



# **Analysis of 1996 Personal Income Tax Returns**

*Profile of Income, Deductions,  
Credits and Tax*

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# Statistical Highlights of 1996 Returns

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## Summary

*Tax year 1996 represented the second year of a three-year tax reduction program enacted in 1995.*

Tax year 1996 represented the second year of a three-year tax reduction program enacted in 1995. By 1997, taxpayers saved over \$4 billion per year, an overall 20 percent cut from 1994. Most taxpayers saved at least 25 percent. For 1996, the top tax rate decreased, standard deduction amounts increased, and the earned income credit increased from 1995 levels.

Some highlights from tax year 1996 personal income tax returns include:

- Total federal adjusted gross income (FAGI) of resident taxpayers for 1996 equaled approximately \$308 billion, a \$21 billion (7.4 percent) increase from 1995. New York adjusted gross income (NYAGI) totaled \$295 billion, compared to \$275 billion in 1995.
- Total State income tax liability of residents, nonresidents, and part-year residents equaled just under \$16.6 billion, an increase of 3.1 percent from 1995. Resident taxpayers accounted for just under \$14.4 billion, or over 87 percent of total tax.
- Average tax liability per taxable resident return equaled \$2,771, compared to \$2,640 in 1995.
- Total resident income tax liability, as a percentage of NYAGI, declined from 5.11 percent in 1995 to 4.89 percent in 1996. This provides a strong indication of the tax cut which applied for the 1996 tax year.
- The number of tax returns filed with the Department of Taxation and Finance in 1996 totaled approximately 8.1 million, some 200,000 more than in 1995. About 2.3 million were nontaxable returns, an increase of 300,000 from 1995, reflecting tax cut provisions benefitting lower-income taxpayers. The number of taxable returns declined from 5.9 million in 1995 to 5.8 million, with resident returns accounting for 90 percent of this total.





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# Introduction and Background

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This publication contains findings from a study of 1996 personal income tax returns filed during 1997. To aid the reader in interpreting the contents of this report, several key definitions and descriptions appear in Appendix A. It is particularly important to note that the term “taxpayer” means an individual, or married couple filing jointly, who files a return indicating a positive tax liability. By this definition, the terms “taxpayers” and “taxable returns” are interchangeable.

This study contains statistics based on a stratified sample of approximately 91,000 personal income tax returns selected from a total filing population of approximately 8.1 million returns. Both taxable and nontaxable returns were sampled. However, this report primarily provides statistics on 5.8 million resident, part-year resident, and nonresident returns with a New York personal income tax liability. Appendix B details the specific sampling techniques employed in developing this study.

The study contains information required to compute tax liability or tax owed by taxpayers on timely filed returns for the 1996 tax year. The information reflects corrections for computational or minor errors, but does not account for subsequent audits or amendments that may occur after initial processing. Therefore, the data contained in the report do not reflect final 1996 liability for all returns. The concept of tax liability differs from tax collections. Actual tax collections during the State fiscal year (April 1 through March 31) are made up of receipts of various types of payments made to satisfy taxpayers’ tax liability including withholding, estimated payments, final payments, refunds, audit payments, and payments from delinquent accounts. Personal income tax collection data are presented in the annual *New York State Tax Collections* statistical report prepared by the Office of Tax Policy Analysis (OTPA).

This report describes the prominent features of New York’s personal income tax, with particular emphasis on the 1996 tax year. It also includes taxpayer profiles consisting of number of taxable returns, sources

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of income, federal adjustments, New York modifications, deductions, dependent exemptions, tax liability and credits by NYAGI class, filing status and return type. In addition, it includes separate sections on income, itemized deduction amounts, exemptions, available credits and information on refundable credits. Finally, it compares statistics for 1996 with those from the prior year for most of these items. Appendix C includes the major tax forms which taxpayers filed for tax year 1996.

The statistical tables accompanying this report cover resident, part-year resident, and nonresident returns. The “Statistical Summary” section focuses on resident returns because the data for nonresidents and part-year residents are not comparable to data from resident returns. Amounts of income, deductions, and credits reported on nonresident and part-year resident returns are not comparable to those amounts on resident returns, because they represent gross amounts before allocation of the base tax to reflect the New York-source portion of total federal gross income. The report also includes a description and statistical information from returns filed by fiduciaries.

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## Comparison With Other OTPA Reports

The aggregate statistics reported in this publication do not completely coincide with data presented in the *New York Adjusted Gross Income and Tax Liability, Analysis of 1996 State Personal Income Tax Returns by Place of Residence (POR)* publication also prepared by OTPA. The data provided in this report are based on a statistically valid sample of approximately 91,000 personal income tax returns selected from a population of just under 8.1 million returns. OTPA staff reviewed taxpayer entries, inserted missing data, corrected data and recomputed subtotals. (See Appendix B for a more complete description of the sample.) Using either the number of tax returns, adjusted gross income, or tax liability data for each sample cell, the sample was inflated to represent all timely filed 1996 State personal income tax returns.

In comparison, the *POR* publication tabulates information from all 1996 tax year returns filed with the Department of Taxation and Finance (the Department) during 1997. The *POR* report represents the compilation of records on the Department’s master file on a particular day. The data variables represent amounts accepted by the Department’s tax return processing system within system tolerances. Analysts compiled the data and reported the statistics with minimal review.

This report covers only some of the information contained on New York State income tax returns. The Office of Tax Policy Analysis also

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publishes annual studies with county-specific income and tax liability data. In addition, the Office produces annual studies on the earned income tax credit and real property tax credit.



# Prominent Features

New York automatically conforms to most federal definitions of income and itemized deductions. Therefore, some of the tables contained in this study refer to federal components of income and federal components of deductions, the starting point for State computations. New York was one of 29 states conforming to the federal Internal Revenue Code in this way in 1996. However, like most of these states, New York modifies federal adjusted gross income for various reasons. These modifications include exemptions for certain pensions and social security, and interest on federal obligations (which federal law precludes states from taxing). Table 1 highlights some major provisions of New York's 1996 personal income tax law.

**Table 1: Selected Provisions of New York State Personal Income Tax Structure - 1996 Tax Year**

Social Security Benefits	Fully Exempt
Pension Income	New York State and local and federal pensions fully exempt; others eligible for up to \$20,000 exclusion (\$20,000 each spouse for married couples).
Married Standard Deduction	\$12,350
Head of Household Standard Deduction	\$10,000
Single Standard Deduction	\$7,400
Dependent Filer Standard Deduction	\$2,900
Itemized Deductions	Federal amount (after limitation*) minus deduction for state and local income tax. Upper-income taxpayers must further reduce itemized deductions by up to 50 percent.
Dependent Exemption Amount	\$1,000
Tax Treatment of Married Taxpayers	Joint rate schedule with full income splitting.
Minimum Tax	Add-on tax equal to 6 percent of certain federal tax preference items, minus deductions of \$5,000 and regular tax.

\* Taxpayers with federal AGI of \$117,950 or more (\$58,975 for married filing separately) must reduce their itemized deductions by 3 percent of the amount by which their AGI exceeds \$117,950 (\$58,975 for married filing separately). The reduction does not apply to deductions for medical expenses, casualty and gambling losses, and investment interest expense, and it cannot reduce deductions subject to the limitation by more than 80 percent.

Because tax rates rise as taxable income increases, New York has a graduated tax rate structure. Table 2 shows the 1996 tax rate schedule. Also, the supplemental tax described in Table 2 causes certain upper-income taxpayers to lose the value of tax rates below the top rate. This effectively means that in 1996 these taxpayers paid a flat tax of

7.125 percent on all of their taxable income. Credits which decline in value as income rises also help make the tax progressive. On the other hand, New York permits most federal itemized deductions, which tend to diminish progressivity. Federal and State limitations on itemized deductions reduce some of this effect.

