

Section 2

Individual Income Tax Returns, 2017

Taxpayers filed 152.9 million individual income tax returns for Tax Year (TY) 2017, an increase of 1.8 percent from the 150.3 million returns filed for TY 2016. Total income reported on these returns totaled \$11.2 trillion, a 7.6-percent increase from the previous year. Salaries and wages, the largest component of total income (67.8 percent in 2017), rose 5.0 percent from 2016 to \$7.6 trillion. Statutory adjustments, which are subtracted from total income to arrive at adjusted gross income (AGI), increased 4.4 percent to \$160.2 billion. AGI rose 7.7 percent to \$11.0 trillion for the year. Total income tax rose 11.0 percent to \$1.6 trillion. After subtracting the refundable portion of refundable credits and the portion that offsets all other taxes from total income tax, total income tax was \$1.5 trillion, and the effective tax rate increased 0.5 percentage points to 13.7 percent for 2017.

Total Income

Total income increased 7.6 percent to \$11.2 trillion for 2017 (Figure A). Salaries and wages, the largest component of total income, increased 5.0 percent, from \$7.2 trillion to \$7.6 trillion. Within total income, the share of salaries and wages decreased to 67.8 percent for 2017, down from 69.5 percent for 2016. One of the largest components of total income, net capital gains (less loss), showed a substantial increase of 37.6 percent for 2017. Capital gain distributions, a component of net capital gains, rose 72.3 percent. Taxpayers reported capital gain distributions on either Schedule D with other sales of capital assets or alone on Forms 1040 or 1040A. For 2017, net capital gains less loss was the second largest component of total income (7.6 percent) as it was in 2015 and previous years. In 2016, both taxable pensions and partnership and S corporation net income less loss passed net capital gains less loss in percent of total income.

This large increase in total income was reflected in increases in most other components of income in addition to salaries and wages and net capital gains, including increases

in partnership and S corporation net income less loss (8.2 percent) and ordinary dividends (11.1 percent). (Qualified dividends increased 7.3 percent.)

In general, all retirement income items increased for 2017. These retirement income items include the taxable portions of individual retirement account (IRA) distributions (up 11.3 percent), Social Security benefits (up 8.3 percent), and pensions and annuities (up 5.1 percent).

A notable change in other total income items was in unemployment compensation, which decreased 5.8 percent to \$23.9 billion as the number of returns claiming unemployment fell 6.5 percent to 5.2 million.

Statutory Adjustments

Statutory adjustments increased 4.4 percent to \$160.2 billion for 2017 (Figure B). The three largest adjustments were all related to self-employment (deductible part of self-employment tax, self-employed health insurance, and payments to a self-employed retirement plan). These three items together increased 5.7 percent and accounted for 55.8 percent of the total statutory adjustments. Taxpayers subtract these adjustments from total income when computing adjusted gross income. For 2017, taxpayers filed 152.9 million tax returns with a reported AGI of \$11.0 trillion, a 7.7-percent increase from the previous year.

Deductions

Total deductions (the sum of the total standard deduction and total itemized deductions) increased 5.6 percent to \$2.3 trillion (Figure C). The number of returns claiming a standard deduction increased 1.0 percent for 2017, accounting for 68.0 percent of all returns filed. The average standard deduction for 2017 (\$8,718) increased slightly over the 2016 average (\$8,675).

Taxpayers claimed itemized deductions on 30.6 percent of all returns filed, representing 60.7 percent of the total deduction amount for the year.¹ The average for total itemized

¹ Of the 152,903,231 total returns filed, 1.3 percent did not need to claim either a standard deduction or itemized deductions because no positive AGI was reported, or taxpayers were married filing separately with no deductions but spouse itemized on their returns.

