# CBO PAPER

**PERSPECTIVES ON
THE OWNERSHIP
OF CAPITAL ASSETS
AND THE REALIZATION
OF CAPITAL GAINS**

**May 1997**

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NOTE

Numbers in the text and tables of this paper may not add to totals because of rounding.

## PREFACE

The Congressional Budget Office (CBO) has examined data from a number of sources on the ownership of capital gains assets and the realization of capital gains. An important feature of CBO's inquiry is the use of data from a panel of tax returns over a 10-year period (1979 to 1988). Together, these data provide a comprehensive picture of who owns capital gains assets, who realizes gains, and who pays capital gains taxes. The paper was prepared for the Senate Committee on the Budget at the request of Senator Frank R. Lautenberg, the Ranking Minority Member. In keeping with the mandate of the Congressional Budget Office, the paper contains no recommendations.

Leonard Burman and Peter Ricoy, formerly of CBO's Tax Analysis Division, prepared the paper under the direction of Rosemary Marcuss and Frank Sammartino. Jeff Groen, Richard Kasten, and David Weiner compiled tables for the report and gave valuable advice on interpreting the data. Stephanie Weiner provided research assistance. Many people furnished helpful comments and advice, including Jerry Auten, Robert Dennis, Alfred Drummond, Fred Goldberg, Jane Gravelle, Arlene Holen, R. Glenn Hubbard, Larry Ozanne, Benjamin Page, James Poterba, and George Zodrow.

Sherwood Kohn edited the paper, Marlies Dunson provided editorial assistance, and Simone Thomas prepared the manuscript for publication.

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CONTENTS

TABLES

FIGURES

## SUMMARY AND INTRODUCTION

Taxing people in similar economic circumstances in the same way is a fundamental objective of tax policy. The way capital gains are taxed has always presented vexing problems that make it difficult to achieve that objective.

A capital gain (or loss) takes place when an asset increases (or decreases) in value. That change in value is income. Under an income-based tax system, the annual income accrued in the form of capital gain should in principle be taxed in the same fashion as other forms of income, such as interest on ordinary savings accounts. (Under a consumption-based tax system, neither a capital gain nor the interest from saving would be taxed.) In practice, although capital gains are taxed, they are not taxed as they accrue, but only when they are "realized" into cash through sale of an asset.

Accrued gains are not the same as realized gains, and that difference can have important implications for taxpayers and the tax system. For example, people who sell their family business or home may realize a capital gain that far exceeds the income they earned in that year from that asset. In other years, the same people may have earned capital gains that were not reflected in income because they were unrealized. Moreover, investors who have large portfolios of assets and engage in aggressive tax planning might appear to have little or no capital gains, despite substantial appreciation in the value of their portfolios.

Inflation further complicates such comparisons because taxes are paid on the nominal gain from the sale of an asset without any adjustment for inflation, regardless of the number of years that have elapsed since its purchase. Thus, two people with the same nominal gain—but accrued over different time periods—could have very different real gains after adjusting for inflation. Inflation raises the effective tax rate on capital gains (and also on income from interest) compared with other forms of income, such as wages.

Because it is difficult as a practical matter to tax capital gains in the same way as other forms of income, people who own assets that produce capital gains can be taxed differently than other taxpayers. In an effort to determine who is affected by such anomalies and who could be affected by changes in the tax treatment of capital gains, the Congressional Budget Office (CBO) has examined data from four sources on the ownership of capital gains assets and the realization of capital gains. An important feature of CBO's inquiry is the use of data from a panel of returns for taxpayers over a 10-year period (1979 to 1988). Those data convey a more complete picture than is available in annual data about the patterns of capital gains realizations. Data from the 1992 Survey of Consumer Finances (SCF) provide information on the holding of assets. Data from the 1985-based Sales of Capital Assets (SOCA) study and from the 1993 Statistics of Income (SOI) sample of income tax returns provide additional, and more recent, information.

The chief findings concerning the ownership of capital assets and the realizations of capital gains are as follows:

- About one-half of U.S. families own assets such as stocks, bonds, real estate, and businesses that might produce capital gains or losses. That proportion rises to three-fourths if people’s homes are included.

- Assets that typically generate capital gains account for only about 38 percent of families' total wealth; homes account for another 28 percent; pensions account for most of the remainder.

- Over a 10-year period, about one-third of taxpayers report at least one transaction with a capital gain or loss.

- Just over one-half of the total wealth held in the form of capital gains assets other than homes and more than 75 percent of capital gains realized in any one year accrue to families with annual incomes of $100,000 or more (approximately, the top 5 percent of families).

- It is not true, however, that most people who have taxable capital gains have high incomes. Nearly two-thirds of tax returns reporting capital gains are filed by people whose incomes are under $50,000 a year. But the amounts of their capital gains are small compared with those of the average high-income taxpayer.

- Income and gains reported for a single year exaggerate the share of gains received by people in the extremes of the income distribution. Longitudinal data for 1979-1985 show that when families' income and gains are averaged over a seven-year period, families with incomes of $100,000 or more account for about 70 percent of all realized gains. But in a single year within that period, such families accounted for a variable share of realized gains ranging from 75 percent to 87 percent. The difference arises because annual income frequently deviates from long-term, or lifetime, income, and realized capital gains are a significant source of such deviations.

- Because taxes are paid on nominal capital gains, the tax on real (inflation-adjusted) capital gains can greatly exceed the statutory rate. Calculations based on a simple adjustment for inflation show that the sale of capital assets generating net taxable gains of $81.4 billion in 1993 produced only $39.5 billion in real gains once that adjustment was made (assuming the current-law loss limit). Because inflation-adjusted gains amounted to about one-half of nominal gains, the tax rate on inflation-adjusted gains was in effect about double the rate applied to nominal gains.

- Older people account for a disproportionately larger share of realized capital gains and the taxes paid on gains. People 65 years old and older made up 12 percent of all taxpayers in 1993, but they realized 30 percent of total net capital gains and paid 30 percent of the tax on capital gains. Taxes on capital gains accounted for 7 percent of the income taxes paid overall, but 18 percent of the taxes paid by those 65 years old and older and 5 percent of the taxes of those under 65.

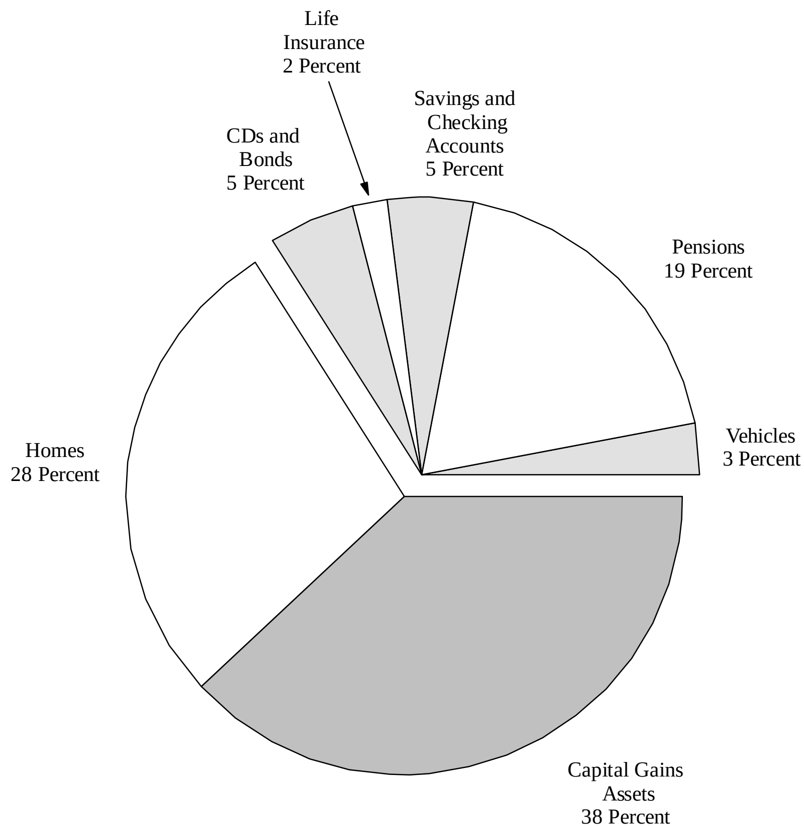
## WHO OWNS CAPITAL GAINS ASSETS?

Annual data from individual income tax returns paint an incomplete picture of the distribution of tax liabilities on capital gains. People do not pay tax on capital gains until they sell assets, even though those assets are constantly gaining or losing value. As a result, people who choose not to sell their assets in a specific year appear, on the basis of tax return data, to be unaffected by the tax on capital gains. Similarly, people who sell all or most of their holdings in any single year appear to be excessively affected by the tax on capital gains. People who defer realizations of capital gains thus seem to have less income than they really do, whereas people who realize gains on assets that they have held for a long time have artificially inflated incomes in that year. Data on realizations also significantly understate the ownership of capital gains assets, because many capital gains assets are held until death or donated to charity and thus never reported on tax forms.

Assets such as stocks, bonds, mutual funds, investment real estate, and businesses—the kinds of assets that generate taxable capital gains—accounted for about 38 percent of families' wealth in 1992 (see Figure 1).[1] Homes, which are most people's single largest asset, represented about 28 percent of their wealth. Because current tax rules allow homeowners to defer taxes on capital gains from home sales if they purchase a home of equal or greater value when they sell their home, and permit homeowners 55 years old and older a one-time exclusion for up to $125,000 in gains from the sale of a home, most capital gains from homes are not taxed.

1. The data are from the Survey of Consumer Finances compiled by the Federal Reserve Board. The SCF defines families as including married couples with or without children and single individuals. The survey does not include financially independent individuals living with the family.

FIGURE 1.      COMPOSITION OF ASSETS IN FAMILIES' PORTFOLIOS, 1992




SOURCE: Congressional Budget Office tabulations of 1992 Survey of Consumer Finances and Flow of Funds Accounts, Z.1 Statistical Release (September 1994).

NOTE: Pension data are from the Flow of Funds Accounts. Pensions include defined contribution plans, such as individual retirement accounts, 401(k)s, and defined benefit plans.

Savings, checking, and money market accounts, the most commonly held types of asset, constitute a relatively small portion of families' wealth: only 5 percent of asset holdings. Those assets do not produce capital gains.

Pensions, including tax-deferred savings plans such as individual retirement accounts (IRAs), 401(k)s, and traditional employer-sponsored pension plans represented 19 percent of wealth in 1992. Those accounts may hold capital gains assets, such as shares of corporate stock, but the gains are not taxed.

The most significant investment assets that produce taxable capital gains were the buildings and equipment that make up businesses—nearly a quarter of all capital gains assets (see Figure 2). Land and rental real estate constituted nearly one-fifth. Shares of stock in publicly traded corporations accounted for only about 6 percent of capital gains assets, and mutual funds made up only about 3 percent. If homes are included among capital gains assets, they are by far the largest component, equal to 43 percent of the total in 1992.

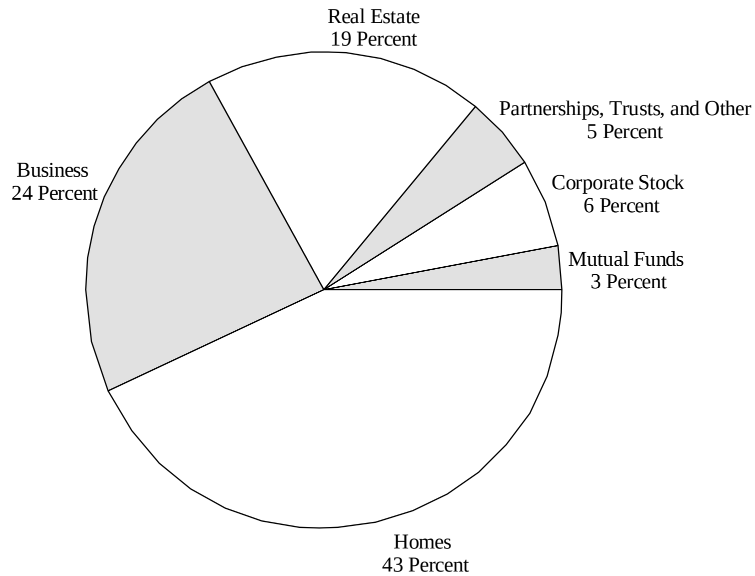
In 1992, about three-quarters of U.S. families owned stocks, bonds, business property, investment real estate, or homes (see Table 1). Any of those assets can produce capital gains or losses, although as noted previously, special rules exempt from tax almost all gains on owner-occupied housing. Excluding homes, nearly one-half of all families own at least one capital gains asset. Thus, taxes on capital gains potentially affect a significant portion of the population.

Families with higher incomes are more likely than those with lower incomes to hold capital gains assets. In 1992, about 30 percent of families whose incomes were under $20,000 owned capital gains assets (not including homes). The percentage increased to 50 percent for families who had incomes between $20,000 and $50,000, and to 70 percent for families with incomes between $50,000 and $100,000. More than 90 percent of families who had incomes of more than $100,000 held such assets, whereas virtually all families who had incomes of more than $200,000 held at least some capital gains assets.

The kinds of assets owned vary with income. Families with incomes over $200,000 were twice as likely to hold corporate stock as families with incomes between $50,000 and $100,000, but were two and one-half times as likely to hold real estate (other than homes) and nearly three times as likely to hold business property as those families. High-income families were nearly eight times as likely as middle-income families to hold tax-exempt bonds, but only about one-quarter of high-income families owned those assets.

Ownership of capital gains assets varies with age, because people tend to accumulate assets over their working lives and then begin consuming them during

FIGURE 2. COMPOSITION OF CAPITAL GAINS ASSETS, INCLUDING HOMES, IN FAMILIES' PORTFOLIOS, 1992




SOURCE: Congressional Budget Office tabulations of 1992 Survey of Consumer Finances.

TABLE 1. OWNERSHIP OF CAPITAL GAINS ASSETS, BY INCOME AND AGE OF FAMILY HEAD, 1992 (In percent)

| Family Characteristics | Percentage Owning a Home | Percentage Owning Assets Other Than a Home: Stocks | Taxable Bonds | Tax-Exempt Bonds | Mutual Funds | Business Property | Investment Real Estate | Any Non-Housing Asset | Percentage Owning Any Assets, Including Homes |
|---|---|---|---|---|---|---|---|---|---|
| All Families | 63.9 | 16.9 | 3.0 | 2.2 | 10.4 | 14.2 | 19.4 | 48.6 | 76.6 |
| Family Income | | | | | | | | | |
| Less than 20,000 | 47.4 | 6.3 | 1.4 | 0.1 | 4.2 | 6.3 | 9.1 | 29.5 | 60.2 |
| 20,000 to 50,000 | 66.8 | 15.7 | 2.6 | 1.5 | 10.2 | 12.7 | 19.4 | 50.4 | 81.4 |
| 50,000 to 100,000 | 84.7 | 31.7 | 4.8 | 3.5 | 17.4 | 23.1 | 29.6 | 71.2 | 94.2 |
| 100,000 to 200,000 | 91.9 | 46.9 | 10.4 | 14.8 | 26.8 | 46.0 | 52.6 | 92.9 | 99.0 |
| 200,000 and over | 86.5 | 60.7 | 16.6 | 26.6 | 45.7 | 66.3 | 72.6 | 100.0 | 100.0 |
| Age of Family Head | | | | | | | | | |
| Less than 35 | 36.9 | 10.6 | 1.1 | 0.4 | 5.1 | 10.6 | 8.2 | 39.9 | 59.3 |
| 35 to 44 | 64.5 | 19.5 | 1.7 | 1.2 | 10.1 | 19.1 | 16.7 | 52.0 | 77.8 |
| 45 to 54 | 75.4 | 18.4 | 3.3 | 3.3 | 9.4 | 18.4 | 25.1 | 51.8 | 83.0 |
| 55 to 64 | 77.6 | 21.5 | 3.0 | 2.9 | 15.8 | 18.2 | 35.1 | 59.5 | 86.8 |
| 65 and over | 78.4 | 17.7 | 6.4 | 4.0 | 14.2 | 7.8 | 21.4 | 46.5 | 84.8 |

SOURCE: Congressional Budget Office tabulations of the 1992 Survey of Consumer Finances.

retirement, or bequeath them to their heirs. That "life-cycle" pattern is reflected in statistics on asset ownership. About 40 percent of families headed by someone younger than 35 held capital gains assets, compared with more than 50 percent of families headed by someone between 35 and 64. The percentage falls slightly, to 47 percent, for families whose head is over 64 years old.

Not surprisingly, the value of assets owned is highly correlated with income. Thus, in 1992 the 39 percent of families with incomes of $20,000 to $50,000 owned 17 percent of capital assets excluding homes, whereas the 18 percent of families with incomes of $50,000 to $100,000 owned 23 percent of such assets, and the 5 percent of families with incomes of $100,000 and over owned 54 percent of them (see Table 2). The value of mutual funds was more evenly distributed by income than other, nonresidential capital assets, and tax-exempt bonds were the most highly skewed toward upper-income families. The value of principal residences was the most evenly distributed of all capital assets.

The value of assets owned is also correlated with age. The 22 percent of families headed by someone 65 years old or older owned 29 percent of the value of capital gains assets other than housing. That included 42 percent of stocks, 41 percent of mutual funds, and 44 percent of bonds. The 13 percent of families headed by someone 55 to 64 years old also held a disproportionate share of assets: a total of about one-quarter of nonresidential capital gains assets. Conversely, the 26 percent of families headed by someone under age 35 held less than 6 percent of nonresidential capital gains assets and about 8 percent of total assets including homes.