**Table 2: 1996 Tax Rates**

Married Joint and Surviving Spouse		
If taxable income is:		
Over	But not over	
\$ 0	\$11,000	4% of taxable income
11,000	16,000	\$440 plus 5% of amount over \$11,000
16,000	22,000	\$690 plus 6% of amount over \$16,000
22,000	26,000	\$1,050 plus 7% of amount over \$22,000
26,000		\$1,330 plus 7.125% of amount over \$26,000
Single, Married Separate and Estates and Trusts		
If taxable income is:		
Over	But not over	
\$ 0	\$ 5,500	4% of taxable income
5,500	8,000	\$220 plus 5% of amount over \$5,500
8,000	11,000	\$345 plus 6% of amount over \$8,000
11,000	13,000	\$525 plus 7% of amount over \$11,000
13,000		\$665 plus 7.125% of amount over \$13,000
Head of Household		
If taxable income is:		
Over	But not over	
\$ 0	\$ 7,500	4% of taxable income
7,500	11,000	\$300 plus 5% of amount over \$7,500
11,000	15,000	\$475 plus 6% of amount over \$11,000
15,000	17,000	\$715 plus 7% of amount over \$15,000
17,000		\$855 plus 7.125% of amount over \$17,000

Supplemental Tax: A supplemental income tax for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate applies to all taxpayers with NYAGI over \$100,000. The benefit of the lower brackets begins to be recaptured at \$100,000 of New York adjusted gross income and is totally recaptured at \$150,000. Once taxpayers' New York adjusted gross income exceeds \$150,000, all of their taxable income becomes effectively subject to a flat 7.125 percent tax rate. Maximum supplemental tax amounts equal \$522 for married taxpayers, \$356 for heads of households, and \$261 for single taxpayers.

Nonresidents and part-year residents first compute a base tax as if they were residents. This means that they start with their total federal adjusted gross income (FAGI) and take the full amounts of modifications, deductions, exemptions, and credits to compute a base tax. However, to ensure that they do not pay tax on non-New York income, they must then multiply this base tax by an income percentage. This is the ratio of "New

York-source” New York adjusted gross income (NYAGI) to total (“sourced” plus “unsourced”) NYAGI. For nonresidents, New York-source income generally consists of:

- 1) wages earned in New York;
- 2) income derived from business carried on in New York; and
- 3) gain from the sale of New York real property and business property.

New York-source income for part-year residents consists of these income sources for their nonresident period, plus income from all sources for their resident period.

## 1995 Tax Reduction Legislation

Tax year 1996 represented the second year of a multi-year personal income tax reduction program enacted in 1995. When fully effective over the 1995-1997 tax years, the tax reduction legislation will have reduced annual tax liabilities by over \$4 billion compared to 1994 law, providing average tax cuts of 20 percent. The majority of taxpayers will have received tax cuts of at least 25 percent.

The table below summarizes the main elements of the tax reduction legislation:

**Table 3: Major Provisions of 1995 Personal Income Tax Reduction Program**

Provision/Year	1994	1995	1996	1997
Top Rate	7.875%	7.59375%	7.125%	6.85%
Top Bracket:				
Married Joint	\$26,000	\$25,000	\$26,000	\$40,000
Single	\$13,000	\$12,500	\$13,000	\$20,000
Standard Deduction:				
Married	\$ 9,500	\$10,800	\$12,350	\$13,000
Head of Household	\$ 7,000	\$ 8,150	\$10,000	\$10,500
Single	\$ 6,000	\$ 6,600	\$ 7,400	\$ 7,500
Earned Income Tax Credit (% of Federal)	7.5%	10%	20%	20%





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# Statistical Summary

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The personal income tax accounts for more than half of New York State tax collections. Slightly under 7.4 million returns were timely filed by residents for tax year 1996. Approximately 2.2 million of these returns had no tax liability. These returns generally entailed requests for refunds of taxes withheld by employers and refundable tax credits. The remaining 5.2 million taxable returns reported a total tax liability of \$14.4 billion. In addition, approximately 600,000 nonresidents and part-year residents had tax liability of slightly over \$2.2 billion, and another 85,000 filed nontaxable returns.

Table 4 summarizes and compares information from taxable returns filed by residents in 1995 and 1996. In 1996, total New York adjusted gross income (NYAGI) equaled slightly under \$295 billion, compared with \$308 billion in total federal adjusted gross income (FAGI). The \$13 billion difference resulted from the excess of State subtraction modifications to federal adjusted gross income over addition modifications to FAGI. Major New York subtraction modifications include certain pension and annuity income, interest income derived from federal bonds, federally taxable refunds of State and local income taxes, and the portion of social security benefits subject to federal income tax. The major New York addition modification is interest from obligations of states other than New York. Appendix A provides more detailed income definitions.

Table 4 shows that while total NYAGI increased by 7.3 percent, total tax liability increased at a lesser rate of 5.0 percent. This reflects the impact of the 1996 tax reduction provisions that lowered tax rates and increased standard deduction amounts. Absent such statutory tax cuts, tax liability usually increases at a higher percentage than income, reflecting provisions such as graduated tax rates and tax benefits that decline as income increases.

Table 4 also shows that the number of taxable returns declined, while the number of nontaxable returns increased by over 6 percent. This reflects substantial increases in the standard deduction and earned income tax credit amounts. The 1996 tax cut explains why tax liability increased by nearly five percentage points less than income.

**Table 4: Selected Tax Filing, Structure and Taxpayer Statistics for Resident Taxpayers in 1995 and 1996**

	Major Items		Change	
	1995	1996	Amount	Percent
Total Number of Returns* (000)	7,296	7,392	96	1.1
Number of Taxable Returns (000)	5,315	5,189	(126)	(0.6)
Number of Nontaxable Returns (000)	1,981	2,203	222	6.1
	Millions of Dollars			
Total Federal Adjusted Gross Income	286,586	307,803	21,217	7.4
Total NY Adjusted Gross Income	274,712	294,750	20,038	7.3
Total Deductions Used	55,417	59,761	4,344	7.8
Total Value of Exemptions Used	3,721	3,599	(122)	(3.3)
Total Taxable Income	215,574	231,390	15,816	7.3
Total Tax Liability	14,030	14,377	347	2.5
	Dollars			
Average Tax Liability	2,640	2,771	131	5.0

\* Includes nontaxable resident returns. The dollar amounts in the table pertain only to taxable returns.

## Distribution of Taxpayer Income and Tax Liability

Table 5 compares the distribution of taxpayers, income, and tax liability in 1995 and 1996. It shows that in 1996, taxpayers with incomes above \$100,000 comprised a larger share of all taxpayers, and had markedly higher shares of total income and total tax liability, than in 1995. Growth in income pushed taxpayers into higher income classes, thereby reducing the percent of taxpayers, income and tax liability in income classes below \$30,000. The continued increase in standard deduction and earned income credit amounts in 1996 helped to reduce the share of tax liability further in NYAGI classes below \$30,000. Figure 1 depicts the distribution of these items in tax year 1996.

