



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

## New Estimates for 2005

## Revised Estimates for 2004

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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. This comparison features the "AGI gap," which is the difference between BEA-derived estimates of adjusted gross income and the IRS estimate of adjusted gross income.<sup>1</sup> (For more information, see "Estimating the AGI gap.")

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

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.

Personal income and adjusted gross income are based on different concepts, and each is used for different purposes. Adjusted gross income, the key measure of individual income, is defined by the Internal Revenue Code, and the definition can change from year to year because of changes in the tax code. It is used as the basis for estimating tax revenues on a national and state level and for computing certain tax credits and itemized deductions on tax returns. 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

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/docs/spi2005/](http://www.bea.gov/bea/regional/docs/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.

to the household sector and measures its value and composition in the national economy. It represents a component of a sequence of interconnected, macro-economic flow accounts that is often used to examine trends in national economic activity because its definition is consistent through all the years measured.

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 also 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.

Highlights of the estimates include the following:

- The total AGI gap increased \$188.3 billion, from \$1,097.6 billion in 2004 to \$1,285.9 billion in 2005.
- The relative AGI gap increased 0.8 percent, from 8.1 percent in 2004 to 8.9 percent in 2005.
- The AGI gap was revised up \$9.4 billion for 2004.

### The AGI gap for 2005

The total AGI gap for 2005—the most recent year for which AGI data are available—was \$1,285.9 billion (table 1). The misreporting adjustment, which adjusts the IRS data for underreported and unreported income, accounts for \$507.9 billion of the gap. For the remaining \$778.0 billion, the “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 14.8 percent. The “relative AGI gap less misreporting adjustment”—the gap less the misreporting adjustment as a percentage of BEA-derived adjusted gross income—was 8.9 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 2004

The AGI gap for 2004 was revised up \$9.4 billion to \$1,097.6 billion (table A and table 2). The relative AGI gap for 2004 was revised to 13.9 percent from 13.8 percent.

Because IRS adjusted gross income for 2004 was un-

revised, the entire revision to the 2004 AGI gap is accounted for by a revision to BEA-derived adjusted gross income. The upward revision to BEA-derived adjusted gross income reflects a \$4.2 billion downward revision to BEA’s personal income, a \$21.3 billion downward revision to items included in personal income but not in adjusted gross income, and a \$7.7 billion downward revision to items included in adjusted gross income but not in personal income.

**Table A. Sources of Revision to the Adjusted Gross Income (AGI) Gap for 2004**

(Billions of dollars)

Line <sup>1</sup>		2004
1	<b>Personal income</b> .....	<b>-4.2</b>
2	<b>Less: Portion of personal income not included in AGI</b> .....	<b>-21.3</b>
3	Nontaxable transfer payments .....	-4.0
4	Employer contributions for employee pension and insurance funds .....	2.5
5	Imputed income in personal income .....	-13.3
6	Investment income of life insurance carriers and pension plans.....	-4.5
7	Investment income received by nonprofit institutions and retained by fiduciaries .....	4.4
8	Differences in accounting treatment between NIPAs and tax regulations, net.....	-2.8
9	Other personal income exempt or excluded from AGI .....	-3.5
10	<b>Plus: Portion of AGI not included in personal income</b> .....	<b>-7.7</b>
11	Contributions for government social insurance .....	1.2
12	Net gain from sale of assets .....	0.0
13	Taxable pensions .....	-2.4
14	Small business corporation income .....	0.0
15	Other types of income.....	-6.6
21	<b>Equals: BEA-derived AGI</b> .....	<b>9.4</b>
22	<b>IRS AGI</b> .....	<b>0.0</b>
28	<b>AGI gap</b> .....	<b>9.4</b>
30	<b>Relative AGI gap</b> .....	<b>0.1</b>

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

The revision to BEA-derived adjusted gross income can also be viewed as the sum of revisions to the following: BEA data (\$12.6 billion), IRS data that underlie estimates of BEA-derived adjusted gross income but not IRS adjusted gross income (-\$6.6 billion), and data that are derived independently of both BEA personal income and IRS adjusted gross income (\$3.3 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.<sup>2</sup> (These estimates are derived from source data that are not used to prepare 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.

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.