Patterns of asset ownership suggest that tax considerations influence the type of assets that people own. People with higher incomes, who also face the highest tax rates, are more likely to choose capital gains assets and other tax-preferred investments such as tax-exempt bonds, which are relatively lightly taxed compared with other income-producing assets. Middle-income families, facing lower tax rates, are much more willing to hold fully taxed assets such as dividend-paying stock and taxable bonds.

Of course, factors other than taxes contribute to those differences. For example, older people prefer to hold more liquid assets, which are more likely than capital gains to pay out income in the form of interest and dividends. Lower-income people are probably less willing to bear the risk associated with many investments that pay returns in the form of capital gains. And they might have a stronger preference for current (rather than deferred) income than people with higher incomes.

TABLE 2. SHARE OF CAPITAL GAINS ASSETS HELD, BY INCOME AND AGE OF FAMILY HEAD, 1992 (In percent)

| Family Characteristics | Percentage of Families | Principal Residence | Capital Gains Assets Other Than Homes: Stocks | Taxable Bonds | Tax-Exempt Bonds | Mutual Funds | Business Property | Investment Real Estate | All Non-Housing Assets | All Capital Gains Assets Including Homes |
|---|---|---|---|---|---|---|---|---|---|---|
| Family Income | | | | | | | | | | |
| Less than 20,000 | 38.3 | 15.8 | 3.8 | 4.0 | 0.3 | 6.8 | 4.8 | 6.4 | 5.7 | 9.7 |
| 20,000 to 50,000 | 39.0 | 32.2 | 12.0 | 14.1 | 12.9 | 24.6 | 15.5 | 20.1 | 17.2 | 23.3 |
| 50,000 to 100,000 | 18.3 | 30.2 | 24.7 | 22.2 | 17.3 | 28.7 | 20.8 | 23.3 | 23.1 | 25.9 |
| 100,000 to 200,000 | 4.3 | 14.7 | 23.9 | 19.3 | 27.8 | 18.9 | 21.1 | 21.6 | 21.4 | 18.8 |
| 200,000 and over | 1.2 | 7.0 | 35.6 | 40.4 | 41.7 | 21.0 | 37.7 | 28.5 | 32.6 | 22.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Age of Family Head | | | | | | | | | | |
| Less than 35 | 25.8 | 12.5 | 3.4 | 2.0 | 1.0 | 2.1 | 6.8 | 5.3 | 5.6 | 8.3 |
| 35 to 44 | 22.8 | 24.4 | 9.4 | 14.7 | 7.3 | 12.1 | 22.4 | 12.6 | 16.4 | 19.5 |
| 45 to 54 | 16.2 | 22.0 | 22.6 | 20.4 | 25.5 | 12.8 | 24.6 | 27.7 | 24.6 | 23.5 |
| 55 to 64 | 13.2 | 17.3 | 22.5 | 19.5 | 22.4 | 32.1 | 25.0 | 24.7 | 24.7 | 21.6 |
| 65 and over | 22.0 | 23.7 | 42.2 | 43.5 | 43.9 | 40.9 | 21.3 | 29.7 | 28.6 | 27.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Congressional Budget Office tabulations of the 1992 Survey of Consumer Finances.

## WHO REALIZES CAPITAL GAINS?

In analyzing the pattern of capital gains realizations, a measurement issue must be addressed at the outset. It is usual to use data from the Internal Revenue Service's annual compilation of tax returns. The advantage of those data sets, constructed by the SOI division, is that they are timely and large. The disadvantage is that annual "snapshots" can be misleading.[2] For example, a taxpayer of modest income who sells a business may appear to have a very high income in that year. A higher-income taxpayer who uses tax-minimizing strategies to avoid realizing taxable gains in years when his or her income is high will often appear to have low capital gains (as well as understated income). Those two possibilities tend to tilt the distribution in different directions: the first would allocate too many capital gains to higher-income taxpayers, the second too few. Clearly, additional information is needed to assess the net effect of such factors in the annual snapshots.

The Congressional Budget Office has examined those influences by looking at the same taxpayers over a 10-year period. Economists have long recognized that lifetime or "permanent" income more accurately reflects an individual's well-being than annual income, especially when annual income is volatile. Capital gains are one of the most volatile components of annual income. Data for computing lifetime income do not exist, but average income and gains over 10 years can be calculated using a panel created by the Treasury's Office of Tax Analysis, based on Internal Revenue Service data that include information from tax returns for about 20,000 taxpayers filed from 1979 to 1988.

### Factors Affecting Capital Gains Realizations

Ownership of assets that produce capital gains does not necessarily translate into realizations of capital gains. Taxpayers can usually exercise considerable discretion over when to sell an asset and realize a gain. Because taxes on capital gains are only levied when a gain is realized, all investors have an incentive to postpone realizing gains. Deferral reduces the effective tax rate on capital gains assets because money that would have gone to pay taxes each year can continue to earn returns until the asset is sold and the tax is paid. For example, the effective tax rate on an asset that

2. The terminology follows that used by Joel Slemrod, "Taxation and Inequality: A Time-Exposure Perspective," in James M. Poterba, ed., *Tax Policy and the Economy*, vol. 6 (Cambridge and London: MIT Press, 1992). See also Michael Haliassos and Andrew B. Lyon, "Progressivity of Capital Gains Taxation with Optimal Portfolio Selection," in Joel Slemrod, ed., *Tax Progressivity and Income Inequality* (Cambridge, New York, and Melbourne: Cambridge University Press, 1994); and Department of the Treasury, *Report to the Congress on the Capital Gains Tax Reductions of 1978* (September 1985).

appreciates in value at 7 percent per year would be about one-half the statutory rate of 28 percent if the asset was held for 30 years. If gains are never realized during the owner's lifetime, the tax is avoided altogether because those gains are not subject to income taxes when they are passed on to an heir.

Of course, postponing a gain also has a cost because the income from realizing the gain is deferred and is therefore currently unavailable for consumption or for alternative investments. Taxpayers can avoid the tax on capital gains without deferring realizations by such strategies as donating appreciated assets to charity or selling assets with capital losses to shelter the capital gain on other assets from tax. More complex strategies such as equity swaps and short sales can be used to avoid realizing a capital gain, but they are more costly to carry out.[3]

In general, taxpayers have more of an incentive to postpone or avoid realizing capital gains if they face higher tax rates on realizations, have larger accrued gains, or are more likely to leave an inheritance. Another consideration is the ability of asset holders to defer income from gains. Those who have relatively little income from other sources are likely to find it harder to postpone realizations. Thus, the pattern of realizations of capital gains may be different from that of asset ownership, although it is difficult to predict how the combination of these various factors would affect the pattern of realizations among asset holders by income and age.

## Evidence from a Panel

The evidence from the panel on capital gains realizations is nonetheless broadly consistent with evidence from data about asset ownership and the likelihood of realizing a capital gain. About 49 percent of U.S. families owned capital gains assets (excluding housing) in 1992, according to the SCF. Nearly one-third of taxpayers reported a capital gain at least once during the 10 years spanned by the panel, whereas one-quarter did so during the seven years from 1979 through 1985 (see Tables 3 and 4). If taxpayers own capital assets in the same proportion as families in the SCF, about two-thirds of the taxpayers owning capital gains assets (32 percent divided by 49 percent) choose to sell at least some of them during a 10-year period. However, taxpayers are more likely to own capital gains assets than the rest of the population, because people who do not file tax returns (those excluded from the tax data but included in the SCF) have low incomes. Thus, the data suggest that

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3. For examples of such strategies, see George M. Constantinides, "Optimal Stock Trading with Personal Taxes: Implications for Prices and the Abnormal January Returns," *Journal of Financial Economics,* vol. 13, no.1 (March 1984), pp. 65-89; Joseph E. Stiglitz, "Some Aspects of the Taxation of Capital Gains," *Journal of Public Economics*, vol. 21, no. 2 (June 1983), pp. 257-294; and Diana B. Henriques and Floyd Norris, "Wealthy, Helped by Wall St., Find New Ways to Escape Tax on Profits," *New York Times*, December 1, 1996, p. A1.

TABLE 3. CAPITAL GAINS IN FAMILY INCOME: 10-YEAR PANEL DATA, 1979-1988

| Average Income (In 1993 dollars) | For All Returns: Gain as Percentage of Income | For All Returns: Percentage of Returns with Gain or Loss | For Returns With Gains: Average Gain (Dollars) | For Returns With Gains: Gains as Percentage of Income | For Returns With Gains: Average Number of Years with Gains |
|---|---|---|---|---|---|
| Less Than 0 | n.a. | 72 | -27,874 | n.a. | 5 |
| 0 to 10,000 | a | 10 | 128 | 2 | 3 |
| 10,000 to 20,000 | 1 | 19 | 1,052 | 7 | 3 |
| 20,000 to 30,000 | 1 | 27 | 1,201 | 5 | 3 |
| 30,000 to 40,000 | 2 | 36 | 1,881 | 5 | 3 |
| 40,000 to 50,000 | 2 | 42 | 1,671 | 4 | 3 |
| 50,000 to 75,000 | 3 | 56 | 2,786 | 5 | 4 |
| 75,000 to 100,000 | 6 | 78 | 6,256 | 7 | 5 |
| 100,000 to 200,000 | 11 | 89 | 15,505 | 12 | 6 |
| 200,000 and Over | 38 | 99 | 179,041 | 38 | 7 |
| Total | 6 | 32 | 6,250 | 12 | 4 |

SOURCE: Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

NOTES: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

n.a. = not applicable.

a. Less than 0.5.

TABLE 4. CAPITAL GAINS IN FAMILY INCOME: SEVEN-YEAR PANEL DATA, 1979-1985

| | For All Returns | | For Returns With Gains | | |
|---|---|---|---|---|---|
| Average Income (In 1993 dollars) | Gain as Percentage of Income | Percentage of Returns with Gain or Loss | Average Gain (Dollars) | Gains as Percentage of Income | Average Number of Years with Gains |
| Less Than 0 | n.a. | 65 | -10,774 | n.a. | 4 |
| 0 to 10,000 | a | 9 | 171 | 3 | 2 |
| 10,000 to 20,000 | 1 | 15 | 863 | 6 | 2 |
| 20,000 to 30,000 | 2 | 23 | 1,594 | 6 | 2 |
| 30,000 to 40,000 | 2 | 28 | 2,012 | 6 | 2 |
| 40,000 to 50,000 | 2 | 34 | 2,004 | 4 | 3 |
| 50,000 to 75,000 | 3 | 47 | 3,165 | 5 | 3 |
| 75,000 to 100,000 | 4 | 69 | 4,607 | 5 | 4 |
| 100,000 to 200,000 | 11 | 86 | 16,495 | 13 | 4 |
| 200,000 and Over | 35 | 97 | 152,205 | 35 | 5 |
| Total | 5 | 26 | 6,071 | 11 | 3 |

SOURCE: Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

NOTES: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

n.a. = not applicable.

a. Less than 0.5.

somewhat fewer than two-thirds of taxpayers who own capital gains assets choose to sell at least some of them over a 10-year period.

Data for 1986 to 1988, the last three years of the panel, may be anomalous because of the Tax Reform Act of 1986 (TRA). Following TRA, realized capital gains were fully included in taxable income for the years after 1986. Previously, only 40 percent of realized capital gains on assets held for longer than a year was included in taxable income. Because the maximum tax rate on ordinary income was reduced by TRA from 50 percent to 28 percent, the maximum tax rate on capital gains was increased from 20 percent in 1986 to 28 percent in 1987.[4] Realizations of capital gains were extraordinarily high in 1986 when taxpayers rushed to sell assets before the tax rate increased. Realizations may have been depressed in 1987 and 1988 because many assets that would have been sold in those years were sold in 1986 instead. For those reasons, the 1979-1985 period probably provides a more stable view of realizations and their relationship to longer-term income. Data for both the seven-year and the 10-year panel are presented below.

Characteristics associated with the realization of capital gains or losses are similar to those related to owning capital gains assets. Thus, the probability of realizing a gain or loss increases steadily with income. For example, roughly 30 percent of taxpayers in the seven-year panel and 40 percent of taxpayers in the 10-year panel who had incomes of $30,000 to $50,000 realized a capital gain. Eighty-six percent to 89 percent of taxpayers with incomes of $100,000 to $200,000 and 97 percent to 99 percent of taxpayers who had incomes over $200,000 reported a gain. That corresponds reasonably well with the survey data about family wealth, showing that about 50 percent of families who had incomes between $20,000 and $50,000 owned capital gains assets, whereas 93 percent of families with incomes between $100,000 and $200,000 and 100 percent of families with incomes over $200,000 owned such assets.[5]

On average, taxpayers who realized a gain reported them in four out of the 10 years in the panel. The frequency of gains realizations rises with income. Thus, taxpayers who had incomes between zero and $50,000, and who realized at least one gain or loss, reported a gain or loss in an average of three years out of 10. That frequency rose to seven years out of 10 for those in the highest income bracket.

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4. Actually, TRA phased in the reduction in tax rates on ordinary income over two years but stipulated that a maximum tax rate of 28 percent on long-term capital gains would apply immediately. When the Congress later increased tax rates on ordinary income, it left the 28 percent maximum tax rate on capital gains in place.

5. The tax data pertain to tax units—that is, individuals and families who file tax returns—whereas the data about wealth are based on families. Some families have multiple tax units, for example, because children have enough income to be required to file separate returns.

The proportion of realized gains in total income also rises as income increases. The average gain reported by taxpayers with gains and incomes below $100,000 was 7 percent or less of their total income compared with 12 percent for taxpayers with incomes between $100,000 and $200,000 and 38 percent for taxpayers whose incomes were greater than $200,000.

About 0.3 percent of all taxpayers had negative total income over the 10 years. They are clearly different from the other low-income people in the sample. Nearly three-quarters of those with negative income had a gain or loss over the 10-year period, and their average realization amounted to a loss of nearly $28,000. Those who realized a gain or loss did so, on average, in five years out of 10. The frequency of gains makes these people resemble taxpayers who had incomes of between $75,000 and $100,000 rather than low-income taxpayers. The category probably consists of taxpayers who had tax-shelter losses and those who had bad luck on investments or in a small business. (Taxpayers whose only sources of income are wages, interest, and dividends cannot have negative income.)

The data on the value of realizations, however, are not fully consistent with the data on the value of asset holdings. Families in the highest 1 percent of the income distribution owned about one-third of total capital gains assets excluding primary residences, but more than one-half of capital gains were realized by the 1 percent of taxpayers who were in the highest income class (see Table 5).

Although taxpayers in the highest income groups account for the bulk of capital gains realizations, most taxpayers with realizations are not in the highest income group. Over the seven years of the panel from 1979 through 1985, the 3 percent of taxpayers whose incomes (in 1993 dollars) averaged $100,000 or more realized 70 percent of the dollar value of capital gains. (If the panel is expanded to include the volatile years of 1986 through 1988, they realized nearly three-quarters.) But it is also true that over either the seven years or the 10 years of the panel, more than 60 percent of taxpayers with gains had incomes under $50,000, and more than 80 percent had incomes under $75,000.

<u>Differences by Age</u>

Income from capital, including capital gains, is a much more significant portion of the total income of taxpayers age 65 and older than it is for those of working age. Among taxpayers under age 65 in 1981 (the base year of the panel), wages

TABLE 5. SHARE OF GAINS, BY INCOME: PANEL DATA (In percent)

| Average Income (In 1993 dollars) | 10-Year Panel Data: 1979-1988 Returns | Returns With Gains | Gains | Seven-Year Panel Data: 1979-1985 Returns | Returns With Gains | Gains |
|---|---|---|---|---|---|---|
| Less Than 0 | a | 1 | -3 | a | 1 | -2 |
| 0 to 10,000 | 15 | 5 | a | 19 | 6 | a |
| 10,000 to 20,000 | 26 | 15 | 3 | 25 | 14 | 2 |
| 20,000 to 30,000 | 18 | 15 | 3 | 17 | 15 | 4 |
| 30,000 to 40,000 | 13 | 14 | 4 | 13 | 13 | 4 |
| 40,000 to 50,000 | 10 | 13 | 3 | 9 | 12 | 4 |
| 50,000 to 75,000 | 12 | 20 | 9 | 11 | 21 | 11 |
| 75,000 to 100,000 | 4 | 9 | 9 | 3 | 9 | 7 |
| 100,000 to 200,000 | 2 | 6 | 16 | 2 | 7 | 18 |
| 200,000 and Over | 1 | 2 | 57 | 1 | 2 | 52 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

SOURCE: Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

a. Less than 0.5.

constituted 83 percent of nontransfer income over the 10-year period (see Figure 3).[6] Capital gains averaged only 5 percent, a slightly smaller share than interest and dividends and other forms of income—such as rents, royalties, and business income—which each made up about 6 percent of total income.

By contrast, wages made up a comparatively small portion of the nontransfer income of taxpayers who were 65 years old and older in 1981, the vast majority of whom were retired (see Figure 4). On average, interest and dividends accounted for 44 percent of their income; capital gains contributed 14 percent; about 19 percent came from wages and salaries; and pensions and other sources provided the remainder.

Within each age group, the share of income from capital gains rises with income. For those under 65 who had incomes of less than $100,000, capital income in general was not a significant portion of income, and what capital income they had was generally from interest, dividends, and other sources rather than from capital gains. Capital gains accounted for a larger share of income for taxpayers 65 years old and older than for those under 65 at all income levels, but the differences were greater at incomes below $100,000. Among taxpayers with the highest incomes, the share of capital gains was only slightly greater for those 65 years old and older than for those under age 65. The group that owns the greatest amount of assets—those 55 to 64 years old—dominate the results for the high-income group under age 65.