**Table 5: Percent of Total Resident Taxpayers, Adjusted Gross Income, and Tax Liability by New York Adjusted Gross Income Class in 1995 and 1996**

NYAGI Class	Taxpayers		Adjusted Gross Income		Tax Liability	
	1995	1996	1995	1996	1995	1996
Less than \$10,000	7.3	6.6	1.0	0.8	0.2	0.2
\$ 10,000 - 19,999	18.6	16.5	5.5	4.4	2.0	1.5
20,000 - 29,999	19.7	19.6	9.5	8.6	5.8	4.8
30,000 - 49,999	24.8	25.4	18.6	17.4	15.7	14.0
50,000 - 99,999	22.2	23.4	29.2	28.2	29.8	30.0
100,000 and over	7.4	8.5	36.2	40.6	46.5	49.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

**Figure 1: Percent of Resident Taxpayers, NYAGI and Tax Liability by NYAGI in 1996**

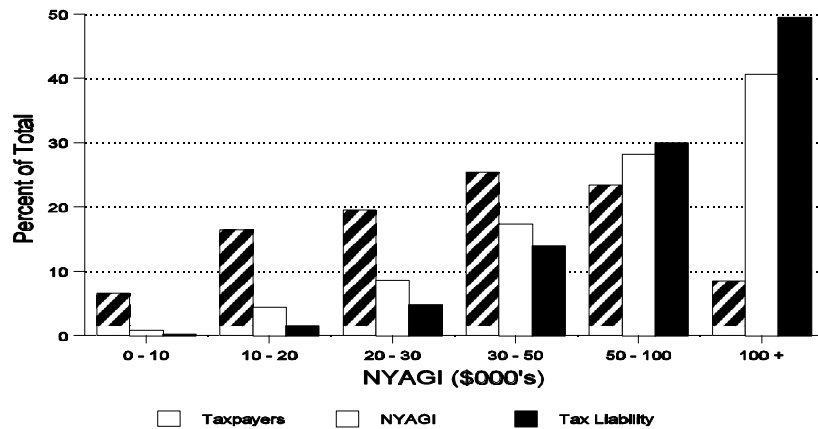


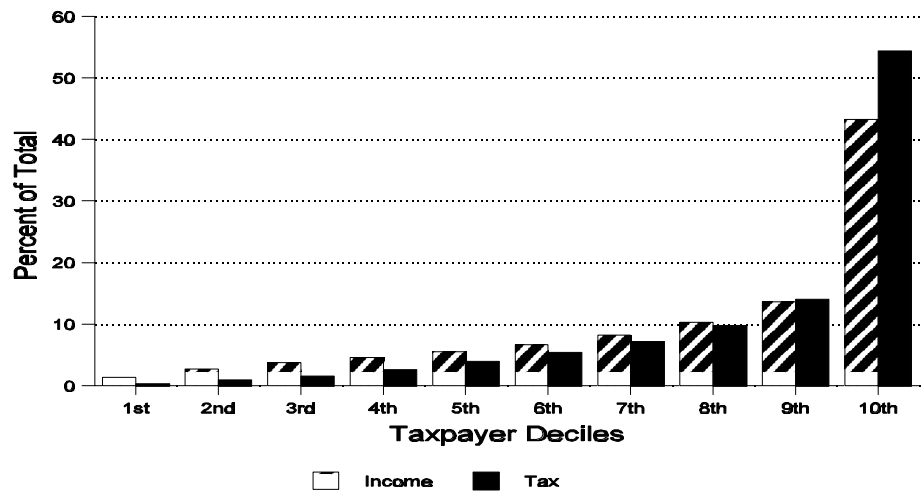
Table 6 and Figure 2 provide distributional analysis based on deciles of taxpayers. They indicate that the 10 percent of taxpayers with the lowest incomes had 1.4 percent of all income and paid 0.3 percent of all tax. In contrast, the 10 percent of taxpayers with the highest incomes had 43.3 percent of all income and paid 54.4 percent of all tax. The increasing effective tax rate, especially for the top decile, illustrates the progressive structure of the tax. The median income for taxpayers equaled \$34,484. Taxpayers below the median had 17.9 percent of total NYAGI and paid 9.3 percent of total tax, while those above the median bore nearly 91 percent of the tax burden.

**Table 6: Distributions of New York Adjusted Gross Income and Tax Liability of Resident Taxpayers by Decile in 1996 1/**

Income of Decile 2/	Income		Tax		Effective Tax Rate 3/
	Amount (\$ Millions)	Percent of Total	Amount (\$ Millions)	Percent of Total	
Less than \$12,327	\$ 4,179.3	1.4	\$ 45.5	0.3	1.1%
\$12,327 - 18,381	7,991.2	2.7	125.6	0.9	1.6%
18,382 - 23,412	10,865.8	3.7	235.0	1.6	2.2%
23,413 - 28,437	13,415.3	4.6	374.8	2.6	2.8%
28,438 - 34,483	16,288.4	5.5	563.6	3.9	3.5%
34,484 - 42,114	19,793.6	6.7	771.0	5.4	3.9%
42,115 - 52,033	24,298.4	8.2	1,035.9	7.2	4.3%
52,034 - 65,896	30,326.4	10.3	1,402.6	9.8	4.6%
65,897 - 92,507	40,111.1	13.6	2,006.5	14.0	5.0%
92,508 and over	127,480.4	43.3	7,816.6	54.4	6.1%
Total	\$294,749.9	100.0	\$14,377.1	100.0	4.9%

1/ Positive tax liability.  
 2/ NYAGI.  
 3/ Tax liability as a percentage of NYAGI.

**Figure 2: Percent of NYAGI and Tax Liability by Decile for Resident Taxpayers in 1996**



## Income Sources

Table 7 identifies the sources of New York taxpayers' federal gross income (before adjustments), and their changes from 1995.

**Table 7: New York State Personal Income Tax: Components of Federal Gross Income for Resident Taxpayers in 1995 and 1996 1/ (Dollar Data in Millions)**

Components of Income	1995	1996	Change	
			Amount	Percent
Wages and Salaries	\$216,565	\$225,052	\$ 8,487	3.9
Interest and Dividends	18,726	19,418	692	3.7
Capital & Other Gains (Net)	12,574	20,305	7,731	61.5
Pensions, Annuities, IRAs	10,519	11,636	1,117	10.6
Business Income (Net)	10,326	11,054	728	7.1
All Other Income 2/	20,665	23,212	2,547	12.3
<b>Total</b>	<b>\$289,375</b>	<b>\$310,677</b>	<b>\$21,302</b>	<b>7.4</b>

1/ Before adjustments, such as alimony paid, contributions to IRAs, and 50 percent of self-employment tax paid.

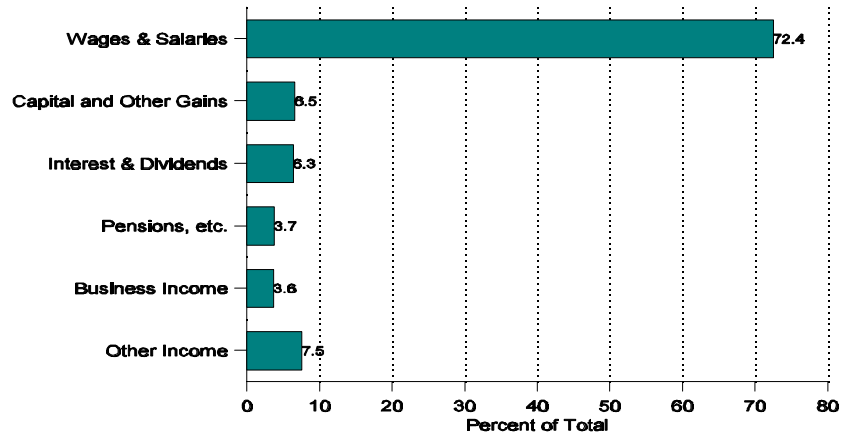
2/ Includes rents, royalties, estates and trusts, unemployment benefits, taxable social security, alimony, refunds of State and local income taxes and other income.

The strong 7.4 percent growth in total federal gross income in 1996 followed a 6.2 percent growth in 1995, reflecting continued overall strength in the economy. The exceptional growth in capital gains reflected strong stock and bond markets.

Wages and salaries comprised the largest single income component, slightly over 72 percent of federal gross income. Capital gains constituted the second largest single source of income, its 6.5 percent share increasing from 4.3 percent in 1995. Figure 3 depicts the overall distribution of components of federal gross income.

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**Figure 3: Distribution of Federal Gross Income by Source for Resident Taxpayers in 1996**



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## Standard and Itemized Deductions

Reflecting the increase in statutory amounts, nearly 77 percent of resident taxpayers used the standard deduction in 1996, up from 74 percent in 1995. Slightly over 1.2 million taxpayers claimed itemized deductions worth \$22.9 billion, compared to \$23.7 billion in the previous year.