### 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, which measures 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 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.<sup>3</sup>

**Table B. Revisions That Carry Through to BEA-Derived Adjusted Gross Income (AGI) Gap**

[Billions of dollars]

	2004
<b>Revisions to the BEA-derived AGI gap</b> .....	<b>9.4</b>
<b>Due to revisions to personal income</b> .....	<b>12.6</b>
Personal income .....	-4.2
Contributions for government social insurance .....	1.2
Less:	
Employer contributions to pension and insurance funds .....	2.5
Imputed income included in personal income .....	-13.3
Gain on internal revenue code section 1231 assets .....	0.2
Inventory valuation and capital consumption adjustments .....	-0.2
Nonfarm proprietors' income .....	-1.0
Excess farm inventories .....	-0.3
Small business corporation dividends in personal income .....	-3.5
<b>Due to revisions to AGI components</b> .....	<b>-6.6</b>
Net gain from sale of assets .....	0.0
Small business corporation income .....	0.0
Miscellaneous components .....	-6.6
<b>Due to revisions to reconciliation items with source data unrelated to personal income or AGI</b> .....	<b>3.3</b>
Taxable pensions .....	-2.4
Less:	
Nontaxable personal current transfer receipts .....	-4.0
Investment income retained by life insurance carriers and pensions plans .....	-4.5
Fiduciary income .....	0.5
Nonprofit income .....	3.9
IRA-Keogh excluding capital gain .....	-1.5
Exempt military pay .....	0.0
Tax-exempt interest .....	0.0
Other miscellaneous items .....	0.0

IRA Individual retirement account

For 2005, filer adjustments accounted for 91 percent of the total misreporting adjustment, 89 percent of the wage and salary misreporting adjustment, about 93 percent of the nonfarm proprietorship misreporting adjustment, and 100 percent of the rental and interest income misreporting adjustment. For 2005, the non-

filer adjustment accounted for 9 percent of the total misreporting adjustment, 11 percent of the wage and salary misreporting adjustment, and about 7 percent of the nonfarm proprietorship misreporting adjustment.

The "AGI gap less misreporting adjustment" is the gap between personal income and AGI after all known and measurable statistical and definitional differences are accounted for. The remaining difference results from known definitional differences that cannot be estimated, statistical discrepancies, data sampling and nonsampling errors, use of different source data for AGI and for personal income, incomplete source data, timing anomalies, and other unknown factors. The "AGI gap less misreporting adjustment" is not a proper 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 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.

3. The Census Bureau's Exact Match Studies do not differentiate between the incomes of those required and not required to file tax returns. Taxpayers are required to file tax returns if their incomes are above the taxable threshold given their marital and filing status and age.

Tables 1 through 5 follow.

Table 1. Comparison of Personal Income With Adjusted Gross Income (AGI) by Type of Income for 2005