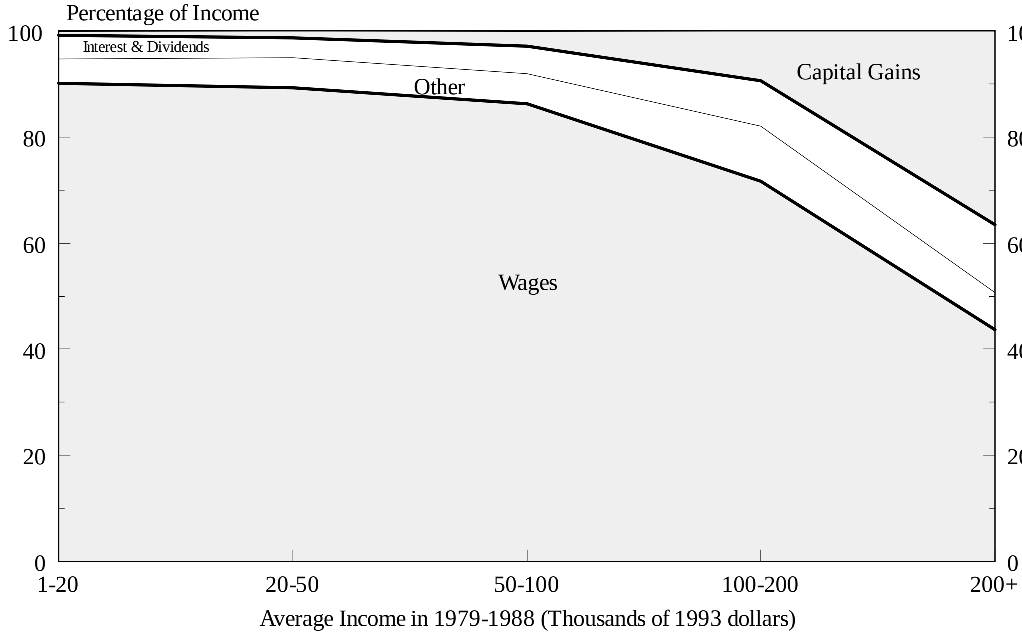
## Comparing Annual Data with the Panel

Typically, data that contain longitudinal information, such as the panel data, are not available for computing individuals' average incomes and capital gains reported over several years. Data providing annual snapshots, however, are available regularly and provide the most up-to-date record. But annual data can overstate the percentage of gains earned by the people with the highest incomes and overstate the losses incurred by those whose incomes are reported as negative.

The percentage of capital gains in the higher income categories varies considerably from year to year. For example, taxpayers who had annual incomes greater than $200,000 (in 1993 dollars) realized between 59 percent and 91 percent of capital gains between 1979 and 1988, but taxpayers who had longer-term average

6. The figures reflect only data on tax returns. Low-income individuals who do not file at all are therefore omitted from the data. In addition, the data exclude transfers from the government, such as Social Security benefits, food stamps, Aid to Families with Dependent Children, Medicare, and Medicaid. Total income of the elderly is understated in relation to the nonelderly because the former receive more income from Social Security and other transfers.

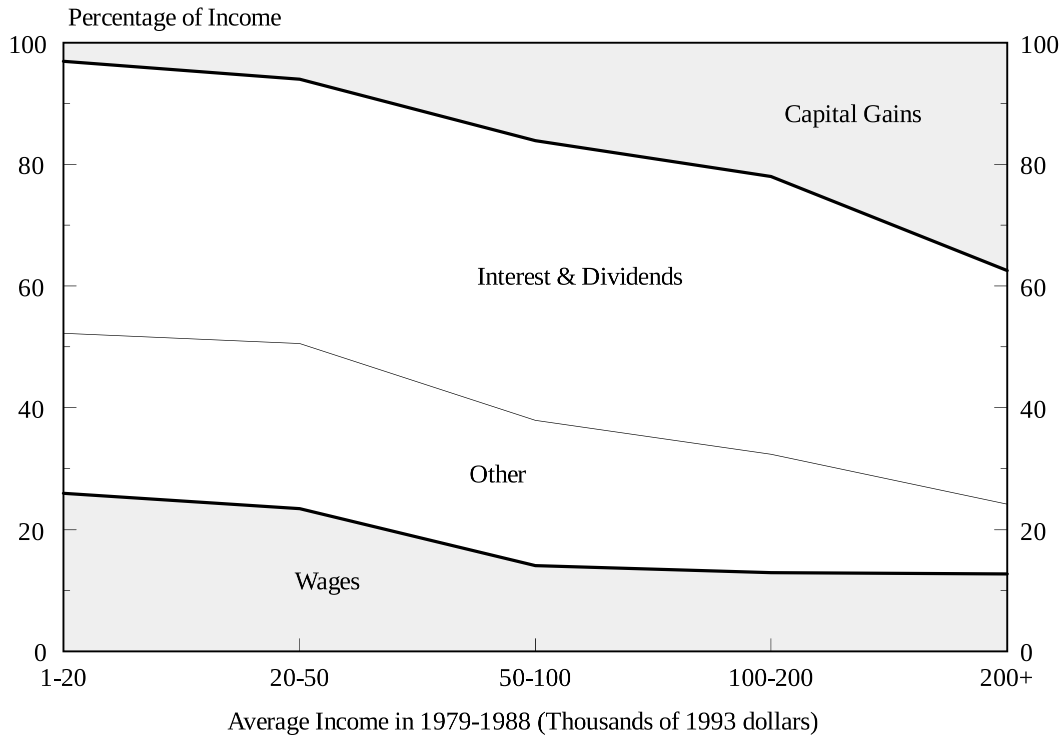
FIGURE 3. COMPOSITION OF INCOME FOR TAXPAYERS UNDER AGE 65




SOURCE: Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

NOTE: Based on age in 1981. Excluding returns for which age could not be determined.

FIGURE 4.	COMPOSITION OF INCOME FOR TAXPAYERS AGE 65 OR OVER




SOURCE:	Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

NOTE:	Based on age in 1981. Excluding returns for which age could not be determined.

incomes greater than $200,000 realized only 52 percent of average capital gains over the 1979-1985 period, and 57 percent of gains over the entire 10-year period (see Table 6).

Annual data often show larger losses than are found in the 10-year averages using the panel data. For example, in 1987, when the stock market declined sharply in October after a strong bull market earlier in the year, losses incurred by people who had negative incomes offset 20 percent of total net gains. In 1979, 1980, and 1988, losses offset from 14 percent to 18 percent of net gains, but the average losses incurred by taxpayers who had negative incomes over the entire 10 years equaled only 3 percent of gains; excluding the 1986-1988 period, such losses amounted to less than 2 percent of gains.

Nonetheless, over the entire income distribution, the relationship between income and realized capital gains shown in the annual snapshots is similar to that presented in the panel (see Figure 5). Differences arise primarily in the high end of the distribution, which is often of particular interest. In the representative single year (1984), taxpayers with the highest incomes realized a larger percentage of gains than is indicated in either the 10-year or seven-year panel data. Averaged over the 1979-1985 period, taxpayers with incomes of $100,000 or more (the top 3 percent) accounted for about 70 percent of all realized gains (see Table 6). But in any single year, they accounted for 75 percent to 87 percent.

Evidence from Recent Annual Tax Return Data

Although the panel data from 1979 to 1988 avoid many of the problems of year-to-year volatility in capital gains realizations and other types of income characteristic of annual data, attrition and the aging of panel members limits the sample size and the accuracy with which the panel represents the entire population. Moreover, tax law and perhaps the relationship between capital gains realizations and other income have changed since the 1980s. Thus, it is both useful and necessary to look at data based on the full Statistics of Income sample of tax returns, which is larger, more recent, and more representative of the behavior of all taxpayers in a single year. In 1993, the 3 percent of taxpayers whose incomes exceeded $100,000 realized 76 percent of capital gains (see Table 7).[7] That is only slightly higher than the 70 percent of gains realized by taxpayers in the panel who had average incomes of more than $100,000 (in 1993 dollars) over the 1979-1985 period. The similarity may be coincidental, however, given that the variations between annual and panel data

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7. The details vary somewhat, depending on whether the tax return is for a single person or a married couple, and whether or not the taxpayer is over 64. Tabulations showing those differences are reported in the appendix.

TABLE 6. SHARE OF CAPITAL GAINS, BY INCOME (In percent)

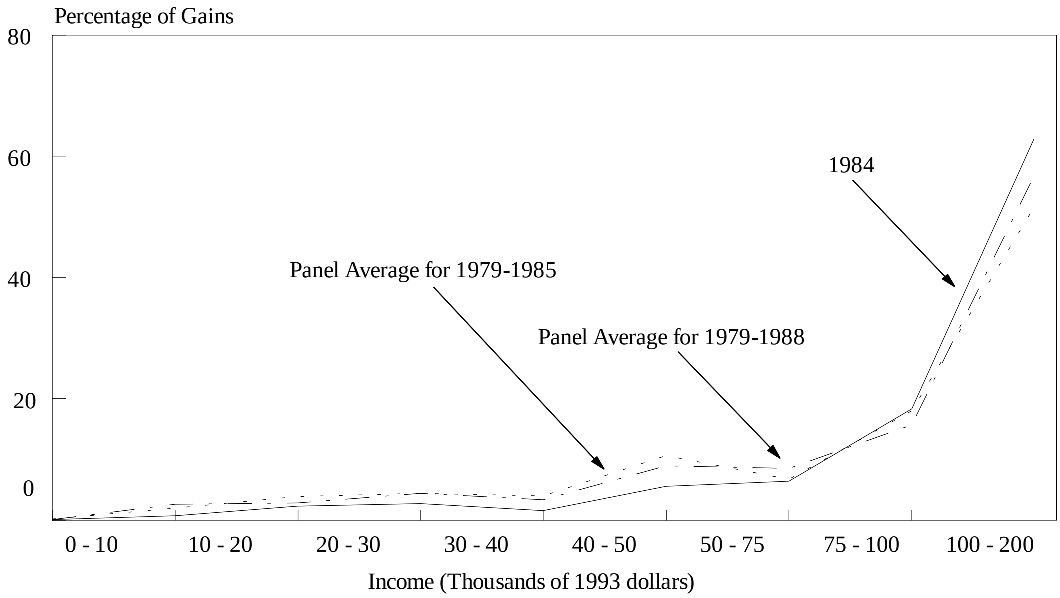
| Average Income (In 1993 dollars) | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | Average 10-year | Average 7-year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Less Than 0 | -14.0 | -15.8 | -0.1 | -0.4 | -0.1 | -0.7 | -3.7 | -5.0 | -20.3 | -17.7 | -3.3 | -1.6 |
| 0 to 10,000 | -1.0 | -0.4 | -0.8 | 0.4 | -0.3 | 0.1 | a | -0.1 | -1.2 | -0.5 | 0.1 | 0.2 |
| 10,000 to 20,000 | 1.0 | a | 1.9 | 1.9 | 1.0 | 0.7 | 0.4 | 0.6 | 1.4 | -0.5 | 2.6 | 2.0 |
| 20,000 to 30,000 | 1.8 | 1.8 | 2.3 | 2.9 | 2.7 | 2.3 | 1.2 | 0.6 | 2.2 | 1.1 | 2.9 | 3.9 |
| 30,000 to 40,000 | 4.1 | 3.7 | 1.2 | 4.1 | 1.9 | 2.7 | 2.6 | 1.2 | 2.0 | 1.5 | 4.4 | 4.4 |
| 40,000 to 50,000 | 3.0 | 3.2 | 3.7 | 3.1 | 1.8 | 1.6 | 2.3 | 1.0 | 3.5 | 0.7 | 3.4 | 4.0 |
| 50,000 to 75,000 | 10.6 | 10.3 | 6.7 | 7.5 | 10.7 | 5.6 | 6.0 | 4.0 | 5.6 | 4.4 | 9.0 | 10.7 |
| 75,000 to 100,000 | 8.4 | 10.6 | 8.7 | 5.3 | 7.6 | 6.4 | 6.0 | 5.3 | 7.4 | 5.1 | 8.5 | 6.7 |
| 100,000 to 200,000 | 21.9 | 19.8 | 17.6 | 14.6 | 15.5 | 18.4 | 16.5 | 13.1 | 22.0 | 15.1 | 15.7 | 18.0 |
| 200,000 and Over | 64.2 | 66.8 | 58.8 | 60.6 | 59.2 | 62.9 | 68.5 | 79.3 | 77.4 | 90.8 | 56.8 | 51.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

a. Less than 0.05.

FIGURE 5. SHARE OF REALIZED CAPITAL GAINS, BY INCOME




SOURCE: Congressional Budget Office tabulations of the 1981-based Treasury panel of tax returns.

TABLE 7. CAPITAL GAINS, BY INCOME, 1993

| Income | Returns (Thousands) | For All Returns: Percentage of Returns With Gain or Loss | For All Returns: Share of Total: Returns With Gains (Percent) | For All Returns: Share of Total: Gains (Percent) | For Returns With Gains: Average Gain (Dollars) | For Returns With Gains: Gain as a Percentage of Income |
|---|---|---|---|---|---|---|
| Less Than 0 | 1,232 | 37 | 3 | -7 | -20,141 | n.a. |
| 0 to 10,000 | 32,214 | 8 | 15 | 1 | 512 | 10 |
| 10,000 to 20,000 | 24,644 | 10 | 14 | 3 | 1,769 | 12 |
| 20,000 to 30,000 | 17,746 | 13 | 13 | 4 | 2,370 | 10 |
| 30,000 to 40,000 | 12,710 | 15 | 11 | 4 | 2,856 | 8 |
| 40,000 to 50,000 | 8,717 | 19 | 9 | 4 | 3,191 | 7 |
| 50,000 to 75,000 | 10,865 | 27 | 17 | 9 | 4,149 | 7 |
| 75,000 to 100,000 | 3,318 | 41 | 8 | 6 | 6,194 | 7 |
| 100,000 to 200,000 | 2,405 | 58 | 8 | 14 | 14,482 | 11 |
| 200,000 and Over | 752 | 80 | 3 | 62 | 143,943 | 28 |
| Total | 114,603 | 15 | 100 | 100 | 7,883 | 14 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data.

NOTES: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Gains are net gains before carryovers and loss limits.

n.a. = not applicable.

described in the previous section were larger and that the lowest share of realizations for that income group in any single year in the panel was 75 percent.

More striking, less than one-half as many people realized gains in a single year than over the 10 years of the panel. Only 15 percent of returns in 1993 reported a capital gain, compared with 32 percent in the panel. As it did in the panel, the percentage increases with income, although even in the highest income category, only four out of five taxpayers reported a gain or loss in a single year (compared with 99 percent in the panel). Also, as in the panel results, most of the taxpayers who realized gains had incomes under $50,000.

Taxpayers 65 years old and older were more likely to realize a capital gain than other taxpayers. More than one-third of taxpayers 65 years old and older realized gains in 1993 compared with 13 percent of other taxpayers (see Table 8). The percentage who had gains was higher for the elderly than for those under age 65 in every income group, but particularly among those with incomes under $100,000.

Taxpayers 65 years old and older accounted for 30 percent of total net gains realized in 1993, although they were only 12 percent of the population of tax filers. The average gain realized by those 65 years old and older was 6 percent higher than the average for other taxpayers overall. The average within each income group was more than twice as high for taxpayers 65 years old and older in all income groups above $30,000, except for those with incomes of $200,000 or more.

<u>Dollar Value and Frequency of Transactions</u>

Another way to look at the distribution of capital gains is in terms of the dollar value of gains realized per return. A significant portion of capital gains are realized by a relatively small number of investors who engage in many transactions and have large capital gains. In 1993, the fewer than 1,000 returns that reported total capital gains of more than $10 million each accounted for 12 percent of all capital gains; the fewer than 13,000 returns with capital gains over $1 million (less than 0.1 percent of returns with gains) accounted for nearly one-third of gains (see Table 9). More than one-half of capital gains were reported on the 0.5 percent of returns with capital gains over $200,000. Although most returns with capital gains reported small gains (under $10,000), they accounted for only 15 percent of all capital gains.

In 1993, 38 percent of returns with capital gains reported only one transaction (see Table 10). About 56 percent of returns with gains reported only one or two. But those returns had much smaller than average gains and so contributed relatively little to total gains. Returns with a single transaction accounted for less than 8 percent of gains. Returns with one or two transactions accounted for less than 15 percent of the

TABLE 8. CAPITAL GAINS, BY INCOME AND AGE, 1993

| Income | Percentage of Returns With Gains: Taxpayers Under Age 65 | Percentage of Returns With Gains: Taxpayers Age 65 and Over | Net Gains (Millions of dollars): Taxpayers Under Age 65 | Net Gains (Millions of dollars): Taxpayers Age 65 and Over | Net Gains of Taxpayers Age 65 and Over as a Percentage of Total Net Gains | Average Gains For Returns With Gains (Dollars): Taxpayers Under Age 65 | Average Gains For Returns With Gains (Dollars): Taxpayers Age 65 and Over |
|---|---|---|---|---|---|---|---|
| Less Than 0 | 33 | 49 | -6,140 | -3,145 | n.a. | -20,197 | -20,032 |
| 0 to 10,000 | 6 | 23 | 1,073 | 319 | 23 | 640 | 305 |
| 10,000 to 20,000 | 5 | 32 | 1,921 | 2,372 | 55 | 1,717 | 1,816 |
| 20,000 to 30,000 | 9 | 40 | 2,674 | 2,629 | 50 | 1,828 | 3,392 |
| 30,000 to 40,000 | 13 | 49 | 2,774 | 2,809 | 50 | 1,885 | 5,816 |
| 40,000 to 50,000 | 16 | 56 | 2,881 | 2,353 | 45 | 2,258 | 6,464 |
| 50,000 to 75,000 | 24 | 68 | 7,513 | 4,703 | 38 | 3,029 | 10,136 |
| 75,000 to 100,000 | 39 | 77 | 5,731 | 2,687 | 32 | 4,764 | 17,335 |
| 100,000 to 200,000 | 55 | 84 | 13,701 | 6,472 | 32 | 11,427 | 33,361 |
| 200,000 and Over | 78 | 91 | 66,444 | 20,064 | 23 | 128,270 | 244,683 |
| Total | 13 | 37 | 98,572 | 41,263 | 30 | 7,755 | 8,212 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data.