Table 8 and Figure 4 show that the deduction for taxes paid was the most often claimed New York State itemized deduction, followed closely by deductions for charitable contributions and interest paid.

**Table 8: Number of Resident Taxpayers Who Claimed Itemized Deductions by Type of Deduction in 1996**

Deduction	Number of Taxpayers Claiming	Amount of Deductions (000)	Average Amount
Taxes Paid 1/	1,212,903	\$ 5,776,343	\$ 4,762
Charitable Contributions	1,167,920	5,345,668	4,577
Interest Paid	1,014,016	11,100,404	10,947
Medical and Dental	187,754	888,741	4,734
Other 2/	633,259	3,595,692	5,678
Total Before Limitations	1,216,291	\$26,706,848	\$21,958
Total After Limitations 3/	1,213,975	\$22,912,241	\$18,874

1/ Primarily includes real property taxes. Federal deductions for New York State and local income taxes (except a portion of New York City's commuter earnings tax) and certain other federal deductions (e.g., interest expense relating to items exempt from tax in New York) totaling \$9.6 billion are not allowed on State returns.

2/ Includes deductions for miscellaneous expenses, casualty and theft losses.

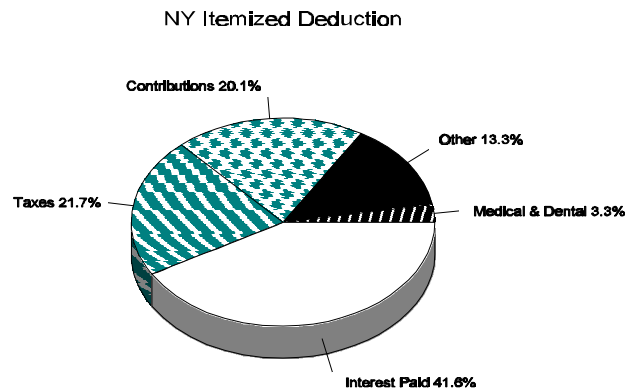
3/ Limitations are the federal limitation to which New York conforms, and the New York itemized deduction adjustment. Therefore, the data items refer to taxpayers who actually itemized deductions, after limitations and adjustments. Note also that columns are not additive, because of the limitations and because most taxpayers used more than one deduction.

As Table 8 shows, interest payments of approximately \$11.1 billion represented the largest component of itemized deductions in dollar terms. Deductions for interest paid were some 90 percent greater than that of the second largest deduction, taxes (nearly all property tax) paid.

As described in Table 1 on page 7, the federal limitation, to which New York conforms, requires upper-income taxpayers to reduce their itemized deductions. Because this reduction applies against all deductions subject to it, its effect on particular deductions cannot be computed. However, it reduced 228,000 taxpayers' total itemized deductions by about \$1.5 billion. In addition, the New York itemized deduction adjustment, applicable to approximately 103,000 upper-income taxpayers, effectively reduced itemized deductions by an additional \$2.3 billion. The combined effect of the federal limitation and New York itemized deduction adjustment reduced total itemized deductions to slightly over \$22.9 billion. Like the federal limitation, the New York adjustment applies to aggregate itemized deductions, so its effect on any particular deduction cannot be calculated. Figure 4 shows the distribution of itemized deductions prior to the limitations.

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**Figure 4: Percent of Gross Itemized Deductions\* by Type for Resident Taxpayers in 1996**



\*Itemized Deductions (Before Limitations)

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## Dependent Exemptions

The value of dependent exemptions claimed by resident taxpayers in 1996 totaled slightly under \$3.6 billion, about \$100 million less than in 1995. The decline is attributable to a decrease in the number of taxable returns, as many taxpayers with dependent children became nontaxable due to the enhancements in the standard deduction and earned income credit. Just under 2 million taxpayers claimed at least one dependent exemption.



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## Credits

The income tax contains a number of credits which reduce the total tax due dollar for dollar. Collectively, these credits reduced liability on taxable returns by \$495 million for tax year 1996. About 2.8 million resident taxpayers claimed at least one credit on their tax returns. These credits include:

- Household Credit
- Earned Income Tax Credit
- Special Additional Mortgage Recording Tax Credit
- Real Property Tax Credit
- Accumulation Distribution Tax Credit
- Investment Credit
- Resident Credit (Taxes Paid to Other Jurisdictions)
- Child and Dependent Care Credit
- Economic Development Zone Credits

Table 9 summarizes the credits claimed by resident taxpayers in 1996.

**Table 9: Summary of Credits Claimed by Resident Taxpayers in 1996**

Credit	Amount (\$000)
Resident	323,000 *
Household	84,437
Child Care	21,587 **
Earned Income	16,219 **
All Other Credits***	49,712
Total	494,955

\* Approximate.

\*\* Taxable returns only. Additional credit claimed as refunds on nontaxable returns.

\*\*\* Investment, real property tax\*\*, accumulation distribution, EDZ, and special additional mortgage recording tax.

## Household Credit

All nondependent taxpayers with FAGI below \$28,000 (single) or \$32,000 (all others) may take the household credit. The credit ranges between \$20 and \$75 for single filers, with similar amounts for other filers and additional amounts for dependents. In 1996, slightly under 1.8 million resident taxpayers claimed the household credit, effectively reducing their tax liability by approximately \$84.4 million. Table 10 details the distribution of this credit by NYAGI.

**Table 10: Resident Taxpayers Claiming the Household Credit by NYAGI Class in 1996**

NYAGI Class	Number Claiming Credit	Percent of Total	Amount (000)	Percent of Total	Average Credit
Under \$10,000	104,607	5.8	\$ 4,592	5.4	\$44
\$10,000 - 14,999	350,894	19.6	16,310	19.3	46
15,000 - 19,999	404,691	22.6	22,378	26.5	55
20,000 - 24,999	478,671	26.8	26,145	31.0	55
25,000 and over	450,480	25.2	15,012	17.8	33
Total	1,789,343	100.0	\$84,437	100.0	\$47

**Earned Income Tax Credit**

For tax year 1996, certain taxpayers can claim an earned income tax credit (EITC) equal to 20 percent of the federal credit. The EITC is refundable to residents and nonrefundable to nonresidents. (For more information on the credit, see Office of Tax Policy Analysis, *Earned Income Tax Credit: Analysis of Credit Claims for 1996.*)

Table 11 shows that in tax year 1996, some 1,058,000 New York residents claimed \$288 million of the earned income tax credit. Over 94 percent of total credit claims were made on nontaxable returns, and thus constituted refunds, sometimes termed “negative taxes.” The amount of EITC claimed on taxable returns totaled approximately \$16 million. Under the 1996 EITC structure, the credit increased with earned income to about \$9,000 (for claimants with children); it remained flat from income of \$9,000 through \$11,610, and phased out at higher income levels. As a result, the highest average credit amount for 1996 occurred in the \$8,000-\$12,000 earned income class.

Beginning in the 1996 tax year, EITC claimants were required to reduce the credit by the amount of household credit which they used to reduce their tax liability.

**Table 11: Residents Claiming the Earned Income Credit by Earned Income Class in 1996\***

Earned Income Class	Number Claiming Credit	Percent of Total	Amount (000)	Percent of Total	Average Credit
\$ 0 - \$ 4,000	167,066	15.8	\$ 16,351	5.7	\$ 98
4,001 - 8,000	262,494	24.8	67,753	23.5	258
8,001 - 12,000	182,549	17.3	93,006	32.3	509
12,001 - 16,000	159,617	15.1	62,876	21.8	394
16,001 - 20,000	141,528	13.4	32,894	11.4	232
20,001 - 24,000	107,860	10.2	13,046	4.5	121
24,001 - 28,000	37,026	3.4	2,166	0.8	59
Total	1,058,140	100.0	\$288,093	100.0	\$272

\* Table includes taxable returns and nontaxable returns with a refund.