Figure A. Individual Income Tax Returns: Total Income and Selected Sources of Income, Tax Years 2016 and 2017

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

Item	2016		2017		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total income [1]	149,737	10,379,352	152,396	11,170,082	1.8	7.6
Salaries and wages	124,472	7,217,426	126,264	7,577,564	1.4	5.0
Taxable interest	42,583	96,640	44,193	106,055	3.8	9.7
Ordinary dividends	27,470	254,065	28,171	282,336	2.6	11.1
Qualified dividends	25,630	202,034	26,216	216,847	2.3	7.3
Business or profession net income (less loss)	25,064	328,082	25,899	346,372	3.3	5.6
Business or profession net income	18,961	389,079	19,436	416,010	2.5	6.9
Business or profession net loss	6,103	60,997	6,463	69,638	5.9	14.2
Net capital gain (less loss) [2]	24,043	620,975	21,170	854,487	-11.9	37.6
Net capital gain	14,988	641,101	13,699	871,266	-8.6	35.9
Net capital gain loss	9,054	20,126	7,471	16,779	-17.5	-16.6
Capital gain distributions [3]	13,233	42,534	14,173	73,274	7.1	72.3
Sales of property other than capital assets, net gain (less loss)	2,082	6,293	2,110	12,737	1.3	102.4
Sales of property other than capital assets, net gain	978	27,611	996	34,607	1.9	25.3
Sales of property other than capital assets, net loss	1,105	21,319	1,114	21,870	0.9	2.6
Total rental and royalty net income (less loss) [4]	10,986	51,250	10,839	55,529	-1.3	8.3
Total rental and royalty net income	6,677	98,193	6,637	104,771	-0.6	6.7
Total rental and royalty net loss	4,308	46,943	4,202	49,241	-2.5	4.9
Partnership and S corporation net income (less loss)	8,711	628,666	9,113	680,280	4.6	8.2
Partnership and S corporation net income	6,038	754,312	6,240	833,430	3.4	10.5
Partnership and S corporation net loss	2,673	125,646	2,873	153,150	7.5	21.9
Estate and trust net income (less loss)	652	26,571	663	39,083	1.7	47.1
Estate and trust net income	603	30,428	605	35,105	0.3	15.4
Estate and trust net loss	49	3,857	58	-3,978	18.3	-203.1
Farm net income (less loss)	1,751	-17,666	1,789	-19,166	2.2	-8.5
Farm net income	481	11,506	481	11,222	-0.0	-2.5
Farm net loss	1,270	29,172	1,308	30,388	3.0	4.2
Unemployment compensation	5,567	25,420	5,204	23,946	-6.5	-5.8
Taxable social security benefits	19,967	285,939	20,929	309,540	4.8	8.3
Taxable pensions and annuities	27,861	693,627	28,265	729,187	1.4	5.1
Taxable Individual Retirement Account distributions	14,387	257,508	15,117	286,497	5.1	11.3
Net operating loss	1,110	185,805	1,163	213,364	4.7	14.8
Other net income (less loss) [5]	6,228	38,245	6,435	40,012	3.3	4.6
Other net income	5,898	45,214	6,119	46,591	3.7	3.0
Other net loss	330	6,969	316	6,579	-4.3	-5.6

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

[2] Includes capital gain distributions.

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

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

[5] Other net income (less loss) represents data reported on Form 1040, line 21, except net operating losses (shown separately in this figure), foreign-earned income exclusions, and cancellation of debt, taxable health savings account distributions, gambling earnings, and Section 965 income (not shown separately in this figure).

SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.

deductions (after limitation) was \$29,926 for 2017, up from the \$28,645 average total claimed for 2016. The number of returns with itemized deductions increased 3.8 percent to 46.9 million returns. Table 2.1 presents detailed statistics for individual returns with itemized deductions, by type of deduction and size of AGI.

The largest itemized deduction for 2017 was taxes paid, followed by interest paid and charitable contributions. Taxes paid increased 10.4 percent to \$624.8 billion, accounting for 42.9 percent of total itemized deductions for the year. Interest paid, the second largest itemized deduction, increased to \$313.9 billion (up 2.9 percent) for 2017 and made up 21.6 percent of

total itemized deductions. For 2017, the number of returns reporting the largest component of the interest paid deduction, home mortgage interest, increased 2.5 percent, while the amount reported increased 3.4 percent to \$292.6 billion. The deduction for charitable contributions rose 9.5 percent to \$256.1 billion, with more than a third of this growth due to the increase in other than cash contributions (a 10.7-percent increase) to \$88.1 billion. The number of returns taking the deduction for charitable contributions increased 2.8 percent.