NOTES: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Gains are net gains before carryovers and loss limits.

n.a. = not applicable.

TABLE 9. CAPITAL GAINS, BY SIZE OF GAIN, 1993
(For returns with gain or loss)

| Net Gain per Return | Returns (Thousands) | Share of Total: Returns (Percent) | Share of Total: Gains (Percent) | Average Gains (Thousands of dollars) |
|---|---|---|---|---|
| Less Than 0 | 2,927 | 17 | -15 | -7 |
| 0 to 10,000 | 12,749 | 72 | 15 | 2 |
| 10,000 to 20,000 | 946 | 5 | 10 | 14 |
| 20,000 to 30,000 | 358 | 2 | 6 | 24 |
| 30,000 to 40,000 | 204 | 1 | 5 | 35 |
| 40,000 to 50,000 | 121 | 1 | 4 | 45 |
| 50,000 to 75,000 | 164 | 1 | 7 | 60 |
| 75,000 to 100,000 | 79 | a | 5 | 86 |
| 100,000 to 200,000 | 103 | 1 | 10 | 140 |
| 200,000 to 500,000 | 55 | a | 12 | 309 |
| 500,000 to 1,000,000 | 17 | a | 8 | 688 |
| 1,000,000 to 2,000,000 | 7 | a | 7 | 1,370 |
| 2,000,000 to 5,000,000 | 4 | a | 8 | 3,011 |
| 5,000,000 to 10,000,000 | 1 | a | 5 | 6,831 |
| 10,000,000 and Over | 1 | a | 12 | 23,798 |
| Total | 17,736 | 100 | 100 | 8 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data.

a. Less than 0.5.

TABLE 10.  CAPITAL GAINS, BY NUMBER OF GAINS TRANSACTIONS, 1993

| Number of Transactions | Share of Total: Returns (Percent) | Share of Total: Returns With Gains (Percent) | Share of Total: Gains (Percent) | Average Gain Per Return (Dollars) |
|---|---|---|---|---|
| 0 | 87.4 | 0 | 0 | 0 |
| 1 | 4.7 | 37.6 | 7.3 | 1,794 |
| 2 | 2.3 | 18.5 | 7.1 | 3,541 |
| 3-5 | 3.2 | 25.3 | 26.5 | 9,655 |
| 6-10 | 1.6 | 12.5 | 20.4 | 15,003 |
| 11-25 | 0.6 | 4.9 | 21.0 | 39,472 |
| 26-50 | 0.1 | 0.9 | 6.8 | 73,272 |
| More Than 50 | a | 0.4 | 10.9 | 250,043 |
| Total | 100.0 | 100.0 | 100.0 | 9,202 |

SOURCE: Congressional Budget Office tabulations of the 1993 Sales of Capital Assets panel.

a. Less than 0.05.

total. The 19 percent of returns with gains that reported more than five transactions, however, accounted for 59 percent of all capital gains.

## THE EFFECTS OF INFLATION

In time, inflation tends to increase the nominal value of assets, leading to an overstatement of the real gain. Correcting for inflation over the period in which assets are held reduces the value of realized capital gains and even converts many nominal capital gains into real capital losses. Calculations based on a simple inflation adjustment show that, on average, the sale of capital gains assets realized in 1993 was substantially lower than the inflation-adjusted purchase price (see Table 11). That calculation, however, does not reflect the current-law loss limit. Taking account of that loss limit, capital assets other than bonds generated net capital gains of $81.4 billion, on average, before adjustment for inflation but only $39.5 billion once that adjustment was made.[8] Thus, since inflation-adjusted capital gains amounted to about one-half of nominal gains in 1993, the effective tax rate on inflation-adjusted gains was about twice the rate currently applied to nominal gains.

Under current law, taxpayers are not permitted to deduct net capital losses in excess of $3,000. Excess capital losses must be carried over to future years. The limit prevents taxpayers from using capital losses as a tax shelter for ordinary income and deferring tax on assets with capital gains. Such a limit would be even more important if asset sales were indexed for inflation, because many more assets would have real losses and the possibility of sheltering significant amounts of other income from tax would be substantial.

Although inflation causes real gains to be taxed at a higher rate than nominal gains, deferral tends to lower the effective rate on gains. The net effect on effective rates depends on rates of inflation, tax rates, and real appreciation of the asset over the holding period.[9]

The relationship between nominal and inflation-adjusted gains is about the same for corporate stock as for all capital gains assets (see Table 12). Taxpayers in the highest income groups tend to earn higher real returns. That may be, in part, because people who have lower incomes, especially senior citizens, are more likely to hold stocks that pay out their income in the form of dividends. Thus, as in the case

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8. Tables 11 and 12 are based on data from the Sales of Capital Assets file compiled by the Internal Revenue Service. The data exclude bonds and transactions for which inflation factors could not be computed. About one-third of transactions lacked enough information to produce an inflation factor. See Appendix.

9. See Congressional Budget Office, *Indexing Capital Gains* (August 1990), pp. 1-12.

TABLE 11. NOMINAL AND REAL CAPITAL GAINS FROM ALL CAPITAL ASSETS EXCEPT BONDS, BY INCOME, 1993

| Income | Returns (Thousands) | Transactions (Thousands) | Nominal Gains (Millions of dollars) No Loss Limit | Nominal Gains (Millions of dollars) Current-Law Loss Limit | Real Gains (Millions of dollars) No Loss Limit | Real Gains (Millions of dollars) Current-Law Loss Limit |
|---|---|---|---|---|---|---|
| Less Than 0 | 155 | 606 | -67 | 1,203 | -3,388 | 468 |
| 0 to 10,000 | 1,619 | 3,560 | -685 | 218 | -6,009 | -1,048 |
| 10,000 to 20,000 | 986 | 2,957 | 1,761 | 2,101 | -3,809 | 99 |
| 20,000 to 30,000 | 735 | 1,858 | 2,735 | 3,023 | -172 | 1,598 |
| 30,000 to 40,000 | 962 | 2,726 | 1,514 | 1,897 | -3,190 | -660 |
| 40,000 to 50,000 | 965 | 2,238 | 2,842 | 3,510 | -4,496 | 444 |
| 50,000 to 75,000 | 1,971 | 6,272 | 6,285 | 7,505 | -4,283 | 2,531 |
| 75,000 to 100,000 | 789 | 3,363 | 1,541 | 2,349 | -2,887 | 338 |
| 100,000 to 200,000 | 1,075 | 6,333 | 18,940 | 20,326 | -160 | 9,503 |
| 200,000 and Over | 563 | 7,371 | 37,020 | 39,287 | 9,036 | 26,227 |
| Total | 9,821 | 37,284 | 71,886 | 81,419 | -19,358 | 39,500 |

SOURCE: Congressional Budget Office tabulations of the 1993 Sales of Capital Assets panel.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Transactions with missing or inconsistent information were excluded.

TABLE 12. NOMINAL AND REAL CAPITAL GAINS FROM CORPORATE STOCK, BY INCOME, 1993

| Income | Returns (Thousands) | Transactions (Thousands) | Nominal Gains (Millions of dollars) No Loss Limit | Nominal Gains (Millions of dollars) Current-Law Loss Limit | Real Gains (Millions of dollars) No Loss Limit | Real Gains (Millions of dollars) Current-Law Loss Limit |
|---|---|---|---|---|---|---|
| Less Than 0 | 80 | 297 | -146 | 578 | -583 | 281 |
| 0 to 10,000 | 920 | 2,199 | -855 | -143 | -4,831 | -791 |
| 10,000 to 20,000 | 489 | 1,750 | 813 | 1,126 | -2,364 | 128 |
| 20,000 to 30,000 | 318 | 672 | 197 | 273 | -250 | 19 |
| 30,000 to 40,000 | 498 | 1,417 | 202 | 458 | -1,326 | -207 |
| 40,000 to 50,000 | 530 | 1,343 | 107 | 671 | -612 | 159 |
| 50,000 to 75,000 | 1,189 | 3,768 | 4,186 | 5,222 | 1,097 | 2,752 |
| 75,000 to 100,000 | 494 | 2,173 | 90 | 503 | -982 | 56 |
| 100,000 to 200,000 | 833 | 4,556 | 4,590 | 5,135 | -1,184 | 2,945 |
| 200,000 and Over | 380 | 5,731 | 23,181 | 24,775 | 11,080 | 21,279 |
| Total | 5,732 | 23,907 | 32,365 | 38,597 | 45 | 26,620 |

SOURCE: Congressional Budget Office tabulations of the 1993 Sales of Capital Assets panel.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Transactions with missing or inconsistent information were excluded.

of business assets, it is not surprising that the elderly are more likely to realize losses after adjustment for inflation.

## THE DISTRIBUTION OF THE TAX ON CAPITAL GAINS

In 1993, 17.7 million taxpayers realized $140 billion in capital gains. After adding in losses carried over from previous years and subtracting current losses in excess of the $3,000 limit (which are carried forward to later years), $144 billion in capital gains were included in taxable income (see Table 13). Individuals paid $33 billion in tax on those capital gains. For this purpose, the tax is calculated as the difference between the actual 1993 tax liability and the tax that would have been owed if no capital gains had been reported in 1993. By comparison, in 1993 total federal individual income taxes from all sources were $503 billion. The tax on capital gains therefore amounted to less than 7 percent of the total. The tax on capital gains for those who realized gains amounted to 14 percent of their total income tax liability.

The distribution of tax liability attributable to capital gains is more concentrated at high income levels than the distribution of capital gains, because marginal tax rates increase with income. Taxpayers who have lower incomes face marginal tax rates of 0 percent or 15 percent, whereas middle- and upper-income taxpayers face the 28 percent maximum tax rate. But because about 85 percent of capital gains are realized by people in the 28 percent tax bracket, the difference is small. In 1993, taxpayers who had incomes of more than $200,000 realized 61.9 percent of the capital gains and paid 62.4 percent of the tax (see Table 13). By contrast, taxpayers who had incomes between 0 and $50,000 realized 15.6 percent of the gains and paid 10.5 percent of the tax.

The effective tax rate on capital gains—that is, the additional tax attributable to capital gains as a percentage of capital gains—reflects the progressivity of the income tax. Taxpayers who had an income under $10,000 in 1993 paid an average of 11 percent of their capital gains in tax (see Table 14). The proportion increases to a maximum of about 24 percent for taxpayers in the highest income categories. It never reaches the statutory maximum rate of 28 percent, because some taxpayers have losses and deductions that lower their taxable income (before capital gains) below the threshold for the 28 percent bracket.

Nonetheless, effective tax rates vary among taxpayers at the highest income levels. Some taxpayers face a maximum effective tax rate higher than 28 percent. Taxpayers who have incomes of more than $200,000 may face effective tax rates of 29.2 percent because of the phaseout of itemized deductions. A few taxpayers face even higher tax rates because of other provisions, such as the partial taxation of

TABLE 13. TAXES PAID ON CAPITAL GAINS, BY INCOME, 1993

| Income | Number of Returns (Millions) | Taxable Capital Gains (Millions of dollars) | Taxes Paid on Gains (Millions of dollars) | Share of Total: Gains (Percent) | Share of Total: Taxes Paid (Percent) |
|---|---|---|---|---|---|
| Less Than 0 | 0.5 | 240 | -62 | -6.6 | -0.2 |
| 0 to 10,000 | 2.7 | 1,778 | 154 | 1.0 | 0.5 |
| 10,000 to 20,000 | 2.4 | 4,226 | 558 | 3.1 | 1.7 |
| 20,000 to 30,000 | 2.2 | 5,194 | 786 | 3.8 | 2.4 |
| 30,000 to 40,000 | 2.0 | 5,247 | 941 | 4.0 | 2.8 |
| 40,000 to 50,000 | 1.6 | 5,169 | 1,020 | 3.7 | 3.1 |
| 50,000 to 75,000 | 2.9 | 11,664 | 2,557 | 8.7 | 7.7 |
| 75,000 to 100,000 | 1.4 | 7,994 | 1,842 | 6.0 | 5.6 |
| 100,000 to 200,000 | 1.4 | 19,187 | 4,645 | 14.4 | 14.0 |
| 200,000 and Over | 0.6 | 83,438 | 20,675 | 61.9 | 62.4 |
| Total | 17.7 | 144,137 | 33,115 | 100.0 | 100.0 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data and estimates from the CBO individual income tax model.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Taxable capital gains include losses carried over from previous years, but exclude net losses in excess of the $3,000 limit, which must be carried over to later years. Taxes paid on gains are computed by comparing tax liability with and without gains.

TABLE 14. TAXES PAID ON CAPITAL GAINS AS PERCENTAGES OF TAXABLE GAINS AND TOTAL TAXES, BY INCOME AND AGE, 1993

| | Taxes Paid on Gains as Percentage of Taxable Gains | | | Taxes Paid on Gains as Percentage of All Income Taxes | | |
|---|---|---|---|---|---|---|
| Income | All Taxpayers | Under 65 | 65 and Over | All Taxpayers | Under 65 | 65 and Over |
| Less Than 0 | 0.7 | 0.7 | 0.7 | -0.8 | -0.6 | -1.8 |
| 0 to 10,000 | 11.0 | 10.8 | 11.7 | 1.8 | 2.0 | 1.3 |
| 10,000 to 20,000 | 13.0 | 12.8 | 13.2 | 2.4 | 1.3 | 6.8 |
| 20,000 to 30,000 | 14.8 | 14.3 | 15.4 | 1.9 | 1.0 | 7.3 |
| 30,000 to 40,000 | 16.8 | 14.8 | 18.9 | 1.9 | 0.9 | 11.5 |
| 40,000 to 50,000 | 19.5 | 17.7 | 21.7 | 2.2 | 1.2 | 11.6 |
| 50,000 to 75,000 | 20.9 | 20.4 | 21.8 | 2.8 | 1.8 | 14.6 |
| 75,000 to 100,000 | 21.9 | 21.5 | 22.7 | 3.8 | 2.7 | 17.3 |
| 100,000 to 200,000 | 23.0 | 22.5 | 24.1 | 6.9 | 5.1 | 21.7 |
| 200,000 and Over | 23.9 | 23.6 | 24.9 | 17.9 | 15.8 | 31.1 |
| Total | 23.7 | 23.5 | 24.2 | 6.6 | 5.2 | 17.5 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data and estimates from the CBO individual income tax model.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Capital gains are before carryover and loss limit. Taxes paid on gains are computed by comparing tax liability with and without gains.

Social Security benefits, which is phased in when income exceeds a threshold amount.

For example, a taxpayer whose income, excluding capital gains, is below the threshold for taxation of Social Security may find that realizing capital gains subjects some of his or her Social Security benefits to tax. (This provision does not raise effective tax rates for taxpayers whose income before capital gains is high enough so that all Social Security benefits would be subject to the partial tax.) Other taxpayers face lower tax rates because they have carried over previous years' capital losses that shelter current-year capital gains from tax, or have business losses and other deductions that put them in lower tax brackets.

People of working age generally face lower tax rates on capital gains than do older people, because they have more exemptions and deductions and are usually not subject to the tax on Social Security benefits. Taxpayers age 65 and over with incomes between $30,000 and $50,000 had an effective rate on their capital gains that was 4 percentage points higher than that of younger taxpayers with the same incomes, primarily because of the effect on the inclusion of Social Security benefits in taxable income. For taxpayers at other income levels, the difference averaged less than 2 percentage points.

Taxes on capital gains are an increasingly important part of total tax liability at higher incomes. They are less than 3 percent of total income tax liability for taxpayers whose incomes are under $75,000. At the highest income levels, taxes on capital gains are much more significant. The tax on capital gains for people who have incomes of more than $200,000 accounts for an average of 18 percent of their total income tax.

Taxes on capital gains constitute a much larger share of total income taxes for taxpayers over 64 years old. The share averages 18 percent for older taxpayers, compared with 5 percent for those under 65. The difference arises primarily because capital gains constitute a much larger share of income for older taxpayers (see Figure 4). Taxes on capital gains make up 31 percent of total income taxes for those over age 64 whose incomes exceed $200,000, compared with 16 percent for taxpayers under 65.

## APPENDIX: DATA, METHODOLOGY, AND ADDITIONAL TABLES

Most of the data in this paper come from samples of taxpayer returns provided by the Internal Revenue Service (IRS) and tabulated by the Congressional Budget Office. CBO used three main data sources to tabulate tax information: the Statistics of Income (SOI) individual income tax sample for selected years, the 1981-based Treasury panel, and the 1985-based Sales of Capital Assets (SOCA) study. Each data source has limitations.

Most previous analyses of capital gains realizations have been based on the SOI samples of individual income tax returns. The IRS compiles these data sets annually. They are a uniquely valuable source of information on the taxable components of income because the sample is quite large—104,357 observations in 1993—and are thought to represent accurately the major components of taxable income and expense for the population. The sample is limited because it provides little information about the transactions that generated taxable income or how individuals' incomes vary over time.