Other major credits include the resident credit and the child and dependent care credit. The resident credit for taxes paid to other jurisdictions totaled approximately \$323 million. The child and dependent care credit, claimed by 227,000 taxpayers, equaled approximately \$22 million. In 1996, this credit became refundable for the first time, and equaled 100 percent of the corresponding federal credit for taxpayers with NYAGI below \$10,000, declining to 20 percent at NYAGI of \$14,000.

## Refunds

Of the approximately 5.2 million taxable resident returns, slightly under 3.5 million returns resulted in an average overpayment of State and City of New York/City of Yonkers taxes amounting to \$743. Thus, for about two-thirds of taxpayers, withholding by employers or estimated tax payments exceeded total tax liability. About 3.25 million taxpayers received all of their overpayment as refunds averaging \$508, while about 80,000 (mainly upper-income) taxpayers credited all of their overpayment, which averaged about \$2,700, toward their 1997 tax. (Approximately 160,000 taxpayers requested both refunds and credits averaging \$1,552 and \$2,856, respectively.)

Nonresidents and Part-Year Residents

Nonresidents and part-year residents typically account for between 10 and 15 percent of all taxpayers and tax liability. Table 12 provides a summary of nonresident and part-year resident returns filed in 1996.

**Table 12: Selected Tax Filing, Structure and Taxpayer Statistics for Nonresident and Part-Year Resident Taxable Returns in 1996**

Filer	Total Number of Returns	Total Number of Taxpayers	Base Tax Before Proration (000)	Total Tax After Proration (000)	Average Tax Liability
Full-Year Nonresidents	533,483	471,141	\$5,313,977	\$1,936,911	\$4,111
Part-Year Residents	153,322	130,494	\$ 540,165	\$ 270,735	\$2,075

For full-year nonresidents, the ratio of final tax to base tax equaled 36.5 percent (\$1,937 million/\$5,314 million). This means that, overall, 36.5 percent of nonresidents' New York adjusted gross income came from New York sources. For part-year residents, the corresponding figure equaled 50.2 percent (\$271 million/\$540 million), the higher percentage reflecting New York-source income earned during their resident period.

# Selected Historical Trends

This section provides analysis of recent statistical trends in certain tax provisions. This includes provisions for which usage or amounts have undergone important changes due to legal or economic developments.

## Income Sources

Table 13 shows the pattern of resident taxpayers' long-term capital gains and retirement income (pensions, annuities, IRA distributions) between 1991 and 1996. Capital gains income has generally risen steadily over this time frame, especially in 1993, as the economy and related financial markets began to recover, and even more markedly in 1996 due to the stock market boom. Partnership and other income has likewise risen steadily, again especially in 1996 due to strong partnership income in the financial industry. With the exception of a drop in 1992, retirement income has increased every year since 1991, especially in the past two years, reflecting the increasing share of New Yorkers who have some form of retirement income.

**Table 13: Capital Gains and Retirement Income for Resident Taxable Returns from 1991 Through 1996 (Millions of Dollars)**

Tax Year	Net Long-Term Capital Gains	Net Income from Partnerships, Rents, Royalties, Estates, Trusts	Pensions, Annuities, IRA Distributions
1991	\$ 7,520	\$ 8,663	\$ 8,035
1992	8,693	10,177	7,620
1993	11,664	10,383	8,819
1994	10,062	11,244	9,421
1995	12,574	12,081	10,519
1996	20,305	14,674	11,636

## Subtraction Modifications

Table 14 shows resident taxpayers' use of major New York subtraction modifications to federal adjusted gross income between 1991 and 1996. These include:

- 1) the full exemption of social security benefits subject to federal income tax;
- 2) the full exemption of interest on U.S. government obligations; and

- 3) the exclusion of up to \$20,000 of pensions and annuities for individuals age 59 1/2 and over (up to \$20,000 each for qualifying married persons filing jointly).

The subtraction for federally taxable social security benefits rose markedly in 1994, reflecting the increase in the maximum amount of benefits subject to federal tax from 50 percent to 85 percent, effective in tax year 1994. Interest rate reductions and the increased attractiveness of equity markets versus federal government bonds caused the modification for U.S. government bond interest to decline substantially from 1991 to 1994. Taxpayers reported strong growth in the interest subtraction for federal obligations again in 1995 as investors sought to take advantage of significant increases in interest rates.

**Table 14: Major Subtraction Modifications for Resident Taxpayers from 1991 Through 1996 (Millions of Dollars)**

Tax Year	Social Security	U.S. Government Bond Interest	Pension and Annuity Exclusion
1991	1,608	2,744	3,097
1992	1,414	2,256	2,412
1993	1,620	1,665	3,257
1994	2,714	1,641	3,093
1995	3,158	2,309	3,320
1996	3,436	2,502	3,432

## Itemized Deductions

Table 15 shows taxpayers' average itemized deductions from 1991 through 1996. Absent major law changes, average itemized deductions generally increase from year to year due to increases in incomes (e.g., charitable giving usually rises with income) or due to the indirect effects of increasing costs (e.g., property taxes generally rise as the cost of schools and local government increases). Moreover, the increase in standard deduction amounts in 1995 and 1996 had the effect of increasing the average amount of itemized deductions because many taxpayers with relatively lower amounts of itemized deductions shifted to the standard deduction.

However, the deduction for interest expense is also sensitive to interest rates, which have fallen since 1991. In addition, the sizable increase in the average deduction for charitable contributions in 1996 reflected in part the strong income growth (especially capital gains) for higher-income taxpayers, who likely increased contributions accordingly. In addition, some taxpayers likely accelerated contributions to take advantage of the

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deduction for the fair market value of stock contributed to private foundations, which was scheduled to expire in May 1997.

**Table 15: Average Major Itemized Deductions for Resident Taxpayers from 1991 Through 1996**

Tax	Taxes	Contributions	Interest	Medical
1991	3,667	2,958	10,483	4,184
1992	3,877	3,009	9,837	4,238
1993	3,942	3,528	9,163	4,189
1994	4,168	3,274	9,111	4,157
1995	4,404	3,714	9,901	4,237
1996	4,762	4,577	10,947	4,734

Note: Amounts reflect deductions "claimed" not "allowed," because limitations on itemized deductions reduced the overall value of deductions claimed.





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# Focus on Nontaxable Returns

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The 1995 tax reduction legislation provided significant tax relief to lower-income taxpayers. This was due to its significant increases in standard deduction amounts and in the refundable earned income tax credit (EITC). As a result, significantly more returns are now filed by persons who do not owe tax, but file to secure the EITC and other refundable credits. This report has traditionally focused on taxable returns. However, due to the increasing importance of nontaxable returns to the overall filing population, this section provides an overview of nontaxable returns (either zero tax or refundable credits) filed for the 1996 tax year.