[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 <sup>1</sup>		Other personal income <sup>2</sup>
				Farm	Nonfarm		Personal dividend income	Personal interest income					
1	<b>Personal income</b> .....	<b>10,301.1</b>	<b>5,667.9</b>	<b>30.8</b>	<b>939.1</b>	<b>42.9</b>	<b>598.9</b>	<b>1,018.9</b>	<b>(<sup>3</sup>) 3.3</b>	<b>32.4</b>	<b>134.1</b>	<b>1,832.8</b>	<b>0.0</b>
2	<b>Less: Portion of personal income not included in AGI</b> .....	<b>3,662.4</b>	<b>164.4</b>	<b>16.6</b>	<b>-45.7</b>	<b>6.3</b>	<b>380.6</b>	<b>751.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,279.2</b>	<b>109.4</b>
3	Nontaxable transfer payments to persons.....	1,350.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,350.1	0.0
4	Employer contributions to pension and insurance funds.....	927.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	927.7	0.0
5	Imputed income in personal income <sup>4</sup> .....	208.4	14.6	0.2	4.1	-5.9	0.0	195.3	0.0	0.0	0.0	0.0	0.0
6	Investment income retained by life insurance carriers and pensions plans <sup>5</sup> .....	492.1	0.0	0.0	0.0	1.5	60.2	430.3	0.0	0.0	0.0	0.0	0.0
7	Investment income received by nonprofit institutions and retained by fiduciaries.....	63.7	0.0	0.0	0.5	6.3	26.4	29.0	0.0	0.0	0.0	1.4	0.0
8	Differences in accounting treatment between NIPAs and tax regulations, net.....	43.0	0.0	16.4	-50.4	4.2	33.4	39.3	0.0	0.0	0.0	0.0	0.0
9	Other personal income exempt or excluded from AGI.....	577.4	149.8	0.0	0.0	0.0	260.5	57.7	0.0	0.0	0.0	0.0	( <sup>6</sup> ) 109.4
10	<b>Plus: Portion of AGI not included in personal income</b> .....	<b>2,069.7</b>	<b>33.6</b>	<b>0.0</b>	<b>6.5</b>	<b>5.6</b>	<b>0.0</b>	<b>0.0</b>	<b>560.0</b>	<b>0.0</b>	<b>0.0</b>	<b>445.0</b>	<b>1,018.9</b>
11	Contributions for government social insurance.....	445.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	445.7	0.0
12	Net gain from sale of assets.....	671.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	671.7
13	Taxable pensions <sup>7</sup> .....	560.0	0.0	0.0	0.0	0.0	0.0	0.0	560.0	0.0	0.0	0.0	0.0
14	Small business corporation income.....	250.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	250.7
15	Other types of income.....	141.6	33.6	0.0	6.5	5.6	0.0	0.0	0.1	0.0	0.0	-0.7	96.5
16	<b>Plus: Reallocation by type of NIPA income</b> .....	<b>0.0</b>	<b>23.5</b>	<b>0.0</b>	<b>-1.4</b>	<b>0.0</b>	<b>33.9</b>	<b>-33.9</b>	<b>-23.5</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>
17	Fiduciaries' share of partnership income <sup>8</sup> .....	0.0	0.0	0.0	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	1.4	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	33.9	-33.9	0.0	0.0	0.0	0.0	0.0
20	Taxable disability income payments.....	0.0	23.5	0.0	0.0	0.0	0.0	0.0	-23.5	0.0	0.0	0.0	0.0
21	<b>Equals: BEA-derived AGI</b> .....	<b>8,708.4</b>	<b>5,560.6</b>	<b>14.2</b>	<b>989.9</b>	<b>42.2</b>	<b>252.3</b>	<b>233.3</b>	<b>539.8</b>	<b>32.4</b>	<b>134.1</b>	<b>0.0</b>	<b>909.5</b>
22	<b>IRS AGI (as reported)</b> .....	<b>7,422.5</b>	<b>5,155.4</b>	<b>-12.2</b>	<b>269.7</b>	<b>28.2</b>	<b>166.5</b>	<b>162.4</b>	<b>420.1</b>	<b>27.9</b>	<b>124.8</b>	<b>168.1</b>	<b>911.5</b>
23	<b>Plus: Reallocation by type of IRS income</b> .....	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>158.4</b>	<b>9.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>0.0</b>	<b>-168.1</b>	<b>-2.0</b>
24	Estate or trust income.....	0.0	0.0	0.0	7.2	9.2	0.0	0.0	0.0	0.0	0.0	-16.5	0.0
25	Partnership income.....	0.0	0.0	0.4	151.2	0.0	0.0	0.0	0.0	0.0	0.0	-151.6	0.0
26	Other reallocations.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	-2.0
27	<b>IRS AGI (reallocated)</b> .....	<b>7,422.5</b>	<b>5,155.4</b>	<b>-11.7</b>	<b>428.1</b>	<b>37.5</b>	<b>166.5</b>	<b>162.4</b>	<b>420.1</b>	<b>29.8</b>	<b>124.8</b>	<b>0.0</b>	<b>909.5</b>
28	<b>AGI gap (line 21–line 27)</b> .....	<b>1,285.9</b>	<b>405.2</b>	<b>25.9</b>	<b>561.8</b>	<b>4.8</b>	<b>85.8</b>	<b>70.8</b>	<b>119.7</b>	<b>2.6</b>	<b>9.3</b>	<b>0.0</b>	<b>0.0</b>
29	Percent distribution of AGI gap.....	100.0	31.5	2.0	43.7	0.4	6.7	5.5	9.3	0.2	0.7	.....	.....
30	Relative AGI gap <sup>9</sup> .....	14.8	7.3	182.7	56.8	11.3	34.0	30.4	22.2	8.0	6.9	.....	.....
31	<b>Addendum: Misreporting adjustment included in personal income</b> .....	<b>507.9</b>	<b>119.4</b>	<b>.....</b>	<b>402.2</b>	<b>3.0</b>	<b>.....</b>	<b>-16.7</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>
32	AGI gap less misreporting adjustment (line 28–line 31).....	778.0	285.7	25.9	159.6	1.8	85.8	87.5	119.7	2.6	9.3	0.0	0.0
33	Percent distribution of AGI gap less misreporting adjustments.....	100.0	36.7	3.3	20.5	0.2	11.0	11.2	15.4	0.3	1.2	.....	.....
34	Relative AGI gap less misreporting adjustments <sup>10</sup> .....	8.9	5.1	182.7	16.1	4.3	34.0	37.5	22.2	8.0	6.9	.....	.....