The data from the 1981-based Treasury panel and the 1985-based Sales of Capital Assets study overcome some of the limitations of the SOI sample. The Treasury panel is based on a sample of taxpayers who were followed over a 10-year period. The data show how individuals changed their behavior over time. The 1985-based SOCA follows a sample of taxpayers beginning in 1985 and contains detailed information about the types of transactions that lead to capital gains realizations. Given these rich sources, there are many possible ways of analyzing the data.

### SOI Individual Income Sample

Each year, the Statistics of Income division of the Internal Revenue Service collects a sample of more than 100,000 individual income tax returns out of more than 100 million filed. The sample is considered cross-sectional because it represents a "snapshot" of the population at a particular time. Because of the sample's size and the cross-sectional nature of the data, researchers can use it to obtain a fairly accurate picture of the taxable components of income for a particular year. Furthermore, by looking at various years of the sample, researchers can see how population characteristics change over time. The changes do not, however, provide direct information about how people changed their behavior.

For example, in 1993, joint returns with incomes above $200,000 accounted for about 66 percent of total gains realizations (see Table A-28). For 1985, that category (measured in 1993 dollars) accounted for about 69 percent of gains realizations. But the 1993 and 1985 SOI samples are independent snapshots at a particular time, and the taxpayers in this top bracket change over a period of time.

Higher-income taxpayers make up a disproportionately large share of the IRS samples. For example, about 24 percent of the taxpayers in the sample have incomes above $1 million, although those taxpayers make up only about 1 percent of the population as a whole.[1] The sample's large share of higher-income taxpayers enables researchers to produce more precise estimates of such variables as capital gains realizations, which are held predominantly by individuals with higher incomes.

Although tabulations of the annual SOI data provide accurate information about the size of total realizations of capital gains for a particular year, they have three main limitations. First, since each year's sample is selected independently, there is no way to determine how the behavior of individual taxpayers may have changed over time. (The SOI sample does include a small subsample of people who are selected at random to be included every year. Because it contains few people with high incomes, it represents only a tiny fraction of capital gains.) Second, the data do not contain information about the characteristics of individual transactions that produced capital gains. And finally, the data do not provide information about the types of assets that people are holding, only those assets that taxpayers have sold.

### 1981-Based Treasury Panel

CBO used panel data to observe the behavior of taxpayers over time. The 1981-based Treasury panel consists of about 20,000 taxpayers who were chosen from the regular 1981 SOI individual income tax sample. Like the SOI, the panel contains a disproportionately higher share of high-income taxpayers. For that subsample, the panel includes tax returns for 1979 to 1988.

The main shortcomings of the Treasury panel were missing returns and variables for certain returns in particular years. A panel member's return might be missing in a particular year for various reasons: the Social Security number was incorrect, the member did not file a return—usually because of income below the filing threshold or death—or the IRS misplaced it. (Returns filed late are included in the sample for the appropriate tax year.) Out of a sample of 19,947 returns, 16,182 were present in all 10 years of the panel. CBO dealt with missing returns by excluding them from its calculation of the average income and gains. For example, if a taxpayer was observed in six out of the 10 years, that taxpayer's average was calculated only from the six available observations. This method is equivalent to assuming that the average values for the missing years equal the average of the observed years.

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1. Internal Revenue Service, *Statistics of Income-1993, Individual Income Tax Returns* (1996), p. 22.

Alternatively, the tables might have been created under the assumption that gains and income were equal to zero for the missing years. Which assumption is more reasonable? Clearly the assumption that gains and income equal their average values presents the most accurate picture for people who left the sample because they died or were simply lost by the IRS. The assumption that gains and income were zero probably makes more sense for people whose incomes fell below the filing threshold, but it is unlikely that many gains are in that category.

In practice, it makes little difference which assumption is chosen. Under the assumption used in this paper, 56.8 percent of gains were realized by people with average incomes over $200,000. Under the alternative, 56.4 percent were in that category. Taxpayers with incomes between $100,000 and $200,000 accounted for 15.7 percent of gains under the base assumption, 14.6 percent under the alternative. The pattern is reversed for people in the $75,000 to $100,000 category, but the difference is still small. The numbers produced under the assumption that missing values are zero would not change any of the qualitative conclusions in the paper.

The problem of missing variables on certain returns arises because the IRS did not collect all variables for all taxpayers for all years of the panel. The IRS data came from two sources: the SOI individual income tax sample and the Returns Transactions File (RTF), which is the file containing all returns.[2] The RTF contains only a subset of the variables on the SOI. For example, gains from the sales of business property reported on Form 4797 were not available on 12,402 of the 18,035 returns in 1979. Capital gains distributions reported on Schedule D were missing for 7,861 of 16,762 returns collected in 1987. CBO imputed the missing values using the average value of the variables from the years in which they were available.

Another major limitation of the data, as with the SOI individual income tax sample, is that the panel does not contain information about the transactions that generated the gains.

## 1985-Based SOCA

About every four years, the Statistics of Income division of the Internal Revenue Service produces a data set containing information on the capital gains and losses reported on Schedule D. The purpose is to give researchers additional information about capital gains. The IRS selected a subset of about 56,000 returns from the 1985 SOI individual income tax sample to create the 1985 Sales of Capital Assets file. In addition to the income components that are normally contained in the SOI file, that

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2. The panel was originally planned to include only five years: 1979-1983. The later years were added by the Treasury Department using data from the RTF and the annual SOI individual income tax files.

data set contains the information on transactions from Schedule D of the 1040 form on the sales prices, basis, holding periods, and types of assets sold in 1985.[3] The file also contains detail for some supporting tax forms: Form 2119 (sale of a residence), Form 4797 (sale of business property), and Form 6252 (installment sales).

From the 1985 SOCA file, the IRS selected an additional subsample of 12,980 returns to be followed over time. Those returns constitute the 1985-based SOCA panel. To produce the data appearing in the body of this paper, CBO tabulated the 1985 SOCA panel in tax year 1993, the most recent year available. CBO analysis focused only on the returns that include capital gains transactions (see Table A-1). In 1993, out of a sample of 13,488 returns, 9,259 returns included capital gains transactions. Additional tabulations of the SOCA data are included at the end of the appendix.

The 1985-based SOCA panel contains the data from taxpayers followed over time, although the tax returns from various years have not been linked. As a result, CBO treats tabulations of the 1993 data sample in this paper as if they were a cross-sectional sample. In order to accomplish that, CBO weighted each return from the 1993 SOCA by its 1985 SOCA weight, which was created by the staff of the Office of Tax Analysis of the Department of the Treasury. Using that method, however, may generate certain problems.[4]

Although the data represent the population fairly accurately in the base year of 1985, the panel becomes less representative of the population over time. That is because members leave the panel and are not replaced. Although new taxpayers entered the economy after 1985, the panel did not add more returns to represent those new entrants. Furthermore, panel members' returns may not have been available for sampling in later years because errors were made in processing, or because the taxpayers died, did not have enough income to file a return, or filed a return later. Moreover, a tax unit's filing status could change in time because of marriage or divorce. For example, a taxpayer who was single in 1985 could have been married

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3. For a discussion of the development of the 1985 Sales of Capital Assets project, see Susan Hostetter, "Membership in a Linked Panel of Individual Tax Returns: Review and Results," in American Statistical Association, *Proceedings of the Section on Survey Research Methods,* vol. 2 (Alexandria, Va.: American Statistical Association, 1993); and Dan Holik, "The 1985 Sales of Capital Assets Study," in American Statistical Association, *Proceedings of the Section on Survey Research Methods* (Alexandria, Va.: American Statistical Association, 1989).

4. For a discussion of issues related to the use of panel surveys for cross-sectional estimates, see John Czajka, "Income Stratification in Panel Surveys: Issues in Design and Estimation," in American Statistical Association, *Proceedings of the Section on Survey Research Methods* (Alexandria, Va.: American Statistical Association, 1994).

in later years and thus brought additional income and assets into the sample. Conversely, some individuals may have changed their filing status to single.[5]

In spite of the aging of the panel between 1985 and 1993, it continued to come reasonably close to the large annual SOI samples in terms of the total number of returns and net gains in adjusted gross income (AGI). The 1993 SOI sample indicates that 14.5 million returns reported capital gains, and the 1993 SOCA panel indicates that 15.3 million returns reported capital gains (see Table A-2). The SOI sample finds $141.6 billion of net gains in AGI; the SOCA panel finds 7 percent less. The 1989 SOCA panel is even closer to the 1989 SOI sample, and the full SOCA file for 1985 is not quite as close on the number of returns but closer on net gains in AGI (see Table A-5 and A-6).

The aging of the panel does appear to have affected the distribution of returns by income in 1993. Compared with the SOI, the SOCA panel includes too few returns with adjusted gross incomes below $30,000 and too many with incomes above $30,000. For example, based on the SOCA, about 0.9 million returns with capital gains were in the $1 to $10,000 category, compared with about 1.6 million in the SOI. The SOCA estimates imply about 18 percent too few returns with capital gains below $30,000 and about 21 percent too many returns above $30,000. Such large distributional differences occur because taxpayers with low incomes in 1985 were less likely to file income tax returns in the later years of the sample than people with higher incomes, because their incomes were more likely to fall below the filing threshold.

An additional problem is that particular returns could have too much weight in later years of the panel. That could take place if taxpayers whose income was normally high had an unusually low income in the year the sample and weights were created. If that took place, the tabulations would be too dependent on those few taxpayers. A few returns with large weights and large transaction values would account for too much of the total capital gains. For example, one return in 1993 was a radical anomaly: it weighed heavily in the calculation, reported hundreds of transactions, and had large capital gains. It was deleted.

CBO examined the sensitivity of the results to the remaining irregularities. For each asset type, the extreme points of the sample were determined by ranking the transactions by their weighted net gains from the lowest to the highest. The distribution of transactions by asset type varies only slightly when the far ends are eliminated (see Table A-3). Using all observations, corporate stock accounts for

5. When people who filed joint returns in 1985 change their status to file separate returns in later years, the panel includes both returns. That can cause the total number of returns in the panel to increase, as shown in Table A-1 for 1989 and 1993.

about 43 percent of all transactions, mutual funds for 21 percent, and partnerships, S corporations, and fiduciaries for about 7 percent. After eliminating the largest and smallest 1 percent of weighted transactions, the corporate stock share falls to 38 percent, mutual funds rise to 23 percent, and partnerships, S corporations, and fiduciaries remain at about 7 percent.

The change in the percentage of net gains, however, was more dramatic (see Table A-4). Using all observations, corporate stock accounts for about 32 percent of net gains. Eliminating the largest and smallest 1 percent of weighted transactions causes that share to slip to just 24 percent. Business property falls from 11 percent to 7 percent. Partnerships, S corporations, and fiduciaries rise from 17 percent to 25 percent.

There is no straightforward method of handling the problem. Simply ignoring the transactions at the far ends would be invalid because they could represent important exchanges not represented elsewhere in the sample. CBO could have attempted to adjust the weights of those transactions from an imputation of lifetime income based on observed income over several years of the panel. But all years of the panel are not yet available. In addition, there are many possible ways of adjusting the weights, and the method chosen by CBO could have introduced additional complexity to the interpretation of bias and sources of data. SOI is in the process of revising the weights.

The IRS coded each transaction as one of 21 possible asset types, and CBO further reduced those categories to 15. In addition, to make sure that the total reported gains included those from all sources, CBO created two additional categories for gains that are reported directly on Schedule D and Form 1040 but that are not typically considered transactions because they do not contain the sales price and holding-period information. Those included capital gains distributions from mutual funds, which are on Schedule D and Form 1040, and gains from partnerships, S corporations, and fiduciaries reported on Schedule D. Although employing this method provides a more accurate measure of total gains, it may understate the number of transactions actually involved with the gain because each nonzero value was considered one transaction. In reality, for each single entry of capital gains distributions (or partnerships, S corporations, and fiduciaries) there could have been hundreds of transactions that made up the total gain reported on the single line of the form.

Some calculations required information about the dates on which an asset was purchased and sold. Unfortunately, many transactions lacked complete information on the date the asset was acquired or the date it was sold. Transactions that contained no information about dates were excluded from tabulations based on holding periods. In cases where some information was available, CBO made assumptions about the missing information. For example, in the 1993 SOCA, for a missing sell date on a long-term transaction, CBO assumed July 1, 1993. That was assumed for about 8 percent of the transactions. For missing sell dates on short-term transactions, CBO assumed a holding period of six months (about 4 percent of the transactions). If a long-term transaction lacked information about the year the asset was bought, the transaction was not used in the tabulation, since no easy assumption could be made. As a result, CBO discarded about 11 percent of the transactions. In some cases, the sales price, basis, and gain or loss reported for the transaction were inconsistent. CBO discarded about 8 percent of the transactions because of those problems.

## Additional Tables

Tables A-7 to A-28 present additional information derived from these data sets. In addition to underlying detail for many of the tables in the text, they also report tabulations of additional years' data, information about holding periods, and various other perspectives on the data.

TABLE A-1. NUMBER OF TAX RETURNS, TOTAL AND SAMPLES

| Sample | Returns | Returns with Capital Gains |
|---|---|---|
| Income Tax Returns Filed in 1985 | 101,836,347 | 11,125,595 |
| SOI Individual Income Sample in 1985 | 121,480 | 58,965 |
| SOCA File in 1985 | 56,649 | 31,168 |
| SOCA Panel in 1985 | 12,980 | 8,071 |
| SOCA Panel in 1989 | 13,519 | 8,912 |
| SOCA Panel in 1993 | 13,488 | 9,259 |

SOURCE: Congressional Budget Office based on tabulations of the 1993 Sales of Capital Assets panel; Internal Revenue Service; the 1985 Statistics of Income individual income tax return data; and Susan Hostetter, "Membership in a Linked Panel of Individual Tax Returns: Review and Results," in American Statistical Association, *Proceedings of the Section on Survey Research Methods, Volume II* (Alexandria, VA: American Statistical Association, 1993).

NOTES: Samples are described in text of Appendix.

SOI = Statistics of Income, SOCA = Sales of Capital Assets.

TABLE A-2. DIFFERENCES IN CAPITAL GAINS DATA BETWEEN 1993 STATISTICS OF INCOME AND SOCA PANEL IN 1993 (Numbers of returns are in thousands of dollars, gains are in millions of dollars)

| Adjusted Gross Income | Returns: SOI | Returns: SOCA | Returns: Difference | Returns: Percent Difference | Net Gains in AGI: SOI | Net Gains in AGI: SOCA | Net Gains in AGI: Difference | Net Gains in AGI: Percent Difference |
|---|---|---|---|---|---|---|---|---|
| Less Than 0 | 292 | 278 | 14 | 5 | 5,635 | 5,200 | 435 | 8 |
| 0 to 10,000 | 1,611 | 900 | 711 | 44 | 1,123 | 293 | 830 | 74 |
| 10,000 to 20,000 | 1,802 | 1,784 | 18 | 1 | 3,325 | 1,346 | 1,979 | 60 |
| 20,000 to 30,000 | 1,593 | 1,312 | 281 | 18 | 3,748 | 2,520 | 1,228 | 33 |
| 30,000 to 40,000 | 1,561 | 1,676 | -115 | -7 | 3,928 | 3,440 | 488 | 12 |
| 40,000 to 50,000 | 1,276 | 1,489 | -213 | -17 | 4,730 | 5,269 | -539 | -11 |
| 50,000 to 75,000 | 2,584 | 3,221 | -637 | -25 | 10,344 | 6,622 | 3,722 | 36 |
| 75,000 to 100,000 | 1,385 | 1,728 | -343 | -25 | 8,541 | 7,255 | 1,286 | 15 |
| 100,000 to 200,000 | 1,596 | 1,953 | -357 | -22 | 20,074 | 25,477 | -5,403 | -27 |
| 200,000 and Over | 764 | 988 | -224 | -29 | 80,128 | 74,646 | 5,482 | 7 |
| Total | 14,465 | 15,329 | -864 | -6 | 141,577 | 132,069 | 9,508 | 7 |

SOURCE: Congressional Budget Office based on tabulations of the 1993 Sales of Capital Assets panel and the 1993 Statistics of Income individual income tax return data.

NOTES: SOI = Statistics of Income.

SOCA = Sales of Capital Assets.

AGI = adjusted gross income.

TABLE A-3. SHARE OF TRANSACTIONS BY ASSET TYPE FOR FULL SOCA SAMPLE AND SAMPLE WITH EXCLUSIONS FOR EXTREME OBSERVATIONS, 1993 (In percent)

| Type of Asset | All Observations | Excluded Tails (Percent) 0.10 | 0.25 | 0.50 | 1.00 | 2.00 |
|---|---|---|---|---|---|---|
| Corporate Stock | 43.3 | 42.4 | 41.3 | 39.6 | 38.0 | 35.4 |
| Mutual Funds | | | | | | |
| Capital gain distributions | 9.4 | 9.9 | 10.1 | 10.7 | 11.3 | 12.5 |
| Sales of shares | 11.3 | 11.2 | 11.5 | 11.7 | 12.1 | 12.1 |
| Put and Call Options, Commodities Futures, and Other Securities | 5.0 | 5.1 | 5.1 | 5.0 | 5.2 | 5.4 |
| Federal Obligations | 2.2 | 2.1 | 2.2 | 2.3 | 2.4 | 2.7 |
| State and Local Government Obligations | 5.1 | 5.0 | 5.1 | 5.1 | 5.0 | 4.8 |
| Other Bonds, Notes, and Debentures | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 2.2 |
| Sale of Principal Residence | 3.3 | 3.5 | 3.7 | 3.9 | 4.4 | 5.0 |
| Other Personal Residence | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Residential Rental Property | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 1.9 |
| Land Other Than Farmland | 1.3 | 1.4 | 1.4 | 1.5 | 1.3 | 1.4 |
| Partnerships, S Corporations, Fiduciaries | 6.5 | 6.6 | 6.7 | 7.0 | 6.9 | 6.6 |
| Business Property | 2.3 | 2.2 | 2.3 | 2.3 | 2.2 | 2.3 |
| Livestock | 1.0 | 1.1 | 1.1 | 1.2 | 1.3 | 1.3 |
| Timber | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Farmland | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other | 5.7 | 5.8 | 5.8 | 5.7 | 5.7 | 6.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Congressional Budget Office based on tabulations of the 1993 Sales of Capital Assets panel.