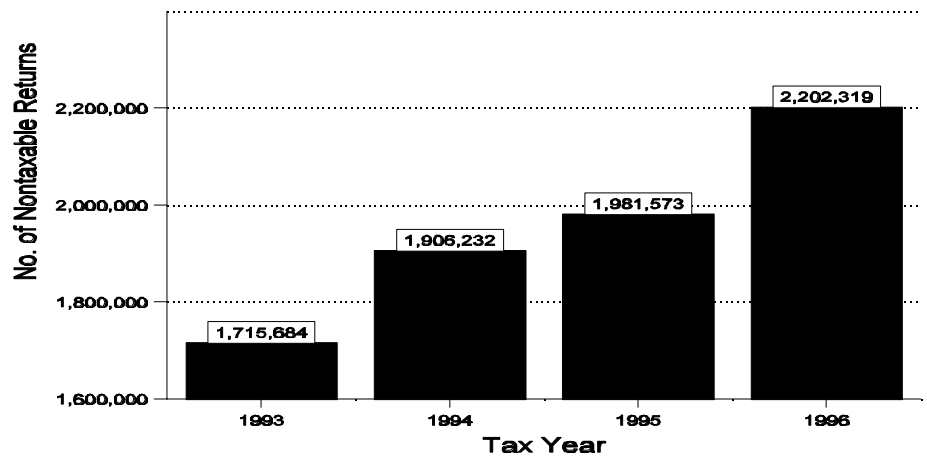
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## Overview of Tax Years 1993 Through 1996

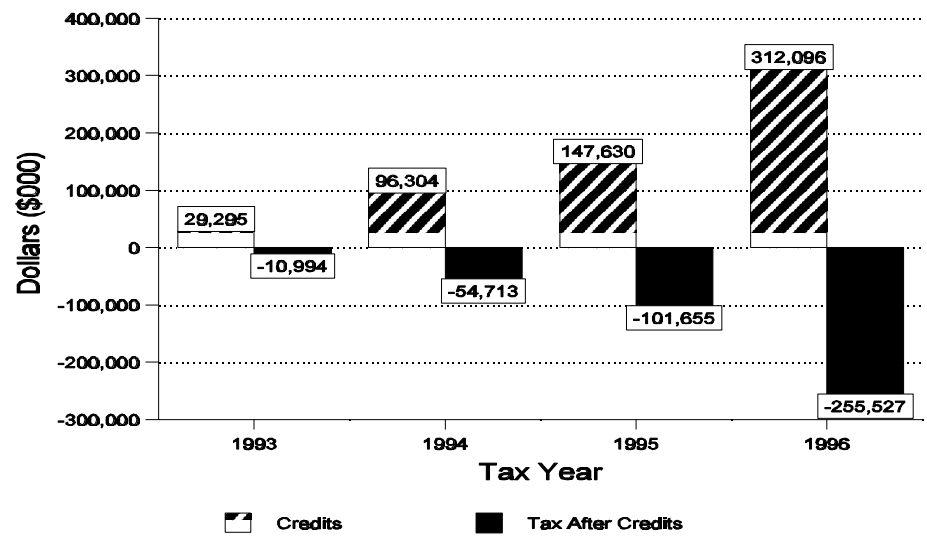
Tables 16-19 focus on the (generally negative) tax liabilities by NYAGI class from 1993 to 1996, to highlight the impact of tax reductions. “Negative tax liabilities” refer to filers who receive refundable credits in excess of their pre-credit tax liability. Higher negative liabilities and negative effective tax rates correspond to higher amounts of refundable credits which benefit filers who claim them.

Tables 16-19 and Figures 5 and 6 illustrate the importance of tax reduction initiatives which began in 1994, especially the multi-year tax cut legislation beginning in 1995. They show that the number of nontaxable resident returns has increased from about 1.7 million in 1993 to 2.2 million in 1996. Total credits have increased from \$29 million to \$312 million, which, along with increases in the standard deduction, lowered the tax after credits from about -\$11 million to over -\$255 million.

**Figure 5: Number of Nontaxable Resident Returns - 1993-96**



**Figure 6: Tax Credits and Tax After Credits for Nontaxable Resident Returns - 1993-96**



**Table 16: Summary of Nontaxable Returns - 1993-1996**

1996 Tax Year						
NYAGI Class	# of Returns	Positive NYAGI (000)	Tax Before Credit (000)	Credits (000)	Tax After Credits (000)	Effective Rate (Tax/NYAGI)
Less than \$10,000	1,668,561	\$ 6,892,571	\$ 2,317	\$128,670	(\$126,353)	(1.8%)
\$10,000 - 15,000	322,694	3,963,131	9,258	102,729	(93,471)	(2.4%)
15,000 - 20,000	167,272	2,861,206	25,488	58,894	(33,406)	(1.2%)
20,000 - 25,000	31,262	672,296	6,755	9,047	(2,292)	(0.3%)
25,000 and over	12,530	676,158	12,751	12,756	(5)	0%
Total	2,202,319	\$15,065,362	\$56,569	\$312,096	(\$255,527)	(1.7%)
1995 Tax Year						
Less than \$10,000	1,612,947	\$ 6,373,658	\$ 3,751	\$ 61,232	(\$57,481)	(0.9%)
\$10,000 - 15,000	273,918	3,330,625	19,541	56,818	(37,277)	(1.1%)
15,000 - 20,000	76,571	1,282,089	13,134	19,927	(6,793)	(0.5%)
20,000 - 25,000	7,310	161,843	807	901	(94)	0%
25,000 and over	10,827	547,629	8,742	8,752	(10)	0%
Total	1,981,573	\$11,695,844	\$45,975	\$147,630	(\$101,655)	(0.9%)
1994 Tax Year						
Less than \$10,000	1,631,818	\$ 6,108,682	\$ 4,952	\$ 39,216	(\$34,264)	(0.6%)
\$10,000 - 15,000	209,632	2,548,122	18,989	37,390	(18,401)	(0.7%)
15,000 - 20,000	45,465	740,886	6,815	8,795	(1,980)	(0.3%)
20,000 - 25,000	7,721	171,014	678	747	(69)	0%
25,000 and over	11,596	558,730	10,157	10,156	(1)	0%
Total	1,906,232	\$10,127,434	\$41,591	\$ 96,304	(\$54,713)	(0.5%)
1993 Tax Year						
Less than \$10,000	1,562,291	\$ 6,001,189	\$ 3,673	\$ 13,794	(\$10,121)	(0.2%)
\$10,000 - 15,000	116,127	1,369,405	5,331	6,177	(846)	(0.1%)
15,000 - 20,000	17,972	299,190	1,041	1,066	(25)	0%
20,000 - 25,000	7,039	154,691	368	368	0	0%
25,000 and over	12,255	582,824	7,888	7,890	(2)	0%
Total	1,715,684	\$ 8,407,299	\$18,301	\$ 29,295	(\$10,994)	(0.1%)

Usage of Modifications -  
1996

Table 17 shows major subtraction modifications on nontaxable returns. These subtractions reduced federal adjusted gross income of \$25 billion by approximately \$10 billion in total.

**Table 17: Major Subtraction Modifications on Nontaxable Returns - 1996 Tax Year**

NYAGI Class	Positive Federal Adjusted Gross Income		Social Security Benefits		NY & Federal Government Pensions		Pensions & Annuities		U.S. Government Interest	
	#	Amt. (000)	#	Amt. (000)	#	Amt. (000)	#	Amt. (000)	#	Amt. (000)
Under \$10,000	1,641,622	\$15,769,834	129,118	\$ 759,084	200,424	\$3,565,918	375,291	\$3,591,024	116,186	\$645,760
\$10,000 - 15,000	322,694	4,831,571	22,182	148,998	13,682	267,892	38,310	366,209	13,659	57,274
15,000 - 20,000	167,112	3,027,203	5,051	40,662	2,590	59,308	4,986	57,371	2,239	6,265
20,000 - 25,000	31,262	749,783	3,015	20,078	748	16,840	2,201	25,236	919	16,649
25,000 and over	12,530	893,446	5,296	57,815	1,014	26,581	3,162	34,716	2,708	93,226
Total	2,175,220	\$25,271,837	164,662	\$1,026,637	218,458	\$3,936,539	423,950	\$4,074,556	135,711	\$819,174

Usage of Deductions -  
1996

Table 18 below shows that standard and itemized deductions totaled over \$13 billion, reducing most of the \$15 billion of NYAGI subject to tax. Note that many filers in the NYAGI class under \$10,000 did not use the full amount of their deductions allowed under law, with the amount they actually used equal to the amount that reduced their taxable income to zero.