For 2017, the number of personal exemptions for taxpayers and dependents increased to 292.7 million, while the amount increased 0.8 percent to \$1,155.5 billion.

Figure B. Individual Income Tax Returns: Statutory Adjustments, Tax Years 2016 and 2017

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

Item	2016		2017		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total statutory adjustments	38,858	153,414	39,090	160,181	0.6	4.4
Payments to an Individual Retirement Account	2,667	13,387	2,638	13,427	-1.1	0.3
Educator expenses deduction	3,853	983	3,612	931	-6.3	-5.3
Certain business expenses of reservists, performing artists, etc.	157	605	147	766	-6.5	26.5
Moving expenses adjustment	1,115	3,487	1,082	3,467	-2.9	-0.6
Student loan interest deduction	12,396	13,446	12,564	13,687	1.4	1.8
Tuition and fees deduction	1,687	3,910	1,109	2,585	-34.2	-33.9
Health savings account deduction	1,721	4,967	1,858	5,351	8.0	7.7
Deductible part of self-employment tax	19,583	29,866	20,064	31,915	2.5	6.9
Self-employed health insurance deduction	4,057	30,112	4,110	31,709	1.3	5.3
Payments to a self-employed retirement (Keogh) plan	989	24,683	1,012	25,821	2.4	4.6
Penalty on early withdrawal of savings	416	108	411	124	-1.1	14.8
Alimony paid	586	12,639	586	13,436	0.0	6.3
Domestic production activities deduction	720	13,377	790	15,126	9.7	13.1
Other adjustments [1]	n.a.	1,844	n.a.	1,835	[2]	-0.5
Adjusted gross income (less deficit)	150,272	10,225,938	152,903	11,009,900	1.8	7.7

n.a.—Not available.

[1] Includes foreign housing adjustment, Archer medical savings accounts deduction, and other adjustments for 2016 and 2017.

[2] Percentage not computed.

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

SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.

Figure C. Individual Income Tax Returns: Selected Itemized Deductions, Standard Deduction, Exemptions and Taxable Income, Tax Years 2016 and 2017

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

Item	2016		2017		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total deductions [1]	148,166	2,187,066	150,866	2,308,842	1.8	5.6
Total standard deduction [2]	103,013	893,666	104,013	906,750	1.0	1.5
Basic standard deduction	103,013	865,094	104,013	876,178	1.0	1.3
Additional standard deduction	15,316	28,572	15,749	29,365	2.8	2.8
Total itemized deductions before limitation	45,153	1,339,134	46,853	1,456,629	3.8	8.8
Medical and dental expenses after AGI limitation	8,934	90,195	10,171	102,533	13.8	13.7
Taxes paid [3]	44,803	566,098	46,431	624,821	3.6	10.4
State and local income taxes	33,423	337,680	34,175	368,655	2.2	9.2
State and local general sales taxes	9,746	18,328	10,932	20,735	12.2	13.1
Interest paid [4]	33,485	304,997	34,327	313,944	2.5	2.9
Home mortgage interest	32,933	282,953	33,746	292,558	2.5	3.4
Charitable contributions	36,937	233,867	37,979	256,065	2.8	9.5
Other than cash contributions	22,969	79,569	23,184	88,062	0.9	10.7
Casualty and theft losses	154	5,187	113	2,765	-26.5	-46.7
Miscellaneous deductions after 2-percent AGI limitation	13,014	115,544	13,300	121,291	2.2	5.0
Gambling losses and other unlimited miscellaneous deductions	1,238	23,245	1,723	35,210	39.1	51.5
Itemized deductions in excess of limitation	2,981	45,734	3,310	54,537	11.0	19.2
Total itemized deductions	45,153	1,293,399	46,853	1,402,092	3.8	8.4
Exemptions [5]	289,753	1,146,206	292,661	1,155,506	1.0	0.8
Taxable income	115,521	7,330,109	119,045	8,008,418	3.1	9.3

[1] Returns with no adjusted gross income or a return filed as married filing separately and the spouse itemizing did not need to claim either a standard deduction or itemized deduction. For this reason, the sum of the number of returns with total itemized deductions and the number of returns with total standard deduction is less than the total number of returns for all filers.