NOTES: For each asset type, the tails of the distribution were determined by ranking the observations by their net gains from the lowest to the highest. The percentage shown represents the total share of the lowest and highest observations that were excluded from the tabulation.

SOCA = Sales of Capital Assets.

TABLE A-4. SHARE OF NET GAINS BY ASSET TYPE FOR FULL SOCA SAMPLE AND SAMPLE WITH EXCLUSIONS FOR EXTREME OBSERVATIONS, 1993 (In percent)

| Type of Asset | All Obser- vations | Excluded Tails (Percent) 0.10 | 0.25 | 0.50 | 1.00 | 2.00 |
|---|---|---|---|---|---|---|
| Corporate Stock | 31.5 | 28.5 | 26.4 | 24.8 | 23.5 | 23 |
| Mutual Funds | | | | | | |
| Capital gain distributions | 7.3 | 10.7 | 11.9 | 12.7 | 13.4 | 14.7 |
| Sales of shares | 2.1 | 2.6 | 2.6 | 2.8 | 2.8 | 2.8 |
| Put and Call Options, Commodities Futures, and Other Securities | 0.1 | 0.4 | 0.5 | 0.5 | 0.5 | 0.4 |
| Federal Obligations | 0.6 | 1.0 | 1.0 | 1.1 | 1.2 | 1.3 |
| State and Local Government Obligations | 1.0 | 1.8 | 1.7 | 1.6 | 1.5 | 1.4 |
| Other Bonds, Notes, and Debentures | 0.5 | 0.6 | 0.7 | 0.7 | 0.8 | 0.9 |
| Sale of Principal Residence | 2.0 | 2.6 | 3.1 | 2.8 | 2.8 | 1.8 |
| Other Personal Residence | 0.1 | 0 | 0.1 | 0.1 | 0.1 | 0.5 |
| Residential Rental Property | 5.6 | 5.8 | 6.1 | 6.3 | 6.4 | 6.3 |
| Land Other Than Farmland | 3.5 | 4.5 | 4.1 | 4.5 | 5.0 | 5.5 |
| Partnerships, S Corporations, Fiduciaries | 17.3 | 22.3 | 22.9 | 23.8 | 25.2 | 26.7 |
| Business Property | 11.4 | 7.6 | 7.9 | 7.8 | 7.0 | 5.8 |
| Livestock | 1.0 | 1.2 | 1.3 | 1.3 | 1.3 | 1.2 |
| Timber | 0.9 | 0.4 | 0.4 | 0.5 | 0.7 | 0.5 |
| Farmland | 0.9 | 0.7 | 0.9 | 1.0 | 1.3 | 1.1 |
| Other | 14.3 | 9.4 | 8.5 | 7.6 | 6.6 | 6.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Congressional Budget Office based on tabulations of 1993 Sales of Capital Assets panel.

NOTES: For each asset type, the tails of the distribution were determined by ranking the observations by their net gains from the lowest to the highest. The percentage shown represents the total share of the lowest and highest observations that were excluded from the tabulation.

SOCA = Sales of Capital Assets.

TABLE A-5. DIFFERENCES IN CAPITAL GAINS DATA BETWEEN 1985 SOI AND SOCA PANEL IN 1985
(Numbers of returns are in thousands, gains are in millions of dollars)

| | Returns | | | | Net Gains in AGI | | | |
|---|---|---|---|---|---|---|---|---|
| Adjusted Gross Income | SOI | SOCA | Difference | Percent Difference | SOI | SOCA | Difference | Percent Difference |
| Less Than 0 | 255 | 399 | -144 | -57 | 4,653 | 4,624 | 29 | 1 |
| 0 to 10,000 | 1,238 | 1,563 | -325 | -26 | 1,172 | 1,090 | 82 | 7 |
| 10,000 to 20,000 | 1,762 | 1,984 | -222 | -13 | 1,908 | 1,888 | 20 | 1 |
| 20,000 to 30,000 | 1,780 | 2,024 | -244 | -14 | 2,345 | 2,294 | 51 | 2 |
| 30,000 to 40,000 | 1,584 | 1,744 | -160 | -10 | 2,899 | 2,704 | 195 | 7 |
| 40,000 to 50,000 | 1,271 | 1,474 | -203 | -16 | 2,854 | 2,618 | 236 | 8 |
| 50,000 to 75,000 | 1,748 | 1,882 | -134 | -8 | 6,570 | 6,412 | 158 | 2 |
| 75,000 to 100,000 | 642 | 695 | -53 | -8 | 4,089 | 4,172 | -84 | -2 |
| 100,000 to 200,000 | 598 | 627 | -29 | -5 | 9,493 | 9,442 | 51 | 1 |
| 200,000 and Over | 250 | 248 | 2 | 1 | 31,713 | 30,565 | 1,148 | 4 |
| Total | 11,128 | 12,640 | -1,512 | -14 | 67,694 | 65,810 | 1,884 | 3 |

SOURCE: Congressional Budget Office based on tabulations of 1985 Sales of Capital Assets file and the 1985 Statistics of Income individual income tax return data.

NOTES: SOI = Statistics of Income.

SOCA = Sales of Capital Assets.

AGI = adjusted gross income.

TABLE A-6. DIFFERENCES IN CAPITAL GAINS DATA BETWEEN 1989 SOI AND SOCA PANEL IN 1989
(Numbers of returns are in thousands, gains are in millions of dollars)

| | Returns | | | | Net Gains in AGI | | | |
|---|---|---|---|---|---|---|---|---|
| Adjusted Gross Income | SOI | SOCA | Difference | Percent Difference | SOI | SOCA | Difference | Percent Difference |
| Less Than 0 | 256 | 162 | 94 | 37 | 6,612 | 5,221 | 1,391 | 21 |
| 0 to 10,000 | 1,299 | 995 | 304 | 23 | 880 | 438 | 442 | 50 |
| 10,000 to 20,000 | 1,673 | 1,374 | 299 | 18 | 2,243 | 769 | 1,474 | 66 |
| 20,000 to 30,000 | 1,559 | 1,399 | 160 | 10 | 3,199 | 1,078 | 2,121 | 66 |
| 30,000 to 40,000 | 1,498 | 1,437 | 61 | 4 | 3,484 | 1,604 | 1,880 | 54 |
| 40,000 to 50,000 | 1,390 | 1,325 | 65 | 5 | 4,560 | 3,292 | 1,268 | 28 |
| 50,000 to 75,000 | 2,277 | 3,085 | -808 | -35 | 10,367 | 13,264 | -2,897 | -28 |
| 75,000 to 100,000 | 1,163 | 1,208 | -45 | -4 | 8,896 | 8,110 | 786 | 9 |
| 100,000 to 200,000 | 1,129 | 1,150 | -21 | -2 | 18,729 | 23,517 | -4,788 | -26 |
| 200,000 and Over | 602 | 707 | -105 | -17 | 85,034 | 86,970 | -1,936 | -2 |
| Total | 12,846 | 12,841 | 5 | a | 144,004 | 144,263 | -259 | a |

SOURCE: Congressional Budget Office based on tabulations of 1989 Sales of Capital Assets panel and the 1989 Statistics of Income individual income tax return data.

NOTES: SOI = Statistics of Income.

SOCA = Sales of Capital Assets.

AGI = adjusted gross income.

a. Less than 0.5.

TABLE A-7. COMPOSITION OF CAPITAL GAINS AND LOSSES, BY ASSET TYPE, 1985 (In percent)

| Asset Type | Dollar Value of Gains (Percentage of total) | | | Number of Transactions (Percentage of total) | | | Gains per Transaction (Average in dollars) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Negative Gains | Positive Gains | Net Gains | Negative Gains | Positive Gains | All Gains | Negative Gains | Positive Gains | Net Gains |
| Corporate Stock | 44.6 | 39.0 | 37.8 | 57.5 | 47.4 | 50.3 | -2,033 | 5,027 | 2,742 |
| Mutual Funds | | | | | | | | | |
| Capital gain distributions | 0 | 1.6 | 1.9 | 0 | 6.4 | 4.6 | -3,938 | 1,489 | 1,483 |
| Sales of shares | 1.5 | 0.6 | 0.5 | 4.0 | 2.8 | 3.1 | -972 | 1,439 | 557 |
| Put and Call Options, Commodities Futures, and Other Securities | 11.0 | 1.9 | 0 | 14.4 | 6.2 | 8.5 | -1,995 | 1,822 | 0 |
| Federal Obligations | 0.4 | 0.2 | 0.2 | 1.6 | 0.8 | 1.0 | -713 | 1,684 | 627 |
| State and Local Government Obligations | 1.9 | 0.8 | 0.6 | 3.1 | 3.1 | 3.1 | -1,582 | 1,591 | 690 |
| Other Bonds, Notes, and Debentures | 1.7 | 0.5 | 0.3 | 1.7 | 1.8 | 1.8 | -2,650 | 1,687 | 534 |
| Sale of Principle Residence | n.a. | 1.3 | 1.5 | n.a. | 4.1 | 2.9 | n.a. | 1,912 | 1,912 |
| Other Personal Residence | 0 | 0.2 | 0.3 | 0 | 0.2 | 0.1 | -240 | 8,757 | 8,101 |
| Residential Rental Property | 3.0 | 9.5 | 10.8 | 0.9 | 4.9 | 3.8 | -8,794 | 11,862 | 10,482 |
| Land Other Than Farmland | 1.5 | 6.2 | 7.1 | 0.6 | 2.8 | 2.2 | -6,389 | 13,646 | 12,056 |
| Partnerships, S Corporations, Fiduciaries | 15.0 | 21.8 | 23.2 | 7.3 | 7.7 | 7.6 | -5,375 | 17,396 | 11,173 |
| Business Property | 3.5 | 8.2 | 9.2 | 2.1 | 4.8 | 4.0 | -4,404 | 10,430 | 8,254 |
| Livestock | 0.8 | 1.0 | 1.0 | 1.8 | 2.4 | 2.2 | -1,135 | 2,426 | 1,627 |
| Timber | 0.1 | 0.3 | 0.3 | 0.1 | 0.2 | 0.2 | -2,452 | 7,873 | 6,146 |
| Farmland | 0.9 | 0.9 | 0.9 | 0.1 | 0.6 | 0.5 | -40,846 | 9,024 | 7,178 |
| Other | 14.2 | 6.1 | 4.5 | 4.8 | 3.9 | 4.1 | -7,759 | 9,683 | 3,958 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | -2,623 | 6,117 | 3,644 |
| **Memorandum:** Dollar totals (Millions) | -32,292 | 190,847 | 158,556 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Return totals (Thousands) | n.a. | n.a. | n.a. | 12,310 | 31,198 | 43,508 | n.a. | n.a. | n.a. |

SOURCE: Congressional Budget Office based on tabulations of the 1985 Sales of Capital Assets file.

NOTE: n.a. = not applicable.

TABLE A-8. COMPOSITION OF CAPITAL GAINS AND LOSSES, BY ASSET TYPE, 1989 (In percent)

| Asset Type | Dollar Value of Gains (Percentage of total) Negative Gains | Positive Gains | Net Gains | Number of Transactions (Percentage of total) Negative Gains | Positive Gains | All Gains | Gains per Transaction (Average in dollars) Negative Gains | Positive Gains | Net Gains |
|---|---|---|---|---|---|---|---|---|---|
| Corporate Stock | 43.7 | 29.8 | 25.2 | 51.5 | 39.9 | 43.7 | -2,604 | 4,456 | 1,731 |
| Mutual Funds | | | | | | | | | |
| Capital gain distributions | 0 | 2.8 | 3.8 | 0.3 | 7.6 | 5.2 | -91 | 2,216 | 2,175 |
| Sales of shares | 5.7 | 0.9 | -0.8 | 7.7 | 4.4 | 5.5 | -2,266 | 1,166 | -417 |
| Put and Call Options, Commodities | | | | | | | | | |
| Futures and other securities | 14.3 | 2.1 | -1.9 | 14.2 | 10.3 | 11.6 | -3,094 | 1,240 | -501 |
| Federal Obligations | 0.9 | 0.9 | 0.9 | 2.5 | 2.5 | 2.5 | -1,111 | 2,276 | 1,145 |
| State and Local Government Obligations | 2.0 | 1.7 | 1.6 | 4.4 | 3.2 | 3.6 | -1,353 | 3,184 | 1,346 |
| Other Bonds, Notes, and Debentures | 1.7 | 0.2 | -0.3 | 1.5 | 1.0 | 1.2 | -3,471 | 1,155 | -794 |
| Sale of Principle Residence | n.a. | 6.8 | 9.1 | n.a. | 6.0 | 4.0 | n.a. | 6,741 | 6,741 |
| Other Personal Residence | 0.4 | 3.4 | 4.4 | 0.3 | 0.9 | 0.7 | -4,105 | 21,841 | 18,522 |
| Residential Rental Property | 1.2 | 5.4 | 6.8 | 0.6 | 3.0 | 2.2 | -6,093 | 10,847 | 9,346 |
| Land Other Than Farmland | 0.7 | 5.6 | 7.2 | 0.4 | 2.3 | 1.7 | -5,852 | 14,473 | 13,012 |
| Partnerships, S Corporation, Fiduciaries | 9.0 | 24 | 29.1 | 9.4 | 8.0 | 8.5 | -2,926 | 17,957 | 10,338 |
| Business Property | 2.8 | 10.2 | 12.8 | 1.3 | 3.2 | 2.6 | -6,657 | 19,194 | 14,991 |
| Livestock | 0.2 | 0.8 | 1.0 | 0.7 | 1.5 | 1.2 | -965 | 3,244 | 2,495 |
| Timber | 0 | 0.3 | 0.4 | 0.1 | 0.2 | 0.2 | -384 | 8,827 | 6,725 |
| Farmland | 1.5 | 1.2 | 1.1 | 0.1 | 0.2 | 0.2 | -40,906 | 34,153 | 18,615 |
| Other | 16.1 | 3.8 | -0.3 | 5.0 | 5.8 | 5.5 | -9,941 | 3,899 | -180 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | -3,072 | 5,970 | 3,007 |
| **Memorandum:** Dollar totals (Millions) | -48,775 | 194,545 | 145,770 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Return totals (Thousands) | n.a. | n.a. | n.a. | 15,880 | 32,590 | 48,469 | n.a. | n.a. | n.a. |

SOURCE: Congressional Budget Office based on tabulations of the 1989 Sales of Capital Assets panel.

NOTE: n.a. = not applicable.

TABLE A-9. COMPOSITION OF CAPITAL GAINS AND LOSSES, BY ASSET TYPE, 1993 (In percent)

| | Dollar Value of Gains (Percentage of total) | | | Number of Transactions (Percentage of total) | | | Gains per Transaction (Average in dollars) | | |
|---|---|---|---|---|---|---|---|---|---|
| Asset Type | Negative Gains | Positive Gains | Net Gains | Negative Gains | Positive Gains | All Gains | Negative Gains | Positive Gains | Net Gains |
| Corporate Stock | 51.9 | 36.6 | 31.5 | 61.9 | 36.1 | 43.3 | -2,213 | 4,107 | 1,606 |
| Mutual Funds | | | | | | | | | |
| Capital gain distributions | 0 | 5.5 | 7.3 | 0 | 13.0 | 9.4 | -7,674 | 1,701 | 1,699 |
| Sales of shares | 2.8 | 2.2 | 2.1 | 11.8 | 11.1 | 11.3 | -633 | 821 | 401 |
| Put and Call Options, Commodities | | | | | | | | | |
| Futures and other securities | 3.5 | 0.9 | 0.1 | 4.2 | 5.4 | 5.0 | -2,153 | 702 | 40 |
| Federal Obligations | 0.5 | 0.6 | 0.6 | 1.5 | 2.5 | 2.2 | -968 | 972 | 614 |
| State and Local Government Obligations | 3.5 | 1.6 | 1.0 | 3.3 | 5.7 | 5.1 | -2,755 | 1,146 | 439 |
| Other Bonds, Notes, and Debentures | 0.9 | 0.6 | 0.5 | 0.8 | 2.0 | 1.6 | -3,089 | 1,212 | 644 |
| Sale of Principle Residence | n.a. | 1.5 | 2.0 | n.a. | 4.5 | 3.3 | n.a. | 1,316 | 1,316 |
| Other Personal Residence | 0.4 | 0.2 | 0.1 | 0 | 0.2 | 0.2 | -25,865 | 3,555 | 1,184 |
| Residential Rental Property | 1.9 | 4.7 | 5.6 | 1.1 | 1.8 | 1.6 | -4,570 | 10,565 | 7,712 |
| Land Other Than Farmland | 0.8 | 2.9 | 3.5 | 0.8 | 1.5 | 1.3 | -2,563 | 7,534 | 5,790 |
| Partnerships, S Corporation, Fiduciaries | 15.3 | 16.8 | 17.3 | 6.9 | 6.3 | 6.5 | -5,875 | 10,803 | 5,889 |
| Business Property | 2.0 | 9.1 | 11.4 | 0.7 | 2.8 | 2.3 | -7,257 | 12,917 | 11,079 |
| Livestock | 0.1 | 0.8 | 1.0 | 0.3 | 1.3 | 1.0 | -1,508 | 2,527 | 2,243 |
| Timber | 0 | 0.7 | 0.9 | 0 | 0.2 | 0.1 | -214 | 15,925 | 14,630 |
| Farmland | 0.1 | 0.7 | 0.9 | 0 | 0.2 | 0.1 | -29,366 | 15,243 | 14,398 |
| Other | 16.2 | 14.8 | 14.3 | 6.6 | 5.3 | 5.7 | -6,503 | 11,262 | 5,560 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | -2,642 | 4,054 | 2,202 |
| **Memorandum:** Dollar totals (Millions) | -43,671 | 175,321 | 131,649 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Return totals (Thousands) | n.a. | n.a. | n.a. | 16,530 | 43,245 | 59,775 | n.a. | n.a. | n.a. |

SOURCE: Congressional Budget Office based on tabulations of the 1993 Sales of Capital Assets panel.

