

STATISTICS OF INCOME

*Individual returns, 1936, by sex and family relationship: number of returns, net income, and percentages*¹

Family relationship	Returns		Net income	
	Number	Percent	Amount (thousands of dollars)	Percent
Joint returns of husbands, wives, and dependent children, and returns of either husband or wife when no other return is filed.....	2,392,833	44.20	9,321,442	48.45
Separate returns of husbands and wives:				
Men ¹	150,364	2.78	2,071,764	10.77
Women ¹	136,211	2.52	927,683	4.82
Heads of families:				
Single men and married men not living with wives.....	367,419	6.79	957,966	4.98
Single women and married women not living with husbands.....	199,535	3.69	511,590	2.66
Not heads of families:				
Single men and married men not living with wives.....	1,299,657	24.00	2,706,848	14.07
Single women and married women not living with husbands.....	769,692	14.21	1,775,820	9.23
Community property returns.....	49,311	.91	620,126	3.22
Estates and trusts.....	48,477	.90	346,870	1.80
Grand total.....	5,413,499	100.00	19,240,110	100.00

¹ For general explanations, see pp. 1-5.

² An unequal number of separate returns of husbands and wives results from the use of the sample method for returns with net income under \$5,000, as the net income of one spouse may be \$5,000 or over and that of the other spouse under \$5,000 (see discussion of sample, p. 2).

PERSONAL EXEMPTION AND CREDITS AGAINST NET INCOME

The net income specifically exempt from normal tax through personal exemption, credit for dependents, earned income credit, and interest on Government obligations not wholly exempt from tax, together with net income subject to normal tax is shown in the following table. Unlike former years, the net income subject to normal tax includes the amount of dividends received from stock of domestic corporations subject to taxation under Title I of the effective revenue law.

*Individual returns, 1936: net income exempt from and amount subject to normal tax*¹

Distribution	Amount (thousands of dollars)	Percent
Net income.....	19,240,110	100.00
Personal exemption and credits against net income:		
Personal exemption.....	9,920,814	51.56
Credit for dependents.....	1,451,502	7.54
Earned income credit.....	1,231,044	6.40
Taxable interest on partially tax-exempt Government obligations ²	43,627	.23
Total.....	12,646,987	65.73
Less: Excess exemption and credits ³	1,661,807	8.63
Net income exempt from normal tax.....	10,985,180	57.10
Net income subject to normal tax.....	8,254,930	42.90

¹ For general explanations, see pp. 1-5.

² Interest received on United States savings bonds and Treasury bonds, owned in excess of \$5,000, and on obligations of certain instrumentalities of the United States (see items 5 and 25, Form 1040, p. 152) reported on returns with net income of \$5,000 and over.

³ Includes taxable interest received on partially tax-exempt Government obligations reported on returns with net income under \$5,000.

PERSONAL EXEMPTION AND CREDITS AGAINST NET INCOME

The net income specifically exempt from normal tax through personal exemption, credit for dependents, earned income credit, and interest on Government obligations not wholly exempt from tax, together with net income subject to normal tax is shown in the following table. The credit for dependents and the credit for earned income are not applicable to the returns for estates and trusts included in the table.

Individual returns ¹ with net income, 1937: net income exempt from and amount subject to normal tax ²

Distribution	Amount (thousands of dollars)	Percent
<i>Net income</i>	21,228,574	100.00
Personal exemption and credits against net income:		
Personal exemption.....	11,522,374	54.26
Credit for dependents.....	1,697,344	7.52
Earned income credit.....	1,480,900	6.97
Taxable interest on partially tax-exempt Government obligations ³	47,955	.23
Total.....	14,648,573	68.98
Less: Excess exemption and credits ⁴	1,774,743	8.35
Net income exempt from normal tax.....	12,874,824	60.62
Net income subject to normal tax.....	8,353,750	39.38

¹ See footnote 1, p. 8.

² For general explanations, see pp. 1-6.

³ Interest received on United States savings bonds and Treasury bonds, owned in excess of \$5,000, and on obligations of certain instrumentalities of the United States (see items 5 and 25, Form 1040, p. 206) reported on returns with net income of \$5,000 and over.

⁴ Includes taxable interest received on partially tax-exempt Government obligations reported on returns with net income under \$5,000.

CAPITAL GAINS AND LOSSES

The special provisions in the revenue acts for capital gains and losses from the sale of assets held *more than two years* apply, for capital gains, to sales after December 31, 1921, and prior to January 1, 1934, and for capital losses, to sales after December 31, 1923, and prior to January 1, 1934. A summary of the provisions of the Revenue Act of 1921 and subsequent acts, affecting the tax on capital gains, and of the provisions of the Revenue Act of 1924 and subsequent acts, affecting the tax credit on capital losses, is found on pages 8 and 9 of the Statistics of Income for 1933 and in the section of the current report entitled "Revenue Acts of 1913-1937 and certain tax provisions of the National Industrial Recovery Act", pages 194-195. The "total income" and "net income" for individual returns for 1922 through 1933, as presented in the historical tables, pages 41-47, include "capital net gains," whereas, for the years 1924 through 1933 the "net income" has *not* been reduced by and "deductions" have *not* been increased by the amount of "capital net losses" reported for tax credit.

Under the Revenue Acts of 1934 and 1936, the definition of capital assets is extended to include assets held by the taxpayer, *regardless of time held*, instead of only assets held over two years. Also, certain percentages of the gain or loss recognized upon such sales or exchanges are taken into account in computing net income. These percentages vary according to the period for which the assets have been held. The deduction for net capital losses is limited to an amount not in

excess of \$2,000, after subtracting the prorated gains from the sales or exchanges of capital assets.