[2] For Tax Year 2017 included the disaster loss deduction.

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

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

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

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

SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.

Taxpayers subtract deductions (either itemized or standard) and exemptions from AGI to arrive at taxable income. With the large increase in AGI, the modest increase in total deductions, and the small increase in exemptions, total taxable income rose 9.3 percent to \$8.0 trillion for 2017.

Tax Credits

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

Total tax credits (used to offset income tax before credits) increased 3.2 percent to \$77.8 billion for 2017. As noted above, these total tax credits exclude the “refundable” portions of the child tax credit, American opportunity tax credit, regulated investment company credit, earned income credit (EIC), and

net premium tax credit, as well as any amount of these credits used to offset any other taxes.

Overall, the child tax credit was the largest credit claimed, followed by the foreign tax credit. Some 22.1 million taxpayers claimed the child tax credit for a total of \$26.9 billion, accounting for 34.5 percent of the total tax credits reported for 2017. The foreign tax credit increased to \$21.8 billion, accounting for 28.0 percent of the total tax credits reported for the year despite only being claimed on 5.7 percent (8.7 million) of all individual tax returns filed.

Refundable credits were broken out into three parts: the portion used to offset income tax before credits, the portion used to offset all other taxes, and the refundable portion. The first portion, which was included in total tax credits, offsets income tax before credits. The second portion offsets all other taxes besides income tax, such as the self-employment tax. The IRS treated the last portion, the refundable portion, as a refund and paid it directly to taxpayers who had no tax against which to apply the credits, or whose credits exceeded income

Figure D. Individual Income Tax Returns: Total Tax Credits and Income Tax Before and After Credits, Tax Years 2016 and 2017

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

Item	2016		2017		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Income tax before credits	115,182	1,504,895	118,644	1,662,837	3.0	10.5
Total tax credits [1]	48,478	75,381	48,849	77,829	0.8	3.2
Child care credit	6,469	3,635	6,469	3,719	[4]	2.3
Foreign tax credit	7,798	20,090	8,652	21,757	10.9	8.3
General business credit	352	4,131	410	4,803	16.3	16.3
Prior-year minimum tax credit	321	907	293	1,046	-8.7	15.4
Nonrefundable education credits	8,998	9,653	8,751	9,353	-2.7	-3.1
Retirement savings contribution credit	8,458	1,536	8,712	1,564	3.0	1.8
Child tax credit [2]	22,097	26,800	22,075	26,877	-0.1	0.3
Residential energy credits	2,613	2,336	1,578	2,125	-39.6	-9.1
Total refundable credits [3]	38,019	101,946	36,944	100,030	-2.8	-1.9
Earned income credit, total	27,383	66,723	27,030	66,443	-1.3	-0.4
American opportunity credit, total	8,763	7,865	8,069	7,144	-7.9	-9.2
Additional child tax credit, total	18,921	25,373	18,342	24,507	-3.1	-3.4
Total refundable credits used to offset income tax before credits [3]	9,637	5,427	9,685	5,362	0.5	-1.2
Earned income credit, used to offset income tax before credits	4,437	1,403	4,654	1,516	4.9	8.1
American opportunity credit, used to offset income tax before credits	4,462	3,628	4,295	3,452	-3.7	-4.8
Total refundable credits used to offset all other taxes [3]	9,100	10,238	8,742	10,045	-3.9	-1.9
Earned income credit, used to offset all other taxes	7,597	8,266	7,332	8,176	-3.5	-1.1
American opportunity credit, used to offset all other taxes	563	301	470	252	-16.6	-16.5
Additional child credit, used to offset all other taxes	1,317	1,317	1,225	1,223	-7.0	-7.1
Total refundable credits, refundable portion [3]	29,138	86,280	28,231	84,623	-3.1	-1.9
Earned income credit, refundable portion	23,353	57,054	23,051	56,751	-1.3	-0.5
American opportunity credit, refundable portion	4,611	3,935	4,101	3,440	-11.1	-12.6
Additional child credit, refundable portion	18,156	24,057	17,615	23,284	-3.0	-3.2
Income tax after credits	100,038	1,426,595	103,730	1,581,523	3.7	10.9

[1] Includes credits not shown separately.