NOTE: n.a. = not applicable.

TABLE A-10. ASSET SALE PRICE, BASIS, AND GAINS BY ASSET TYPE, 1985 (In millions of 1985 dollars)

| Asset Type | Gains from Transactions with Valid Sales Price: Sales Price | Basis | Gains Before Adjust-ments | Exclusions or Basis Adjust-ments | Net Gains | Gains from Transactions with Missing Sales Price |
|---|---|---|---|---|---|---|
| Corporate Stock | 221,119 | 156,268 | 64,851 | -5,357 | 59,493 | 470 |
| Mutual Funds | | | | | | |
| Capital gain distributions | 0 | 0 | 0 | 0 | 0 | 2,960 |
| Sales of shares | 10,117 | 9,493 | 624 | 4 | 628 | 127 |
| Put and Call Options, Commodities Futures, and Other Securities | 16,933 | 17,624 | -691 | -9 | -700 | 701 |
| Federal Obligations | 29,016 | 28,763 | 253 | -1 | 252 | 19 |
| State and Local Government Obligations | 28,738 | 27,824 | 914 | 15 | 929 | 1 |
| Other Bonds, Notes, and Debentures | 29,836 | 29,397 | 439 | -6 | 433 | -12 |
| Sale of Principle Residence | 111,156 | 74,505 | 36,651 | -34,223 | 2,428 | 0 |
| Other Personal Residence | 1,208 | 771 | 437 | -145 | 292 | 147 |
| Residential Rental Property | 57,937 | 39,877 | 18,059 | -1,847 | 16,212 | 917 |
| Land Other Than Farmland | 22,960 | 8,947 | 14,013 | -3,194 | 10,819 | 497 |
| Partnerships, S Corporations, Fiduciaries | 10,073 | 4,622 | 5,451 | -90 | 5,362 | 31,429 |
| Business Property | 46,723 | 33,148 | 13,574 | 690 | 14,265 | 282 |
| Livestock | 2,669 | 1,484 | 1,186 | 287 | 1,473 | 117 |
| Timber | 919 | 390 | 529 | -76 | 453 | 6 |
| Farmland | 4,024 | 2,437 | 1,587 | -224 | 1,363 | 65 |
| Other | 21,739 | 15,763 | 5,976 | 658 | 6,634 | 490 |
| Total | 615,166 | 451,313 | 163,854 | -43,518 | 120,336 | 38,215 |

SOURCE: Congressional Budget Office based on tabulations of the 1985 Sales of Capital Assets file.

NOTE: The last column represents the gains from transactions with a missing or inconsistent sales price. Taxpayers may exclude part of their gain based on the purchase of a new home reported on Form 2119, the election of a one-time age exclusion on Form 2119, the use of fixing-up expenses and expenses of sale reported on Form 2119 and Form 6252, and the recapture of depreciation from Section 1245, 1250, 1252, 1254, and 1255 property on Form 4797. Taxpayers must adjust the basis of their property to account for allowed depreciation reported on Forms 4797 and 6252.

TABLE A-11. ASSET SALE PRICE, BASIS, AND GAINS BY ASSET TYPE, 1989 (In millions of 1989 dollars)

| Asset Type | Gains from Transactions with Valid Sales Price: Sales Price | Basis | Gains Before Adjust- ments | Exclusions or Basis Adjust- ments | Net Gains | Gains from Transactions with Missing Sales Price |
|---|---|---|---|---|---|---|
| Corporate Stock | 368,870 | 330,717 | 38,153 | -1,513 | 36,640 | 46 |
| Mutual Funds | | | | | | |
| Capital gain distributions | 0 | 0 | 0 | 0 | 0 | 5,493 |
| Sales of shares | 59,422 | 60,535 | -1,113 | 0 | -1,113 | 9 |
| Put and Call Options, Commodities Futures, and Other Securities | 50,175 | 53,147 | -2,973 | 4 | -2,969 | 155 |
| Federal Obligations | 60,632 | 59,314 | 1,318 | 10 | 1,328 | 50 |
| State and Local Government Obligations | 51,024 | 48,683 | 2,340 | 0 | 2,340 | 6 |
| Other Bonds, Notes, and Debentures | 30,509 | 30,728 | -219 | 5 | -214 | -244 |
| Sale of Principle Residence | 317,169 | 151,439 | 165,730 | -152,514 | 13,216 | 0 |
| Other Personal Residence | 68,239 | 39,650 | 28,589 | -22,193 | 6,396 | 0 |
| Residential Rental Property | 34,090 | 25,591 | 8,500 | 826 | 9,325 | 597 |
| Land Other Than Farmland | 26,322 | 12,451 | 13,871 | -3,321 | 10,549 | 0 |
| Partnerships, S Corporations, Fiduciaries | 14,395 | 8,346 | 6,049 | -251 | 5,799 | 36,606 |
| Business Property | 45,437 | 37,433 | 8,003 | 10,596 | 18,599 | -4 |
| Livestock | 2,452 | 1,488 | 963 | 380 | 1,344 | 145 |
| Timber | 1,125 | 545 | 580 | 2 | 582 | 2 |
| Farmland | 5,382 | 5,917 | -535 | 2,070 | 1,535 | 28 |
| Other | 45,126 | 45,755 | -630 | 257 | -372 | -108 |
| Total | 1,180,368 | 911,741 | 268,627 | -165,642 | 102,985 | 42,783 |

SOURCE: Congressional Budget Office based on tabulations of the 1989 Sales of Capital Assets panel.

NOTE: The last column represents the gains from transactions with a missing or inconsistent sales price. Taxpayers may exclude part of their gain based on the purchase of a new home reported on Form 2119, the election of a one-time age exclusion on the Form 2119, the use of fixing-up expenses and expenses of sale reported on Form 2119 and Form 6252, and the recapture of depreciation from Section 1245, 1250, 1252, 1254, and 1255 property on Form 4797. Taxpayers must adjust the basis of their property to account for allowed depreciation reported on Forms 4797 and 6252.

TABLE A-12. ASSET SALE PRICE, BASIS, AND GAINS BY ASSET TYPE, 1993 (In millions of 1993 dollars)

| | Gains from Transactions with Valid Sales Price | | | | | |
|---|---|---|---|---|---|---|
| Asset Type | Sales Price | Basis | Gains Before Adjust- ments | Exclusions or Basis Adjust- ments | Net Gains | Gains from Transactions with Missing Sales Price |
| Corporate Stock | 384,951 | 342,320 | 42,631 | -1,292 | 41,339 | 187 |
| Mutual Funds | | | | | | |
| Capital gain distributions | 0 | 0 | 0 | 0 | 0 | 9,585 |
| Sales of shares | 86,253 | 83,685 | 2,568 | 0 | 2,568 | 133 |
| Put and Call Options, Commodities Futures, and Other Securities | 36,068 | 35,473 | 596 | 3 | 599 | -478 |
| Federal Obligations | 143,338 | 142,529 | 810 | 0 | 810 | 1 |
| State and Local Government Obligations | 72,013 | 70,696 | 1,317 | 9 | 1,327 | 1 |
| Other Bonds, Notes, and Debentures | 24,566 | 23,884 | 682 | -54 | 628 | 1 |
| Sale of Principle Residence | 236,466 | 189,287 | 47,179 | -44,592 | 2,587 | 0 |
| Other Personal Residence | 2,822 | 2,124 | 698 | -598 | 100 | 8 |
| Residential Rental Property | 30,991 | 22,637 | 8,354 | -885 | 7,468 | -86 |
| Land Other Than Farmland | 16,001 | 10,466 | 5,535 | -883 | 4,652 | 3 |
| Partnerships, S Corporations, Fiduciaries | 10,449 | 8,466 | 1,983 | -697 | 1,286 | 21,429 |
| Business Property | 41,438 | 41,010 | 428 | 14,276 | 14,704 | 276 |
| Livestock | 3,061 | 1,662 | 1,400 | -19 | 1,381 | 0 |
| Timber | 1,427 | 269 | 1,158 | 0 | 1,158 | 2 |
| Farmland | 4,628 | 2,964 | 1,664 | -544 | 1,120 | 4 |
| Other | 51,481 | 41,831 | 9,650 | 2,383 | 12,033 | 6,828 |
| Total | 1,145,952 | 1,019,300 | 126,652 | -32,891 | 93,761 | 37,894 |

SOURCE: Congressional Budget Office based on tabulations of the 1993 Sales of Capital Assets panel.

NOTE: The last column represents the gains from transactions with a missing or inconsistent sales price. Taxpayers may exclude part of their gain based on the purchase of a new home reported on Form 2119, the election of a one-time age exclusion on Form 2119, the use of fixing-up expenses and expenses of sale reported on Form 2119 and Form 6252, and the recapture of depreciation from Section 1245, 1250, 1252, 1254, and 1255 property on Form 4797. Taxpayers must adjust the basis of their property to account for allowed depreciation reported on Forms 4797 and 6252.

TABLE A-13. AVERAGE ASSET HOLDING PERIOD BY ASSET TYPE, 1985 (By number of years)

| Asset Type | Average Holding Period: All Gains | Average Holding Period: Long-Term Gains | Average Holding Period: Short-Term Gains | Standard Deviation: All Gains | Standard Deviation: Long-Term Gains | Standard Deviation: Short-Term Gains | Number of Transactions | Percentage of Gains that are Long Term |
|---|---|---|---|---|---|---|---|---|
| Corporate Stock | 5.6 | 8.2 | 0.2 | 7.2 | 10.7 | 0.2 | 21,871 | 71 |
| Mutual Funds | | | | | | | | |
| Capital gain distributions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,996 | 100 |
| Sales of shares | 2.6 | 4.1 | 0.3 | 3.4 | 5.6 | 0.3 | 1,358 | 75 |
| Put and Call Options, Commodities Futures, and Other Securities | 1.1 | 2.2 | 0.2 | 1.4 | 3.0 | 0.2 | 3,715 | 18 |
| Federal Obligations | 0.9 | 2.0 | 0.2 | 0.7 | 1.7 | 0.2 | 433 | 76 |
| State and Local Government Obligations | 2.5 | 3.5 | 0.3 | 2.9 | 4.2 | 0.3 | 1,347 | 81 |
| Other Bonds, Notes, and Debentures | 1.0 | 4.3 | 0.1 | 1.2 | 5.2 | 0.2 | 785 | 54 |
| Sale of Personal Residence | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,270 | 100 |
| Other Personal Residence | 9.3 | 10.0 | 0.1 | 12.7 | 13.6 | 0 | 54 | 93 |
| Residential Rental Property | 7.9 | 8.1 | 0.3 | 7.5 | 7.7 | 0.2 | 1,634 | 97 |
| Land Other Than Farmland | 11.2 | 11.7 | 0.3 | 9.9 | 10.3 | 0.3 | 939 | 96 |
| Partnerships, S Corporations, Fiduciaries | 6.8 | 7.2 | 0.4 | 8.2 | 8.6 | 0.2 | 3,293 | 77 |
| Business Property | 7.7 | 7.8 | 0.2 | 7.2 | 7.2 | 0.2 | 1,762 | 98 |
| Livestock | 4.1 | 4.2 | 0.3 | 2.7 | 2.9 | 0.2 | 977 | 99 |
| Timber | 6.9 | 7.0 | 0.3 | 10.9 | 11.1 | 0.4 | 75 | 97 |
| Farmland | 12.8 | 12.8 | 0.3 | 11.8 | 11.8 | 0.2 | 199 | 100 |
| Other | 7.2 | 8.6 | 0.3 | 8.0 | 9.7 | 0.2 | 1,800 | 72 |
| Total | 5.6 | 7.7 | 0.2 | 6.6 | 9.2 | 0.2 | 43,508 | 73 |

SOURCE: Congressional Budget Office based on tabulations of the 1985 Sales of Capital Assets file.

NOTES: Average holding periods were weighted by sales price. Calculation excludes transactions with missing holding period information or inconsistent sales prices. Transaction totals and percentage of gains that are long term are based on all transactions.

n.a. = not available.

TABLE A-14. AVERAGE ASSET HOLDING PERIOD BY ASSET TYPE, 1989 (By number of years)

| Asset Type | Average Holding Period: All Gains | Average Holding Period: Long-Term Gains | Average Holding Period: Short-Term Gains | Standard Deviation: All Gains | Standard Deviation: Long-Term Gains | Standard Deviation: Short-Term Gains | Number of Transactions | Percentage of Gains that are Long Term |
|---|---|---|---|---|---|---|---|---|
| Corporate Stock | 1.9 | 5.3 | 0.2 | 2.3 | 6.8 | 0.2 | 21,191 | 54 |
| Mutual Funds | | | | | | | | |
| Capital gain distributions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2,525 | 100 |
| Sales of shares | 1.6 | 3.5 | 0.4 | 1.4 | 3.7 | 0.2 | 2,643 | 68 |
| Put and Call Options, Commodities Futures, and Other Securities | 1.2 | 3.2 | 0.3 | 0.9 | 2.9 | 0.2 | 5,623 | 31 |
| Federal Obligations | 1.1 | 2.3 | 0.4 | 0.6 | 1.6 | 0.2 | 1,203 | 72 |
| State and Local Government Obligations | 2.8 | 4.0 | 0.4 | 1.8 | 2.7 | 0.3 | 1,743 | 84 |
| Other Bonds, Notes, and Debentures | 1.2 | 3.1 | 0.2 | 1.1 | 3.3 | 0.3 | 578 | 69 |
| Sale of Personal Residence | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,961 | 100 |
| Other Personal Residence | 20.0 | 22.1 | 0.7 | 6.8 | 7.5 | 0 | 345 | 70 |
| Residential Rental Property | 5.0 | 5.5 | 0.8 | 5.4 | 5.9 | 0.2 | 1,062 | 96 |
| Land Other Than Farmland | 12.5 | 13.2 | 0.6 | 9.7 | 10.2 | 0.2 | 811 | 97 |
| Partnerships, S Corporations, Fiduciaries | 7.3 | 7.8 | 0.4 | 7.7 | 8.3 | 0.4 | 4,102 | 83 |
| Business Property | 9.5 | 9.5 | 0.4 | 5.8 | 5.8 | 0.2 | 1,240 | 100 |
| Livestock | 3.6 | 3.6 | 0.3 | 1.8 | 1.9 | 0.1 | 597 | 100 |
| Timber | 9.2 | 13.3 | 0.1 | 7.9 | 11.5 | 0.2 | 87 | 69 |
| Farmland | 13.3 | 13.3 | 0 | 11.9 | 11.9 | 0 | 84 | 100 |
| Other | 2.8 | 6.1 | 0.5 | 2.5 | 6.1 | 0.2 | 2,674 | 63 |
| Total | 4.5 | 8.8 | 0.3 | 4.6 | 9.2 | 0.3 | 48,469 | 64 |

SOURCE: Congressional Budget Office based on tabulations of the 1989 Sales of Capital Assets panel.

NOTES: Average holding periods were weighted by sales price. Calculation excludes transactions with missing holding period information or inconsistent sales prices. Transaction totals and percentage of gains that are long term are based on all transactions.

n.a. = not available.

TABLE A-15. AVERAGE ASSET HOLDING PERIOD BY ASSET TYPE, 1993 (By number of years)

| Asset Type | Average Holding Period: All Gains | Average Holding Period: Long-Term Gains | Average Holding Period: Short-Term Gains | Standard Deviation: All Gains | Standard Deviation: Long-Term Gains | Standard Deviation: Short-Term Gains | Number of Transactions | Percentage of Gains that are Long Term |
|---|---|---|---|---|---|---|---|---|
| Corporate Stock | 2.9 | 6.3 | 0.3 | 3.4 | 7.9 | 0.3 | 25,861 | 49 |
| Mutual Funds | | | | | | | | |
| Capital gain distributions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 5,641 | 100 |
| Sales of shares | 1.4 | 2.1 | 0.5 | 1.6 | 2.6 | 0.2 | 6,738 | 54 |
| Put and Call Options, Commodities Futures, and Other Securities | 2.5 | 4.3 | 0.4 | 2.9 | 5.4 | 0.2 | 3,019 | 66 |
| Federal Obligations | 0.6 | 2.5 | 0.2 | 0.4 | 2.0 | 0.3 | 1,321 | 64 |
| State and Local Government Obligations | 4.3 | 5.3 | 0.5 | 3.5 | 4.4 | 0.3 | 3,026 | 81 |
| Other Bonds, Notes, and Debentures | 2.8 | 5.7 | 0.3 | 2.9 | 6.2 | 0.3 | 978 | 78 |
| Sale of Personal Residence | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,966 | 100 |
| Other Personal Residence | 15.0 | 15.0 | 0.6 | 8.2 | 8.2 | 0.2 | 91 | 100 |
| Residential Rental Property | 13.3 | 13.5 | 0.3 | 11.3 | 11.5 | 0.3 | 957 | 97 |
| Land Other Than Farmland | 10.7 | 10.8 | 0.6 | 8.5 | 8.6 | 0.1 | 804 | 99 |
| Partnerships, S Corporations, Fiduciaries | 6.9 | 8.1 | 0.4 | 8.8 | 10.4 | 0.3 | 3,857 | 77 |
| Business Property | 6.4 | 6.4 | 0.5 | 3.9 | 3.9 | 0.3 | 1,352 | 100 |
| Livestock | 3.4 | 3.4 | 0.5 | 2.0 | 2.0 | 0.4 | 616 | 100 |
| Timber | 40.7 | 40.8 | 0.6 | 13.5 | 13.5 | 0.4 | 79 | 100 |
| Farmland | 10.6 | 10.6 | 0.3 | 6.4 | 6.4 | 0.3 | 78 | 99 |
| Other | 6.5 | 9.8 | 0.4 | 4.1 | 6.4 | 0.2 | 3,391 | 82 |
| Total | 3.6 | 6.7 | 0.3 | 4.0 | 7.7 | 0.3 | 59,775 | 66 |

SOURCE: Congressional Budget Office based on tabulations of the 1993 Sales of Capital Assets panel.