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

IVA Inventory valuation adjustment

IRS Internal Revenue Service

NIPAs National income and product accounts

Table 2. 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 <sup>1</sup>	Other personal income <sup>2</sup>		
			Farm	Nonfarm		Personal dividend income	Personal interest income						
1	<b>Personal income</b> .....	<b>9,727.2</b>	<b>5,394.5</b>	<b>37.3</b>	<b>874.3</b>	<b>118.4</b>	<b>537.0</b>	<b>895.1</b>	<sup>(3)</sup> <b>3.2</b>	<b>37.0</b>	<b>119.3</b>	<b>1,711.0</b>	<b>0.0</b>
2	<b>Less: Portion of personal income not included in AGI</b> .....	<b>3,575.8</b>	<b>157.2</b>	<b>30.0</b>	<b>57.5</b>	<b>88.0</b>	<b>326.2</b>	<b>686.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2,132.1</b>	<b>98.0</b>
3	Nontaxable transfer payments to persons.....	1,262.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,262.4	0.0
4	Employer contributions to pension and insurance funds.....	868.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	868.5	0.0
5	Imputed income in personal income <sup>4</sup> .....	274.1	13.7	0.2	3.6	65.6	0.0	191.0	0.0	0.0	0.0	0.0	0.0
6	Investment income retained by life insurance carriers and pensions plans <sup>5</sup> .....	435.3	0.0	0.0	0.0	1.5	51.0	382.8	0.0	0.0	0.0	0.0	0.0
7	Investment income received by nonprofit institutions and retained by fiduciaries.....	62.1	0.0	0.0	0.5	8.2	24.6	27.6	0.0	0.0	0.0	1.2	0.0
8	Differences in accounting treatment between NIPAs and tax regulations, net.....	157.3	0.0	29.8	53.4	12.6	28.0	33.4	0.0	0.0	0.0	0.0	0.0
9	Other personal income exempt or excluded from AGI.....	516.2	143.5	0.0	0.0	0.0	222.6	52.0	0.0	0.0	0.0	0.0	<sup>(9)</sup> 98.0
10	<b>Plus: Portion of AGI not included in personal income</b> .....	<b>1,735.1</b>	<b>25.3</b>	<b>0.0</b>	<b>4.9</b>	<b>5.4</b>	<b>0.0</b>	<b>0.0</b>	<b>522.7</b>	<b>0.0</b>	<b>0.0</b>	<b>419.9</b>	<b>756.9</b>
11	Contributions for government social insurance.....	420.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	420.5	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 <sup>7</sup> .....	522.7	0.0	0.0	0.0	0.0	0.0	0.0	522.7	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.....	120.6	25.3	0.0	4.9	5.4	0.0	0.0	0.0	0.0	0.0	-0.6	85.6
16	<b>Plus: Reallocation by type of NIPA income</b> .....	<b>0.0</b>	<b>21.1</b>	<b>0.0</b>	<b>-1.2</b>	<b>0.0</b>	<b>21.8</b>	<b>-21.8</b>	<b>-21.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>	<b>0.0</b>
17	Fiduciaries' share of partnership income <sup>8</sup> .....	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	21.8	-21.8	0.0	0.0	0.0	0.0	0.0
20	Taxable disability income payments.....	0.0	21.1	0.0	0.0	0.0	0.0	0.0	-21.1	0.0	0.0	0.0	0.0
21	<b>Equals: BEA-derived AGI</b> .....	<b>7,886.4</b>	<b>5,283.6</b>	<b>7.3</b>	<b>820.5</b>	<b>35.8</b>	<b>232.6</b>	<b>186.5</b>	<b>504.9</b>	<b>37.0</b>	<b>119.3</b>	<b>0.0</b>	<b>658.9</b>
22	<b>IRS AGI (as reported)</b> .....	<b>6,788.8</b>	<b>4,921.8</b>	<b>-13.2</b>	<b>247.2</b>	<b>27.4</b>	<b>146.8</b>	<b>125.5</b>	<b>394.3</b>	<b>32.7</b>	<b>110.5</b>	<b>134.9</b>	<b>661.0</b>
23	<b>Plus: Reallocation by type of IRS income</b> .....	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>126.4</b>	<b>8.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>0.0</b>	<b>-134.9</b>	<b>-2.1</b>
24	Estate or trust income.....	0.0	0.0	0.0	5.7	8.3	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	<b>IRS AGI (reallocated)</b> .....	<b>6,788.8</b>	<b>4,921.8</b>	<b>-13.1</b>	<b>373.6</b>	<b>35.7</b>	<b>146.8</b>	<b>125.5</b>	<b>394.3</b>	<b>34.9</b>	<b>110.5</b>	<b>0.0</b>	<b>658.9</b>
28	<b>AGI gap (line 21–line 27)</b> .....	<b>1,097.6</b>	<b>361.8</b>	<b>20.3</b>	<b>447.0</b>	<b>0.1</b>	<b>85.8</b>	<b>61.1</b>	<b>110.6</b>	<b>2.1</b>	<b>8.8</b>	<b>0.0</b>	<b>0.0</b>
29	Percent distribution of AGI gap.....	100.0	33.0	1.9	40.7	0.0	7.8	5.6	10.1	0.2	0.8	.....	.....
30	Relative AGI gap <sup>9</sup> .....	13.9	6.8	279.3	54.5	0.3	36.9	32.7	21.9	5.7	7.4	.....	.....
31	<b>Addendum: Misreporting adjustment included in personal income</b> .....	<b>461.0</b>	<b>117.6</b>	<b>.....</b>	<b>356.7</b>	<b>2.5</b>	<b>.....</b>	<b>-15.8</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>
32	AGI gap less misreporting adjustment (line 28–line 31).....	636.6	244.2	20.3	90.3	-2.3	85.8	76.8	110.6	2.1	8.8	0.0	0.0
33	Percent distribution of AGI gap less misreporting adjustments.....	100.0	38.4	3.2	14.2	-0.4	13.5	12.1	17.4	0.3	1.4	.....	.....
34	Relative AGI gap less misreporting adjustments <sup>10</sup> .....	8.1	4.6	279.3	11.0	-6.6	36.9	41.2	21.9	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