The net income reported on individual returns for 1934 through 1937 includes net capital gain and loss computed in accordance with the limitations stated in the preceding paragraph. It is not possible, by using the net capital gain and net capital loss on the returns for these years, to adjust the "total income," "net income," and "deductions" so that they will be comparable with these items tabulated for prior years. Moreover, net capital gain and loss reported on individual returns for 1934 through 1937 are not comparable with "profit and loss from sale of real estate, stocks, and bonds, etc.," "capital net gain," or "capital net loss" which were reported on returns for prior years. The net capital gain and loss reported on fiduciary returns for 1937 included in this report are computed according to the limitations which apply to the individual returns.

SOURCES OF INCOME AND DEDUCTIONS

In the table on page 12 there appears a distribution, by sources, of the income and deductions reported on individual returns and on taxable fiduciary returns. Income from the various sources represents the net amount by which the gross receipts exceed the deductions allowed, as reported in the schedules of the return (see Forms 1040 and 1041, pp. 206-217), and in aggregate represents the sum of the net amounts of income from each source. Net losses reported under "income" items on the face of the returns are transferred in tabulation to deductions, which also include amounts reported on the return under "deductions."

Income from partnerships and fiduciaries includes net capital gain or loss allowed upon sale of capital assets and dividends received by these entities on stock of domestic corporations and foreign corporations, but excludes taxable interest received by these entities on obligations of the United States, which is reported separately under its classification.

For statements regarding business profit and loss and the number of businesses with profit or loss, see section of this report entitled "Profit and loss from business," etc., pages 26-27.

With reference to the amount of net capital gain and loss, attention is directed to the provisions of the Revenue Acts of 1934 and 1936, as described in the section of the text entitled "Capital gains and losses," pages 10-11.

The items of "interest paid" and "taxes paid" which are reported under "deductions" on income tax returns do not include amounts reported as business deductions.

Interest paid is reported as item 14, on the face of the return, Form 1040, in accordance with the following instructions:

Enter as item 14 interest on personal indebtedness as distinguished from business indebtedness (which should be deducted under schedules C and D). Do not include interest on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation.

Taxes paid exclude (1) the Federal income tax, (2) estate, inheritance, legacy, succession, and gift taxes, (3) income and profits taxes paid to foreign countries or possessions of the United States,

which are allowed as a credit against the tax, and (4) taxes reported on Form 1040F, schedule of farm income and expenses. Taxes paid are reported as item 15 on the face of the return, Form 1040, in accordance with the following instructions:

Enter as item 15 taxes imposed upon you and paid or accrued during the taxable year, not including taxes on property used in your business or profession and those assessed against local benefits of a kind tending to increase the value of the property assessed. Do not include Federal income taxes, nor estate, inheritance, legacy, succession, gift taxes, taxes imposed upon your interest as shareholder of a corporation which are paid by the corporation without reimbursement from you, nor income taxes claimed as a credit in item 32. Do not include sales taxes unless the tax was imposed directly upon you by law. No deduction is allowable for any portion of foreign income and profits taxes if a credit is claimed in item 32.

A historical summary of taxes paid for the years 1927 through 1932 and of interest paid for the years 1928 through 1932 is found in the 1932 Statistics of Income, table 8A, page 80.

In the tables showing sources of income and deductions combined for individual returns and taxable fiduciary returns "other deductions" and "total deductions" include the "amount distributable to beneficiaries" reported on returns for estates and trusts. This method of tabulating the "amount distributable to beneficiaries" is similar to that for former years when taxable fiduciary income was reported on the individual income tax return, Form 1040. For a separate tabulation of the amount distributable to beneficiaries, see basic tables 12 and 13 which contain data for fiduciary returns.

Individual returns¹ with net income, 1937; sources of income and deductions, and percentages²

Sources of income and deductions	Amount (thousands of dollars)	Percent
Sources of income:		
Salaries, wages, commissions, fees, etc.	14, 148, 510	57.65
Dividends from domestic and foreign corporations ³	3, 514, 293	14.37
Taxable interest:		
Bank deposits, notes, mortgages, corporation bonds ⁴	862, 349	3.52
Partially tax exempt Government obligations ⁵	47, 953	.20
Partnership profit ⁶	1, 139, 303	4.68
Income from fiduciaries ⁷	830, 772	3.40
Rents and royalties	758, 444	3.10
Business profit	2, 493, 426	10.20
Net capital gain ⁸	434, 114	1.78
Other income	224, 855	.92
Total income	24, 484, 090	100.00
Deductions:		
Partnership loss ⁴	29, 011	.12
Business loss	67, 640	.40
Net capital loss ⁷	264, 192	1.08
Contributions	440, 010	1.80
Interest paid ⁸	550, 997	2.30
Taxes paid ⁹	837, 272	3.42
Other deductions ¹⁰	980, 103	4.03
Total deductions¹¹	3, 215, 825	13.14
Net income	21, 268, 274	86.86

¹ See footnote 1, p. 8.

² For general explanations, see pp. 1-6.

³ Excludes dividends received through partnerships and fiduciaries.

⁴ See footnote 4, p. 10.

⁵ See footnote 3, p. 10.

⁶ See text, p. 11.

⁷ For definition of capital assets and amounts of net capital gain and loss taken into account for tax purposes, see text, pp. 10-11, and synopsis of laws, pp. 194-195.

⁸ Excludes amounts reported in Schedules C and D as business deductions.

⁹ Includes "amount distributable to beneficiaries" reported on returns for estates and trusts included in this table (see footnote 1).