 | Less: Portion of personal income not included in adjusted gross income | 2,031.4 | 81.0 | -6.4 | 4.9 | 85.0 | 112.2 | 496.6 | 0 | 0 | 0 | 1,216.8 | 41.1 |
| 3 | Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits | 814.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 814.8 | 0 |
| 4 | Other labor income except fees | 401.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 401.6 | 0 |
| 5 | Imputed income in personal income ⁴ | 240.2 | 10.3 | .4 | 5.5 | 64.1 | 0 | 159.8 | 0 | 0 | 0 | 0 | 0 |
| 6 | Investment income of life insurance carriers and private noninsured pension plans ⁵ | 227.6 | 0 | 0 | 0 | 0 | 0 | 227.6 | 0 | 0 | 0 | 0 | 0 |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries | 54.0 | 0 | 0 | .3 | 5.3 | 17.2 | 30.8 | 0 | 0 | 0 | .4 | 0 |
| 8 | Differences in accounting treatment between NIPA's and tax regulations, net | 54.4 | 0 | -6.7 | -9 | 15.6 | 13.6 | 32.8 | 0 | 0 | 0 | 0 | 0 |
| 9 | Other personal income exempt or excluded from adjusted gross income | 238.8 | 70.7 | 0 | 0 | 0 | 81.4 | 45.6 | 0 | 0 | 0 | 0 | 641.1 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 700.3 | 9.1 | 0 | 1.9 | 2.9 | 0 | 0 | 159.6 | 0 | 0 | 293.1 | 233.8 |
| 11 | Personal contributions for social insurance | 293.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 293.1 | 0 |
| 12 | Net gain from sale of assets | 139.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 139.0 |
| 13 | Taxable private pensions ⁷ | 159.6 | 0 | 0 | 0 | 0 | 0 | 0 | 159.6 | 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 | 29.6 | 9.1 | 0 | 1.9 | 2.9 | 0 | 0 | 0 | 0 | 0 | 0 | 15.7 |
| 16 | Plus: Intercomponent reallocation | 0 | 11.7 | 0 | -4 | 0 | 51.5 | -79.9 | -6.5 | 0 | 0 | -4.8 | 28.5 |
| 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 | 79.9 | -79.9 | 0 | 0 | 0 | 0 | 0 |
| 21 | Taxable disability income payments | 0 | 6.5 | 0 | 0 | 0 | 0 | 0 | -6.5 | 0 | 0 | 0 | 0 |
| 22 | Capital gains dividends | 0 | 0 | 0 | 0 | 0 | -28.5 | 0 | 0 | 0 | 0 | 0 | 28.5 |
| 23 | Equals: BEA-derived adjusted gross income | 4,819.7 | 3,369.3 | 29.8 | 462.0 | 50.7 | 191.2 | 142.3 | 276.8 | 21.9 | 54.5 | 0 | 221.1 |
| 24 | 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 |
| 25 | Plus: Intercomponent reallocation | 0 | 0 | .5 | 47.6 | 4.6 | 0 | 0 | 0 | 0 | 0 | -52.7 | 0 |
| 26 | Estate or trust income | 0 | 0 | 0 | 1.5 | 4.6 | 0 | 0 | 0 | 0 | 0 | -6.1 | 0 |
| 27 | Partnership income | 0 | 0 | .5 | 46.1 | 0 | 0 | 0 | 0 | 0 | 0 | -46.6 | 0 |
| 28 | Other reallocations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | Adjusted gross income of IRS (reallocated) | 4,189.4 | 3,201.5 | -7.4 | 216.9 | 21.8 | 94.6 | 154.8 | 221.1 | 19.3 | 45.7 | 0 | 221.1 |
| 30 | Adjusted gross income gap | 630.4 | 167.8 | 37.2 | 245.1 | 29.0 | 96.6 | -12.5 | 55.8 | 2.6 | 8.8 | 0 | 0 |
| 31 | Percent distribution of AGI gap | 100.0 | 26.6 | 5.9 | 38.9 | 4.6 | 15.3 | -2.0 | 8.9 | .4 | 1.4 | ..... | ..... |
| 32 | Relative AGI gap ⁹ | 13.1 | 5.0 | 124.7 | 53.1 | 57.1 | 50.5 | -8.8 | 20.2 | 11.7 | 16.2 | ..... | ..... |
| 33 | Addendum: Misreporting adjustments included in personal income | 283.7 | 79.3 | ..... | 212.7 | 1.0 | ..... | -9.3 | ..... | ..... | ..... | ..... | ..... |