**Table 18: Deductions on Nontaxable Returns - 1996 Tax Year**

NYAGI Class	Number of Returns		Total Standard & Itemized Deductions Used	
	#	Amt. (000)	#	Amt. (000)
Under \$10,000	1,668,561	\$ 6,892,571	1,571,671	\$ 6,827,049
\$10,000 - 15,000	322,694	3,963,131	322,694	3,492,855
15,000 - 20,000	167,272	2,861,206	167,272	1,932,511
20,000 - 25,000	31,262	672,296	31,262	441,959
25,000 and over	12,530	676,158	12,530	474,827
Total	2,202,319	\$15,065,362	2,105,429*	\$13,169,201

\* Number using deductions is less than total number of returns because 96,890 returns had negative incomes and therefore did not use deductions.

Usage of Credits - 1996

Table 19 shows credits claimed on nontaxable returns. The refundable earned income credit was far and away the largest.

**Table 19: Credits Claimed on Nontaxable Returns - 1996 Tax Year**

NYAGI Class	Earned Income		Household		Real Property Tax		Child Care		Other		Total	
	#	Amt. (000)	#	Amt. (000)	#	Amt. (000)	#	Amt. (000)	#	Amt. (000)	***	Amt. (000)
Under \$10,000	473,194	\$117,522	94,099	\$ 2,085	91,778	\$7,801	6,094	\$1,151	1,276	\$ 113	666,441	\$128,672
\$10,000 - 15,000	198,615	93,469	154,037	7,239	25,494	1,316	13,142	1,502	2,002	205	393,290	103,731
15,000 - 20,000	144,777	43,059	151,222	12,767	9,560	380	18,194	2,148	3,716	542	327,469	58,896
20,000 - 25,000	23,545	4928	25,253	2,184	0	0	6,542	1,018	3,073	918	58,413	9,048
25,000 and over	240	7	1,403	56	0	0	148	9	3,495	12,705	5,286	12,777
<b>Total</b>	<b>840,371</b>	<b>\$257,985</b>	<b>426,414</b>	<b>\$24,332</b>	<b>126,832*</b>	<b>\$9,497*</b>	<b>44,129</b>	<b>\$5,827</b>	<b>13,562</b>	<b>\$14,483</b>	<b>1,450,899</b>	<b>\$312,124</b>

\* Additional credits claimed on "stand alone" IT-214 forms filed by persons not required to file regular tax returns.

\*\* Total number of credits claimed. Some filers claim more than one credit.



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# Tables Accompanying This Report

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The remainder of this publication contains two sections of statistical tables displaying significant features of New York State taxpayers for the 1996 tax year. Section 1 (tables 20 through 36) depicts distributions of resident, nonresident and part-year resident taxable returns classified by New York adjusted gross income or New York-source income. Summary information only is provided for nonresidents and part-year residents. Section 2 (tables 37 through 56) displays selected tax components by filing status for resident taxable returns.





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Section I:  
Resident, Nonresident and Part-Year Resident Taxable Returns Classified  
by New York Adjusted Gross Income or New York-Source Income  
Tables 20 Through 36

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Tables 20 through 36 are  
pages 37 through 54 of this report  
(See "Pittbles.wk4?")

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Section II:  
Selected Tax Components by Filing Status for Resident Taxable Returns  
Tables 37 Through 56

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Tables 37 through 56 are  
pages 57 through 80 of this report  
(See "Pittbles.wk4")

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# 1996 Fiduciary Returns

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In addition to tax returns filed by individual taxpayers, fiduciaries of estates and trusts are also required to file returns and pay the personal income tax. "Fiduciaries" are persons responsible for paying the tax of either the estates of deceased taxpayers, or of trusts. The latter consists of entities, such as charitable foundations, with income subject to tax.

The tax rates for estates and trusts are the same as for single individuals. Like the regular income tax, the base is generally based on federal amounts, before certain modifications and adjustments. Fiduciaries file on Form IT-205.

Table 57 shows that approximately 66,000 resident estates and trusts had 1996 tax liability of approximately \$158 million. A small number of nonresident estates and trusts also had a small amount of tax liability. In total, Table 58 shows that 66,676 fiduciary returns had total tax liability after credits of \$159.8 million.

The data in Tables 57 and 58 are based on all fiduciary returns received for the 1996 tax year. This differs from data in the remainder of this report, which come from a sample of regular tax returns.

Tables 57 through 58 are  
pages 82 through 84 of this report  
(See "Pittbles.wk4")

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# Appendix A: Glossary of Terms

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## Federal Adjusted Gross

The amount of income earned or received during the income year after certain exclusions and adjustments. Major exclusions from gross income include many government transfer payments, employer-provided pension contributions and fringe benefits, and certain capital gains. Major adjustments to gross income include deductions for individual retirement arrangements, alimony paid, moving expenses, and one-half of self-employment tax paid.

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## New York Adjusted Gross Income (NYAGI)

The amount of federal adjusted gross income earned or received during the income year after certain modifications and before the subtraction of either the standard or itemized deductions, and dependent exemptions. For example, New York State income tax refunds, included in FAGI, are subtracted in determining NYAGI. Also, certain pension and annuity income is subtracted from FAGI in arriving at NYAGI, as is interest on U.S. government bonds. On the other hand, taxpayers must add interest income from other states' debt obligations to FAGI when determining their NYAGI.

New York-source NYAGI, which is used to classify nonresident taxpayers into income groups, represents that portion of NYAGI from New York sources. Generally, this is limited to wages and other income from performing services or conducting a trade or business in New York, and gains from the sale of real property located in New York. Also, New York-source modifications include those modifications which relate to income from New York sources. The ratio of New York-source NYAGI to total NYAGI is used to allocate nonresident and part-year resident tax liability.

Some major differences exist between income defined for tax purposes and the personal income series for New York published by the U.S. Department of Commerce's Bureau of Economic Analysis. Personal income is more comprehensive in that it includes most federal exclusions from income, such as:

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- a) tax-exempt interest;
  - b) workers compensation benefits;
  - c) payments in kind;
  - d) public assistance transfer payments;
  - e) social security benefits; and
  - f) imputed income (e.g., the estimated rental value of owner-occupied housing).

On the other hand, personal income is limited to New York State residents and does not include capital gains. Income defined for tax purposes includes both certain income earned by nonresident taxpayers and capital gains.

<b>Forms</b>	<p><u>Short Forms</u>: IT-100 and IT-200, used by taxpayers who have limited income sources, use the standard deduction, and make limited use of credits.</p> <p><u>Long Forms</u>: IT-201 and IT-203, used by taxpayers reporting income from several sources, making adjustments to income, claiming itemized deductions, and/or using several credits. Nonresidents and most part-year residents use the long form IT-203, which is similar to the IT-201 used by resident taxpayers.</p>
<b>Nontaxable Returns</b>	A return with no tax liability.
<b>Nonresident</b>	A taxpayer who is not a resident for the entire tax year.
<b>Part-Year Resident</b>	A taxpayer who changes from a resident to a nonresident, or from a nonresident to a resident, during the tax year.
<b>Return</b>	Income tax forms IT-100, IT-200, IT-201, and IT-203. A husband and wife filing a joint return are considered to be one taxpayer.
<b>Taxable Return</b>	A return with any amount of tax liability.
<b>Taxable Year</b>	The annual period for which the taxpayer computes income earned or received. This study includes tax returns filed for the calendar year 1996 and fiscal years ending before February 1, 1997.

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## Tax Liability

For residents, the amount of tax is based on New York taxable income. The tax is computed by subtracting allowable deductions and exemptions from New York adjusted gross income, and multiplying the remainder by the appropriate New York State tax rate schedule. The result, minus the amount of allowable credits, equals tax liability.

The computation for full-year nonresidents and part-year residents is different. They first compute their base tax through the applicable tax rate schedule and subtraction of the household and dependent care credits. They then multiply this after-credit liability by the ratio of New York-source NYAGI to total NYAGI to arrive at a prorated tax. After subtracting other credits, final New York tax liability results.

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## Taxpayer

An individual or married couple who files a return with some amount of tax liability. When married couples file separate returns, each spouse constitutes a taxpayer.