[2] Excludes the refundable additional child tax credit, which totaled \$25.4 billion for 2016 and \$24.5 billion for 2017.

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

[4] Less than 0.05 percent.

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

SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.

tax (and other income-related taxes). The last two portions of refundable credits were not included in total tax credits.

In total, taxpayers claimed \$100.0 billion in refundable tax credits. Of this, \$5.4 billion was applied against income taxes and \$10.0 billion against all other taxes. The remaining \$84.6 billion in refundable credits was refunded to taxpayers. The portion applied against income taxes accounted for 5.4 percent of total refundable credits. Of this, the American opportunity credit accounted for 64.4 percent. The portion used to offset all other taxes accounted for 10.0 percent of the total, while the last portion, the refundable portion, was the largest component at 84.6 percent. The refundable amount of the additional child tax credit (\$23.3 billion), along with the EIC (\$56.8 billion), made up nearly all (94.6 percent) of this refundable portion.

A taxpayer could use a few other refundable credits besides the child tax credit and EIC to offset taxes. The largest of these other credits was the American opportunity credit, which taxpayers claimed on 8.1 million returns for a total of \$7.1 billion. Of these returns, 4.1 million returns (a 11.1-percent decline from 2016) claimed a refundable amount of \$3.4 billion (12.6-percent decline from 2016).²

Total Income Tax and Average Tax Rates

Total income tax, as presented in these statistics, is the sum of income tax after credits (including the subtraction of refundable credits such as the EIC, American opportunity credit, net premium tax credit, and regulated investment company credit) plus the net investment income tax and tax on accumulation distribution of trusts from Form 4970. With the large increase in taxable income and despite the increase in total tax credits, total income tax significantly increased 11.0 percent to \$1.6 trillion for 2017 (Figure E).

For 2017, the tax generated by the alternative minimum tax (AMT) increased 17.4 percent to \$36.4 billion. Similarly, the number of returns with AMT liability increased, rising 9.5 percent to 5.1 million. Like the AMT, the net investment income tax showed a double-digit increase for 2017. The amount of this tax rose by 30.2 percent to \$25.3 billion, while the number of returns on which it was applied increased 16.5 percent. This was largely due to the increase in net capital gains cited above.

The average tax rate (total income tax divided by AGI for all returns) was 14.6 percent for 2017 (Figure F), a difference of 0.5 percent more than for 2016. Since by our definition total income tax is limited to zero (it cannot be negative), this calculation does not account for the impact of refundable credits, which have the potential effect of creating a negative tax liability for some taxpayers. Accounting for this (subtracting the portion of refundable credits that offset all other taxes and the refundable portion of credits from total income tax), the average tax rate was 13.7 percent, an equal difference of 0.5 percent more than that for 2016. There was little to no difference in average tax rates with or without accounting for refundable credits for taxpayers with AGI of \$50,000 or more, while the rates for taxpayers with AGI under \$50,000 were markedly different. The greatest disparities in rates were in the \$1 under \$10,000 AGI class (9.1 percentage-point difference) and \$10,000 under \$20,000 AGI class (12.1 percentage-point difference), due to the propensity for refundable credits in these AGI classes.

Average tax rate peaked at 28.7 percent for returns in the AGI class \$2 million under \$5 million. For the classes above this level, the average tax rates declined to a low of 25.6

Figure E. Individual Income Tax Returns: Total Income Tax, Tax Years 2016 and 2017

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

Item	2016		2017		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax	100,052	1,446,048	103,747	1,605,282	3.7	11.0
Alternative minimum tax	4,634	31,016	5,075	36,404	9.5	17.4
Net investment income tax	3,854	19,451	4,490	25,324	16.5	30.2
All other taxes	34,102	81,984	34,462	88,470	1.1	7.9
Self-employment tax	19,583	59,702	20,064	63,810	2.5	6.9
Penalty tax on qualified retirement plans	5,170	5,489	5,112	5,664	-1.1	3.2
Health care individual responsibility payment	4,955	3,606	4,606	3,564	-7.0	-1.1
Additional medicare tax	3,648	8,011	3,990	8,942	9.4	11.6
Total tax liability	104,777	1,517,277	108,458	1,682,608	3.5	10.9

SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.