1. Consists of the taxable portion of government employee pension payments included in personal income—non-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

is earned by low-income individuals who are not required to file income tax returns because of the size of income and characteristics such as age, marital status, or physical condition. (Some individuals who are not required to file tax returns do so, mostly to secure refunds.)

of the noncompliance rate in the reporting of income included in the IRS measure of AGI.⁶

The AGI Gap by Type of Income for 1947-95

Table 5 shows the estimates of the AGI gap for total income and the AGI gap for each type of income for 1947-95, and table 6 shows the relative AGI gap by type of income for 1947-95; over this period, the relative AGI gap for total income is roughly unchanged. It declined from about

Overall, BEA believes that the explicit and implicit adjustments for misreporting account for a major part of the AGI 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

6. 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.

Table 5.—The BEA and IRS Measures of AGI and the AGI Gap by Type of Income, 1947-95

(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 | 3,666.4 | 3,256.4 | 410.0 | 112.6 | 35.2 | 127.2 | 14.3 | 63.0 | 55.0 | 7.9 | 52.2 | 2.5 | 3.0 |
| 1990 | 3,821.3 | 3,405.4 | 415.9 | 119.0 | 31.7 | 134.2 | 15.7 | 57.8 | 56.1 | 1.7 | 51.6 | 2.9 | 3.0 |
| 1991 | 3,873.8 | 3,464.5 | 409.2 | 106.2 | 32.4 | 138.9 | 18.8 | 58.6 | 65.4 | -6.7 | 47.2 | 3.9 | 3.2 |
| 1992 | 4,116.7 | 3,629.1 | 487.6 | 133.3 | 34.8 | 164.6 | 20.7 | 67.1 | 60.8 | 6.3 | 54.2 | 8.3 | 4.5 |
| 1993 | 4,277.5 | 3,723.3 | 554.1 | 146.6 | 41.5 | 200.0 | 22.3 | 75.6 | 69.7 | 5.9 | 54.6 | 7.3 | 6.1 |
| 1994 | 4,513.1 | 3,907.5 | 605.6 | 158.8 | 33.5 | 223.1 | 24.7 | 101.3 | 93.4 | 7.9 | 52.5 | 3.8 | 8.0 |
| 1995 | 4,819.7 | 4,189.4 | 630.4 | 167.8 | 37.2 | 245.1 | 29.0 | 84.2 | 96.6 | -12.5 | 55.8 | 2.6 | 8.8 |

13 percent in 1947 to about 9 percent in 1968, increased to about 14 percent in 1984, declined to about 10 percent in 1988, and increased again to about 13 percent in 1995.

The trend in the relative AGI gap for total income roughly reflects the trend in the relative AGI gap for wage and salary disbursements, largely because trends in the relative AGI gaps for non-wage incomes offset each other. The relative AGI gap for wage and salary disbursements is the smallest 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 1995.

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 6). This trend is largely offset by a generally upward trend in the combined relative AGI gap for nonwage incomes not subject to the requirements for filing

Table 6.—The Relative AGI Gap by Type of Income, 1947–95

[Percent]

| Year | Total | Wage and salary disbursements | Proprietors' income | | | Personal dividend and interest income | | | Taxable pensions and annuities | Taxable unemployment compensation | Taxable social security benefits | Addenda | |
|------|-------|-------------------------------|---------------------|---------|--------------------------|---------------------------------------|--------------------------|--------------------------|--------------------------------|-----------------------------------|----------------------------------|---|---|
| | | | Farm | Nonfarm | Rental income of persons | 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 | 30.7 | 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 | 40.4 | 3.5 | 26.2 | 17.2 | 14.5 | 20.2 | 51.7 |
| 1990 | 10.9 | 4.4 | 96.6 | 43.9 | 69.2 | 15.8 | 41.2 | -.7 | 24.5 | 16.0 | 13.2 | 18.7 | 50.3 |
| 1991 | 10.6 | 3.8 | 104.8 | 44.6 | 69.7 | 17.0 | 45.8 | -3.3 | 21.1 | 14.3 | 13.1 | 18.2 | 51.4 |
| 1992 | 11.8 | 4.5 | 103.4 | 46.0 | 61.7 | 21.8 | 43.8 | 3.8 | 22.5 | 20.9 | 16.2 | 21.8 | 51.8 |
| 1993 | 13.0 | 4.8 | 107.2 | 50.4 | 56.9 | 26.4 | 46.6 | 4.3 | 22.0 | 20.8 | 19.9 | 23.9 | 55.6 |
| 1994 | 13.4 | 5.0 | 126.1 | 51.5 | 55.1 | 32.7 | 53.1 | 5.9 | 20.3 | 15.8 | 17.2 | 25.9 | 58.8 |
| 1995 | 13.1 | 5.0 | 124.7 | 53.1 | 57.1 | 25.2 | 50.5 | -8.8 | 20.2 | 11.7 | 16.2 | 22.0 | 57.4 |

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 1–4.