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# Appendix B: Description of the Sample

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The study does not fully account for total tax liability as shown in collection data. It is based on timely filed returns for the current year and does not include late or delinquent returns, or those delayed by audit or processing factors. Also excluded are fiduciaries on form IT-205. Tables 57 and 58 in the previous section summarized data from these returns.

Data in this report are based on a sample of approximately 91,000 personal income tax returns of all types, selected from a total of nearly 8.1 million returns. The sample includes both taxable and nontaxable returns, but data in this report primarily relate to those with some State income tax liability. The sample is based on New York adjusted gross income (New York-source New York adjusted gross income for nonresident taxpayers) and drawn according to the ratios shown in Table B-1. The sampling ratio is defined as the selection of one out of every “nth” return. For example, the following table shows that for IT-100 returns with income between \$75,000 and \$100,000, 1 out of every 10 returns was selected.



**Table B-1: 1996 Personal Income Tax Study Sampling Ratios**

Sampling Ratios by Return Type, Residency and Deduction Status									
Income Class*			IT-201		IT-203				
	IT-100	IT-200	Itemized	Standard	Full-Year Nonresident		Part-Year Nonresident		
					Itemized	Standard	Itemized	Standard	
\$ 0 or Less	1/27	1/89	N/A	1/32	N/A	1/142	N/A	1/261	
1 - \$ 4,999	1/771	1/1,176	1/371	1/269	1/433	1/632	1/289	1/479	
5,000 - 9,999	1/595	1/540	1/229	1/168	1/261	1/305	1/168	1/313	
10,000 - 14,999	1/409	1/356	1/189	1/157	1/153	1/237	1/144	1/201	
15,000 - 19,999	1/432	1/290	1/160	1/128	1/133	1/150	1/101	1/164	
20,000 - 24,999	1/193	1/227	1/150	1/85	1/123	1/130	1/96	1/138	
25,000 - 29,999	1/201	1/198	1/148	1/92	1/113	1/123	1/74	1/128	
30,000 - 34,999	1/278	1/180	1/156	1/130	1/93	1/169	1/58	1/120	
35,000 - 39,999	1/114	1/167	1/124	1/126	1/90	1/134	1/64	1/103	
40,000 - 44,999	1/130	1/143	1/107	1/127	1/83	1/128	1/60	1/97	
45,000 - 49,999	1/98	1/147	1/102	1/126	1/91	1/91	1/56	1/74	
50,000 - 54,999	1/51	1/146	1/101	1/116	1/66	1/109	1/43	1/67	
55,000 - 59,999	1/29	1/144	1/96	1/125	1/73	1/85	1/43	1/61	
60,000 - 64,999	1/12	1/174	1/92	1/131	1/85	1/75	1/32	1/48	
65,000 - 74,999	1/13	1/149	1/86	1/118	1/76	1/91	1/33	1/34	
75,000 - 99,999	1/10	1/79	1/69	1/77	1/60	1/72	1/49	1/42	
100,000 - 149,999	All	1/6	1/38	1/40	1/42	1/34	1/28	1/28	
150,000 - 199,999	All	All	1/27	1/29	1/42	1/19	1/15	1/23	
200,000 - 499,999	All	All	1/9	1/9	1/9	1/9	1/11	1/10	
500,000 - 999,999	All	All	1/5	1/5	1/6	1/4	1/4	1/5	
1,000,000 - 4,999,999	All	All	1/2	1/2	1/2	1/2	1/2	1/2	
5,000,000 - 9,999,999	All	All	All	All	All	All	All	All	
10,000,000 and over	All	All	All	All	All	All	All	All	

\* The income classifier for IT-100, IT-200 and IT-201 returns is New York Adjusted Gross Income.  
The income classifier for IT-203 returns is New York amount of New York Adjusted Gross Income.

A sample is conducted to eliminate the need to tabulate components of income and deductions from all of the approximately 8 million tax returns. However, a sample produces the undesirable effect of a sampling error. This error can be reduced by stratifying the sample. As in past years, the sample was stratified by income class and return type for resident and nonresident returns. The long-form returns IT-201 and IT-203 were additionally stratified by deduction status: standard or itemized. The IT-203 returns were further stratified by full-year nonresidents and part-year residents. Also, the income classifier for IT-203 returns is New York-source AGI from NYAGI. The sampling error depends not only on the sample size, but also on the allocation of the sample to the different strata

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of income classes and return types. For the 1996 study, the allocation of the sample was computed according to statistical principles which minimized the sample size while maintaining or improving the precision of estimation of total income, tax liability and six of the most important federal components of income in comparison to past studies. In general, the sampling plan requires the proportion of returns to be sampled to increase with income.

The sampling errors for the statistics published here vary by item and classification. The actual sampling errors associated with a particular sample are unknown. What can be estimated are the typical errors to be expected in repeated sampling with a given sampling plan. Table B-2 shows estimated standard sampling errors for certain selected items for all taxable returns. Each error, which is expressed as a percentage of its average value, forms a confidence interval of one standard deviation from its true value. For example, repeated sampling with this sampling plan will produce an estimate of average NYAGI for all taxable returns that is in error by no more than 0.05 percent from its true value in two-thirds of the samples. Examining the errors by item reveals that, with the exception of the “credits” statistics, the precision of the estimates are generally reliable. The relatively low reliability of the “credits” estimates is due in part to a small fraction of taxpayers using credits in some income classes.

**Table B-2: Estimated Standard Sampling Errors (In Percent) for the 1996 Personal Income Tax Study  
Within a Confidence Interval of One Standard Deviation**

Income Class	NYAGI	NY Deductions	Dependent Exemptions	Taxable Income	Tax Before Credits	Credits	Tax After Credits
\$ 1- \$ 4,999	0.12	0.46	1.32	2.02	2.12	2.17	0.34
5,000 - 9,999	0.07	0.30	1.81	2.85	3.13	3.47	0.35
10,000 - 14,999	0.04	0.52	1.38	2.49	3.03	4.04	0.29
15,000 - 19,999	0.03	0.14	0.80	1.55	2.05	3.88	0.23
20,000 - 24,999	0.02	0.31	0.54	2.42	3.10	6.57	0.19
25,000 - 29,999	0.02	0.12	0.56	1.53	1.97	7.47	0.14
30,000 - 34,999	0.02	0.13	0.52	1.11	1.36	5.07	0.11
35,000 - 39,999	0.01	0.14	0.52	0.57	0.69	3.72	0.10
40,000 - 44,999	0.01	0.14	0.48	1.78	2.07	7.48	0.09
45,000 - 49,999	0.01	0.15	0.46	0.61	0.72	3.72	0.08
50,000 - 54,999	0.01	0.14	0.44	1.06	1.20	5.07	0.07
55,000 - 59,999	0.01	0.18	0.42	1.12	1.26	5.16	0.07
60,000 - 64,999	0.01	0.15	0.40	1.02	1.14	4.75	0.07
65,000 - 74,999	0.01	0.16	0.41	0.59	0.66	3.98	0.06
75,000 - 99,999	0.03	0.17	0.40	0.37	0.41	3.58	0.06
100,000 - 149,999	0.04	0.23	0.38	0.58	0.60	4.54	0.08
150,000 - 199,999	0.03	0.23	0.40	0.27	0.27	2.31	0.06
200,000 - 499,999	0.09	0.43	0.40	0.45	0.45	2.91	0.11
500,000 - 999,999	0.07	0.93	0.45	0.25	0.25	1.81	0.09
1,000,000 - 4,999,999	0.07	0.94	0.43	0.19	0.19	1.28	0.09
5,000,000 - 9,999,999	0.09	0.81	0.43	0.14	0.14	0.99	0.11
10,000,000 and over	0.46	1.05	0.38	0.55	0.55	2.54	0.47
All Taxable Returns	0.05	0.37	0.50	0.86	1.00	3.86	0.12

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# **Appendix C: 1996 New York State Income Tax Forms**

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