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

Figure F. Individual Income Tax Returns: Number of Returns, Adjusted Gross Income, Capital Gains and Dividends, Total Income Tax, and Total Income Tax Minus Refundable Credits, by Size of Adjusted Gross Income, Tax Years 2016 and 2017

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

Tax year, item	Total	Size of adjusted gross income						
		Under \$1 [4]	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Tax Year 2017:								
Number of returns	152,903	2,030	20,542	22,260	18,808	27,125	34,467	19,951
Adjusted gross income (less deficit)	11,009,900	-232,238	106,678	331,099	466,669	1,062,968	2,457,203	2,707,841
Percent of AGI subject to reduced rate [1]	9.7	[5]	2.0	1.4	1.1	1.3	2.1	3.7
Total income tax	1,605,282	199	400	4,897	15,420	59,757	218,619	340,993
Refundable credits to offset all other taxes	10,045	129	1,184	4,429	2,102	1,755	425	21
Refundable credits refundable portion	84,623	515	8,491	35,527	24,761	13,650	1,620	60
Total income tax minus refundable credits [2, 3]	1,510,614	-445	-9,275	-35,058	-11,443	44,352	216,575	340,911
Average tax rate:								
Total income tax as a percentage of AGI	14.6	[5]	0.4	1.5	3.3	5.6	8.9	12.6
Total income tax minus refundable credits as a percentage of AGI	13.7	[5]	-8.7	-10.6	-2.5	4.2	8.8	12.6
Tax Year 2016:								
Number of returns	150,272	2,093	20,988	22,745	18,735	26,753	33,199	18,858
Adjusted gross income (less deficit)	10,225,938	-201,506	109,318	338,004	464,947	1,047,405	2,367,475	2,552,481
Percent of AGI subject to reduced rate [1]	8.0	[5]	1.3	1.1	1.0	1.0	1.6	3.2
Total income tax	1,446,048	130	378	4,875	15,108	58,168	209,856	321,564
Refundable credits to offset all other taxes	10,238	123	1,240	4,531	2,088	1,833	410	13
Refundable credits refundable portion	86,280	442	9,228	36,974	24,475	13,514	1,584	64
Total income tax minus refundable credits [2, 3]	1,349,529	-434	-10,090	-36,631	-11,455	42,820	207,862	321,487
Average tax rate:								
Total income tax as a percentage of AGI	14.1	[5]	0.3	1.4	3.2	5.6	8.9	12.6
Total income tax minus refundable credits as a percentage of AGI	13.2	[5]	-9.2	-10.8	-2.5	4.1	8.8	12.6

Tax year, item	Size of adjusted gross income--continued						
	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$1,500,000	\$1,500,000 under \$2,000,000	\$2,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 or more
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Tax Year 2017:							
Number of returns	6,215,046	1,010,203	222,611	90,527	129,868	31,628	20,223
Adjusted gross income (less deficit)	1,770,816	679,942	268,741	155,813	386,044	216,164	632,163
Percent of AGI subject to reduced rate [1]	8.6	15.0	19.8	23.3	28.7	36.8	53.4
Total income tax	339,963	172,977	74,270	44,168	110,730	61,275	161,613
Refundable credits to offset all other taxes	[6]	--	--	--	--	--	--
Refundable credits refundable portion	[6]	--	--	--	--	--	--
Total income tax minus refundable credits [2, 3]	339,963	172,977	74,270	44,168	110,730	61,275	161,613
Average tax rate:							
Total income tax as a percentage of AGI	19.2	25.4	27.6	28.3	28.7	28.3	25.6
Total income tax minus refundable credits as a percentage of AGI	19.2	25.4	27.6	28.3	28.7	28.3	25.6
Tax Year 2016:							
Number of returns	5,583	893	193	78	111	27	16
Adjusted gross income (less deficit)	1,588,349	599,624	232,560	133,633	329,911	181,670	482,067
Percent of AGI subject to reduced rate [1]	7.0	12.5	17.2	20.0	25.6	34.5	53.7
Total income tax	308,249	154,658	65,170	38,631	95,956	51,950	121,356
Refundable credits to offset all other taxes	[6]	--	--	--	--	--	--
Refundable credits refundable portion	[6]	--	--	--	--	--	--
Total income tax minus refundable credits [2, 3]	308,249	154,658	65,170	38,631	95,956	51,950	121,356
Average tax rate:							
Total income tax as a percentage of AGI	19.4	25.8	28.0	28.9	29.1	28.6	25.2
Total income tax minus refundable credits as a percentage of AGI	19.4	25.8	28.0	28.9	29.1	28.6	25.2

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

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

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

[4] Includes returns with adjusted gross deficit.