IVA Inventory valuation adjustment

IRS Internal Revenue Service

NIPAs National income and product accounts

**Table 3. The BEA and IRS Measures of Adjusted Gross Income (AGI) and the AGI Gap by Type of Income, 1990–2005**

[Billions of Dollars]

	BEA-derived AGI	IRS AGI	AGI gap	Wage and salary disbursements	Proprietors' income with IVA and CCAdj		Rental income of persons with CCAdj	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 .....	7,251.0	6,207.1	1,043.9	350.1	21.3	402.4	-0.1	150.0	64.9	85.0	104.6	7.3	8.4
2004 .....	7,886.4	6,788.8	1,097.6	361.8	20.3	447.0	0.1	146.9	85.8	61.1	110.6	2.1	8.8
2005 .....	8,708.4	7,422.5	1,285.9	405.2	25.9	561.8	4.8	156.6	85.8	70.8	119.7	2.6	9.3

BEA Bureau of Economic Analysis  
 CCAdj Capital consumption adjustment  
 IRS Internal Revenue Service  
 IVA Inventory valuation adjustment

**Table 4. The Relative Adjusted Gross Income (AGI) Gap by Type of Income for 1990–2005**

[Percent]

	Total relative AGI gap	Wage and salary disbursements	Proprietors' income with IVA and CCAdj		Rental income of persons with CCAdj	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 <sup>1</sup>	The sum of income items not subject to the requirements for filing information returns <sup>2</sup>
1990 .....	10.3	3.9	96.1	44.0	38.5	16.2	35.8	6.0	25.5	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	19.5	49.6	
1992 .....	11.3	4.2	103.8	45.7	49.4	21.3	30.6	15.9	23.3	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	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	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	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	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	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	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	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	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	54.2	
2002 .....	13.5	6.5	( <sup>3</sup> )	53.9	15.9	31.0	43.1	19.2	21.2	19.8	8.0	53.6	
2003 .....	14.4	7.0	239.9	54.2	-0.3	38.2	36.1	40.1	21.9	13.6	7.9	53.8	
2004 .....	13.9	6.8	279.3	54.5	0.3	35.0	36.9	32.7	21.9	5.7	7.4	54.1	
2005 .....	14.8	7.3	182.7	56.8	11.3	32.3	34.0	30.4	22.2	8.0	6.9	56.6	

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.

CCAdj Capital consumption adjustment

IVA Inventory valuation adjustment

**Table 5. The Adjusted Gross Income (AGI) Gap Less Misreporting Adjustment and Relative AGI Gap by Type of Income, 1990–2005**  
[Billions of Dollars]

	Total		Wage and salary disbursements		Nonfarm proprietors' income with IVA and CCAj		Rental income of persons with CCAj		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 .....	636.6	8.1	244.2	4.6	90.3	11.0	-2.3	-6.6	76.8	41.2
2005 .....	778.0	8.9	285.7	5.1	159.6	16.1	1.8	4.3	87.5	37.5

CCAj Capital consumption adjustment  
IVA Inventory valuation adjustment