AGI Adjusted gross income
BEA Bureau of Economic Analysis

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 and then increased to 22 percent in 1995. The combined relative AGI gap for nonwage 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 57 percent in 1995.

The requirements for filing information returns on personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits have varied since 1984. 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. Information returns are not required for most proprietors' income and rental income of persons.⁷

Sources of the Revision to the AGI Gap

The AGI gap for 1947–58 was revised to incorporate the results of the comprehensive revision of the NIPA's and the improved estimates of some of the special items used to prepare the BEA-derived AGI. The only source of the revision to the AGI gap for 1959–92 was the incorporation of the revised estimates of personal income that reflected the improved estimates of depreciation (released in May 1997).

Table 7 shows the revisions to the AGI gap that resulted from the 1997 annual revision to the NIPA's and from the revisions to AGI.⁸ The 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 1993, the AGI gap was revised down \$14.3 billion. Personal income was revised up \$23.6 billion. The reconciliation items that are offsets

7. A small portion of nonfarm proprietors' income is subject to filing an information return. For example, a Form 1099-MISC is required to report payments of \$600 or more made in the course of business and sales of \$5,000 or more of consumer goods to buyers who sell these goods in homes or in places other than retail establishments.

8. For a detailed discussion of the revisions to personal income and its components for 1993–96, see Robert P. Parker and Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts: Annual Estimates, 1993–96, and Quarterly Estimates, 1993:1–1997:1," SURVEY 77 (August 1997): 8–24.

Table 7.—Sources of Revision to the AGI Gap for 1993–94

[Billions of dollars]

| Line ¹ | | 1993 | 1994 |
|-------------------|---|-------|-------|
| 1 | Personal income | 23.6 | 29.7 |
| 2 | Less: Portion of personal income not included in adjusted gross income | 33.8 | 10.7 |
| 3 | Transfer payments except taxable military retirement, taxable government pensions, and taxable social security benefits | 1.9 | -2.1 |
| 4 | Other labor income except fees | 4.1 | 2.7 |
| 5 | Imputed income in personal income | 4.5 | 17.4 |
| 6 | Investment income retained by life insurance carriers and private noninsured pension funds | 9.1 | -4.9 |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries | .4 | -5 |
| 8 | Differences in accounting treatment between NIPA's and tax regulations, net | 11.4 | -11.4 |
| 9 | Other personal income exempt or excluded from adjusted gross income | 2.3 | 9.5 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | -4.1 | -1.9 |
| 11 | Personal contributions for social insurance | .7 | -6 |
| 12 | Net gain from sale of assets | .2 | 14.6 |
| 13 | Taxable private pensions | -6.0 | -12.8 |
| 14 | Small business corporation income | 1.1 | 8.9 |
| 15 | Other types of income | -1 | -12.1 |
| 23 | Equals: BEA-derived adjusted gross income | -14.3 | 17.2 |
| 29 | Adjusted gross income of IRS | 0 | -1.8 |
| 30 | Adjusted gross income (AGI) gap | -14.3 | 19.0 |
| 32 | AGI gap as a percentage of BEA-derived AGI | -3 | .4 |

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

to the revisions to personal income components (lines 3–6, most of line 9, and line 11) were revised up \$21.2 billion. Thus, the revisions to personal income that carried through to increase the AGI gap were \$2.4 billion. The reconciliation items that are unrelated to the revisions to personal income or to AGI (lines 7–8, 13, and 14) were revised up \$16.7 billion, which carried through to reduce the AGI gap.

For 1994, the AGI gap was revised up \$19.0 billion. Personal income was revised up \$29.7 billion. The reconciliation items that are offsets to the revisions to personal income components were revised up \$23.2 billion. Thus, the revisions to personal income that carried through to increase the AGI gap were \$6.5 billion. The reconciliation items that are unrelated to the revisions to personal income or to AGI were revised down \$8.0 billion, which carried through to increase the AGI gap. AGI (line 29) was revised down \$1.8 billion. The reconciliation items that are offsets to the revisions to AGI components (lines 12 and 15) were revised up \$2.5 billion. Thus, the revisions to AGI that carried through to increase the AGI gap were \$4.3 billion. 