[5] Percentage not computed.

[6] Less than \$500,000.

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

SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.

percent for taxpayers with AGI of \$10 million or more. The main reason for this decline was that individuals in the classes above \$5 million or more tended to report a larger percentage of their AGI as long-term capital gains (in excess of short-term losses) and qualified dividends, compared to individuals in the lower AGI classes. This income was taxed at a maximum rate of 20 percent (23.8 percent including the net investment tax) as opposed to up to a 39.6-percent rate for ordinary income (43.4 percent including the net investment tax). For example, while individuals reporting AGI of \$1.5 million under \$2 million averaged 23.3 percent of their income as capital gains and dividends facing lower rates, this share increased in each succeeding class, reaching 53.4 percent for those individuals reporting AGI of \$10 million or more. More historical data on average tax rates are available in Section 3, Individual Income Tax Rates. In addition, a historical overview of different tax periods is provided there for more perspective.

Affordable Care Act

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

the taxpayer had to repay this excess, subject to a limit. If the PTC was more than the APTC, the excess was used to reduce the taxpayer's tax payment or increased the taxpayer's refund.

The total premium tax credit was taken on 5.3 million returns on the Form 8962 in 2017 (a decrease of 1.7 percent from 2016), for a total of \$28.8 billion (up 29.6 percent) (Figure G). Also in 2017, some 6.1 million returns (down 1.6 percent) reported an APTC on Form 8962, totaling \$32.0 billion (up 30.3 percent). When the PTC and APTC were reconciled, 2.5 million returns (a 6.5-percent decrease) received a net PTC totaling \$1.9 billion (down 1.1 percent), and 3.4 million returns (down 1.0 percent) had to repay excess APTCs of \$3.7 billion (up 17.7 percent). These data do not reflect amended returns or errors that were corrected after initial processing.

The Affordable Care Act required that individuals have health care coverage for 2017, qualify for a health coverage exemption, or make a shared responsibility payment with a tax return. A health care individual responsibility payment was made on 4.6 million returns, down 7.0 percent from the 5.0 million returns in 2016. The health care individual responsibility payment totaled \$3.6 billion, an average of \$774 per tax return paying this penalty. In 2016, the health care individual responsibility payment totaled \$3.6 billion, for an average of \$728 per tax return paying the penalty. (Other ACA tax provisions, like the credit for small employer health insurance premiums and the additional Medicare tax, took effect in earlier years.)

For more 2017 changes in law and Internal Revenue Service administrative changes, see Section 1 of this publication. In Section 5 find definitions for all items appearing in tables. All the statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) filed during Calendar Year 2018. For more information on the data sources and limitations, see Section 6.

Figure G. Individual Income Tax Returns: Affordable Care Act Items, Tax Years 2016 and 2017

[Money amounts are in thousands of dollars]

Item	2016		2017		Percentage change	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total premium tax credit	5,426,187	22,183,074	5,335,602	28,756,374	-1.7	29.6
Advance payment of premium tax credit	6,156,456	24,537,138	6,058,538	31,961,038	-1.6	30.3
Net premium tax credit	2,644,433	1,919,003	2,471,815	1,898,795	-6.5	-1.1
Excess advance premium tax credit repayment	3,455,370	3,146,320	3,419,815	3,703,793	-1.0	17.7
Health care individual responsibility payment	4,955,223	3,605,571	4,606,271	3,564,345	-7.0	-1.1

NOTE: Data in the figure do not reflect amended returns or errors that were corrected after initial processing.
SOURCE: IRS, Statistics of Income Division, Publication 1304, September 2019.