NOTES: Average holding periods were weighted by sales price. Calculation excludes transactions with missing holding period information or inconsistent sales prices. Transaction totals and percentage of gains that are long term are based on all transactions.

n.a. = not available.

TABLE A-16. TAX RETURNS AND CAPITAL GAINS BY NUMBER OF GAINS TRANSACTIONS, 1985

| Number of Transactions | Share of Total: Returns (Percent) | Share of Total: Returns With Gains (Percent) | Share of Total: Gains (Percent) | Average Gain Per Return (Dollars) |
|---|---|---|---|---|
| 0 | 88.1 | 0 | 0 | 0 |
| 1 | 5.1 | 42.8 | 13.2 | 4,047 |
| 2 | 2.5 | 20.9 | 10.6 | 6,641 |
| 3 - 5 | 2.6 | 21.6 | 25.2 | 15,270 |
| 6 - 10 | 1.1 | 8.9 | 19.3 | 28,383 |
| 11 - 25 | 0.5 | 4.5 | 17.7 | 51,333 |
| 26 - 50 | 0.1 | 0.7 | 8.2 | 144,083 |
| More Than 50 | 0.1 | 0.5 | 5.8 | 146,028 |
| Total | 100 | 100 | 100 | 13,116 |

SOURCE: Congressional Budget Office tabulations of the 1985 Sales of Capital Assets file.

TABLE A-17. TAX RETURNS AND CAPITAL GAINS BY NUMBER OF GAINS TRANSACTIONS, 1989

| Number of Transactions | Share of Total: Returns (Percent) | Share of Total: Returns With Gains (Percent) | Share of Total: Gains (Percent) | Average Gain Per Return (Dollars) |
|---|---|---|---|---|
| 0 | 88.8 | 0 | 0 | 0 |
| 1 | 4.8 | 43.1 | 17.2 | 4,635 |
| 2 | 2.1 | 19.0 | 12.1 | 7,431 |
| 3 - 5 | 2.4 | 21.5 | 21.9 | 11,869 |
| 6 - 10 | 1.0 | 8.7 | 14.9 | 19,932 |
| 11 - 25 | 0.7 | 6.2 | 20.7 | 38,870 |
| 26 - 50 | 0.1 | 1.3 | 5.8 | 51,134 |
| More Than 50 | a | 0.2 | 7.4 | 389,161 |
| Total | 100 | 100 | 100 | 11,641 |

SOURCE: Congressional Budget Office tabulations of the 1989 Sales of Capital Assets panel.

a. Less than 0.05.

TABLE A-18. NOMINAL AND REAL CAPITAL GAINS FOR ALL CAPITAL ASSETS EXCEPT BONDS, BY INCOME, 1985

| | | | Nominal Gains (Millions of dollars) | | Real Gains (Millions of dollars) | |
|---|---|---|---|---|---|---|
| Income | Returns (Thousands) | Transactions (Thousands) | No Loss Limit | Current Law Loss Limit | No Loss Limit | Current Law Loss Limit |
| Less Than 0 | 242 | 710 | 2,804 | 3,895 | -304 | 2,523 |
| 0 to 10,000 | 1,115 | 2,481 | 2,766 | 3,046 | -1,471 | 1,240 |
| 10,000 to 20,000 | 1,314 | 3,506 | 3,058 | 3,712 | -3,487 | 683 |
| 20,000 to 30,000 | 1,478 | 4,361 | 4,373 | 5,078 | -8,632 | 881 |
| 30,000 to 40,000 | 1,092 | 3,684 | 3,924 | 5,732 | -4,734 | 1,475 |
| 40,000 to 50,000 | 1,039 | 3,265 | 4,702 | 5,226 | -2,250 | 2,110 |
| 50,000 to 75,000 | 1,408 | 5,788 | 12,864 | 13,697 | -369 | 6,548 |
| 75,000 to 100,000 | 561 | 2,498 | 7,410 | 7,892 | 302 | 3,687 |
| 100,000 to 200,000 | 476 | 3,111 | 14,324 | 14,960 | 5,487 | 9,215 |
| 200,000 and Over | 177 | 2,148 | 41,423 | 42,026 | 30,618 | 34,245 |
| Total | 8,903 | 31,549 | 97,649 | 105,265 | 15,160 | 62,607 |

SOURCE: Congressional Budget Office tabulations of the 1985 Sales of Capital Assets file.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Transactions with missing or inconsistent information were excluded.

TABLE A-19. NOMINAL AND REAL CAPITAL GAINS FOR ALL CAPITAL ASSETS EXCEPT BONDS, BY INCOME, 1989

| Income | Returns (Thousands) | Transactions (Thousands) | Nominal Gains (Millions of dollars) No Loss Limit | Nominal Gains (Millions of dollars) Current Law Loss Limit | Real Gains (Millions of dollars) No Loss Limit | Real Gains (Millions of dollars) Current Law Loss Limit |
|---|---|---|---|---|---|---|
| Less Than 0 | 242 | 830 | -1,215 | 870 | -6,751 | 400 |
| 0 to 10,000 | 981 | 1,889 | -805 | 439 | -3,546 | -599 |
| 10,000 to 20,000 | 1,133 | 2,753 | -650 | 1,658 | -8,600 | -256 |
| 20,000 to 30,000 | 963 | 2,047 | 218 | 895 | -6,537 | -633 |
| 30,000 to 40,000 | 836 | 4,525 | 7,704 | 8,095 | 2,576 | 5,736 |
| 40,000 to 50,000 | 749 | 2,652 | 896 | 1,002 | -569 | 159 |
| 50,000 to 75,000 | 1,817 | 5,619 | 8,966 | 10,413 | -68,188 | 1,597 |
| 75,000 to 100,000 | 846 | 4,531 | 5,093 | 5,310 | -2,525 | 796 |
| 100,000 to 200,000 | 842 | 3,622 | 16,697 | 18,379 | 6,634 | 11,464 |
| 200,000 and Over | 370 | 4,459 | 34,310 | 35,714 | 10,521 | 24,550 |
| Total | 8,778 | 32,927 | 71,215 | 82,776 | -76,985 | 43,214 |

SOURCE: Congressional Budget Office tabulations of the 1989 Sales of Capital Assets panel.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Transactions with missing or inconsistent information were excluded.

TABLE A-20. NOMINAL AND REAL CAPITAL GAINS FOR CORPORATE STOCK ONLY, BY INCOME, 1985

| | | | Nominal Gains (Millions of dollars) | | Real Gains (Millions of dollars) | |
|---|---|---|---|---|---|---|
| Income | Returns (Thousands) | Transactions (Thousands) | No Loss Limit | Current Law Loss Limit | No Loss Limit | Current Law Loss Limit |
| Less Than 0 | 74 | 233 | 602 | 900 | 187 | 711 |
| 0 to 10,000 | 541 | 1,259 | 798 | 896 | -13 | 446 |
| 10,000 to 20,000 | 709 | 2,163 | 658 | 1,037 | -1,355 | -242 |
| 20,000 to 30,000 | 840 | 2,707 | 677 | 1,174 | -4,639 | 144 |
| 30,000 to 40,000 | 672 | 2,469 | 1,887 | 2,930 | -1,329 | 1,260 |
| 40,000 to 50,000 | 706 | 2,500 | 1,789 | 2,192 | -995 | 936 |
| 50,000 to 75,000 | 967 | 4,027 | 4,467 | 4,853 | 936 | 2,611 |
| 75,000 to 100,000 | 389 | 1,866 | 2,745 | 2,955 | 506 | 1,545 |
| 100,000 to 200,000 | 357 | 2,181 | 7,740 | 8,213 | 3,903 | 5,505 |
| 200,000 and Over | 142 | 1,395 | 28,335 | 28,833 | 23,221 | 24,980 |
| Total | 5,399 | 20,801 | 49,698 | 53,983 | 20,421 | 37,895 |

SOURCE: Congressional Budget Office tabulations of the 1985 Sales of Capital Assets file.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Transactions with missing or inconsistent information were excluded.

TABLE A-21. NOMINAL AND REAL CAPITAL GAINS FOR CORPORATE STOCK ONLY, BY INCOME, 1989

| Income | Returns (Thousands) | Transactions (Thousands) | Nominal Gains (Millions of dollars) No Loss Limit | Nominal Gains (Millions of dollars) Current Law Loss Limit | Real Gains (Millions of dollars) No Loss Limit | Real Gains (Millions of dollars) Current Law Loss Limit |
|---|---|---|---|---|---|---|
| Less Than 0 | 111 | 323 | -99 | 383 | -715 | 242 |
| 0 to 10,000 | 384 | 909 | 84 | 90 | -290 | -184 |
| 10,000 to 20,000 | 565 | 1,213 | 835 | 971 | -940 | -248 |
| 20,000 to 30,000 | 409 | 972 | 138 | 662 | -1,909 | 32 |
| 30,000 to 40,000 | 502 | 2,726 | 1,453 | 1,536 | -652 | 320 |
| 40,000 to 50,000 | 479 | 1,815 | 270 | 306 | -107 | 12 |
| 50,000 to 75,000 | 1,345 | 3,048 | 2,209 | 3,015 | -74 | 1,731 |
| 75,000 to 100,000 | 617 | 3,458 | 1,932 | 2,157 | 99 | 879 |
| 100,000 to 200,000 | 557 | 2,499 | 1,927 | 3,186 | -746 | 1,563 |
| 200,000 and Over | 295 | 3,149 | 18,667 | 19,669 | 12,405 | 15,306 |
| Total | 5,263 | 20,113 | 27,416 | 31,976 | 7,072 | 19,652 |

SOURCE: Congressional Budget Office tabulations of the 1989 Sales of Capital Assets panel.

NOTE: Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income. Transactions with missing or inconsistent information were excluded.

TABLE A-22. SHARE OF CAPITAL GAINS AND LOSSES, BY MONTH, 1985 (In percent)

| | Taxpayers with Net Capital Loss | | | Taxpayers with Net Capital Gain | | | All Taxpayers | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gain | Loss | Net | Gain | Loss | Net | Gain | Loss | Net |
| January | 12.9 | 10.8 | 9.4 | 9.9 | 7.0 | 10.2 | 10.0 | 9.3 | 10.2 |
| February | 6.9 | 4.6 | 3.1 | 7.4 | 4.9 | 7.6 | 7.3 | 4.7 | 7.9 |
| March | 7.3 | 6.9 | 6.7 | 7.8 | 7.3 | 7.9 | 7.8 | 7.1 | 8.0 |
| April | 7.7 | 5.1 | 3.4 | 6.4 | 5.8 | 6.4 | 6.4 | 5.4 | 6.7 |
| May | 7.8 | 5.6 | 4.2 | 9.2 | 5.3 | 9.5 | 9.1 | 5.5 | 9.9 |
| June | 8.1 | 13.9 | 17.6 | 8.7 | 6.8 | 8.8 | 8.7 | 11.0 | 8.1 |
| July | 7.3 | 5.5 | 4.4 | 8.5 | 6.2 | 8.7 | 8.4 | 5.8 | 9.0 |
| August | 8.5 | 4.8 | 2.4 | 8.6 | 6.5 | 8.8 | 8.6 | 5.5 | 9.3 |
| September | 6.2 | 6.1 | 6.1 | 6.6 | 6.4 | 6.6 | 6.6 | 6.2 | 6.7 |
| October | 6.4 | 12.2 | 15.9 | 9.0 | 8.3 | 9.0 | 8.9 | 10.7 | 8.5 |
| November | 7.9 | 5.5 | 4.0 | 7.8 | 10.3 | 7.6 | 7.9 | 7.5 | 7.9 |
| December | 13.0 | 18.9 | 22.6 | 10.1 | 25.2 | 8.9 | 10.2 | 21.4 | 7.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Memorandum:** | | | | | | | | | |
| Gains from Transactions with: | | | | | | | | | |
| Valid sell month | 5,229 | 13,529 | -8,299 | 122,604 | 9,084 | 113,521 | 127,834 | 22,612 | 105,221 |
| Missing or invalid sell month | 1,619 | 7,336 | -5,717 | 61,394 | 2,343 | 59,051 | 63,014 | 9,679 | 53,335 |

SOURCE: Congressional Budget Office tabulations of the 1985 Sales of Capital Assets file.

NOTE: Percentages are based on transactions with a valid sell month. The last row represents the amount of gains with missing or invalid sell months reported.

TABLE A-23. SHARE OF CAPITAL GAINS AND LOSSES, BY MONTH, 1989 (In percent)

| | Taxpayers with Net Capital Loss | | | Taxpayers with Net Capital Gain | | | All Taxpayers | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gain | Loss | Net | Gain | Loss | Net | Gain | Loss | Net |
| January | 5.6 | 6.7 | 8.4 | 10.5 | 3.5 | 11.8 | 10.0 | 5.2 | 12.2 |
| February | 4.3 | 4.1 | 3.9 | 4.9 | 3.1 | 5.2 | 4.8 | 3.7 | 5.3 |
| March | 4.4 | 8.1 | 14.0 | 8.9 | 6.0 | 9.5 | 8.5 | 7.1 | 9.1 |
| April | 3.4 | 10.0 | 20.5 | 7.4 | 4.1 | 8.0 | 6.9 | 7.3 | 6.8 |
| May | 43.0 | 3.6 | -59.4 | 8.9 | 5.0 | 9.7 | 12.5 | 4.3 | 16.2 |
| June | 6.5 | 8.0 | 10.4 | 13.0 | 4.1 | 14.7 | 12.3 | 6.2 | 15.1 |
| July | 5.0 | 3.7 | 1.7 | 11.4 | 5.4 | 12.6 | 10.7 | 4.5 | 13.6 |
| August | 6.0 | 19.9 | 42.3 | 13.4 | 6.9 | 14.7 | 12.7 | 13.9 | 12.1 |
| September | 2.4 | 5.0 | 9.1 | 7.6 | 15.4 | 6.1 | 7.0 | 9.8 | 5.8 |
| October | 9.9 | 6.9 | 2.1 | 4.2 | 8.2 | 3.4 | 4.8 | 7.5 | 3.5 |
| November | 6.6 | 5.4 | 3.4 | 4.1 | 6.9 | 3.5 | 4.3 | 6.1 | 3.5 |
| December | 3.0 | 18.6 | 43.7 | 5.8 | 31.4 | 0.9 | 5.5 | 24.5 | -3.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Memorandum:** | | | | | | | | | |
| Gains from Transactions with: | | | | | | | | | |
| Valid sell month | 12,880 | 20,926 | -8,046 | 111,197 | 17,966 | 93,231 | 124,077 | 38,892 | 85,185 |
| Missing or invalid sell month | 2,727 | 7,175 | -4,448 | 67,740 | 2,708 | 65,032 | 70,468 | 9,883 | 60,585 |

SOURCE: Congressional Budget Office tabulations of the 1989 Sales of Capital Assets panel.

NOTE: Percentages are based on transactions with a valid sell month. The last row represents the amount of gains with missing or invalid sell months reported.

TABLE A-24. SHARE OF CAPITAL GAINS AND LOSSES, BY MONTH, 1993 (In percent)

| | Taxpayers with Net Capital Loss | | | Taxpayers with Net Capital Gain | | | All Taxpayers | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gain | Loss | Net | Gain | Loss | Net | Gain | Loss | Net |
| January | 7.8 | 4.3 | 1.2 | 8.0 | 5.6 | 8.4 | 8.0 | 4.9 | 9.1 |
| February | 4.3 | 5.3 | 6.1 | 4.7 | 5.4 | 4.6 | 4.7 | 5.3 | 4.4 |
| March | 15.7 | 5.3 | -3.7 | 5.6 | 4.2 | 5.8 | 6.3 | 4.8 | 6.8 |
| April | 6.5 | 4.4 | 2.5 | 5.3 | 5.7 | 5.2 | 5.4 | 5.0 | 5.5 |
| May | 5.9 | 9.2 | 12.1 | 5.4 | 4.9 | 5.5 | 5.4 | 7.1 | 4.8 |
| June | 10.1 | 6.4 | 3.2 | 10.0 | 5.3 | 10.8 | 10.0 | 5.9 | 11.6 |
| July | 5.6 | 7.5 | 9.2 | 14.6 | 9.0 | 15.6 | 14.0 | 8.2 | 16.2 |
| August | 6.5 | 7.6 | 8.5 | 6.4 | 6.3 | 6.4 | 6.4 | 7.0 | 6.1 |
| September | 11.1 | 6.1 | 1.8 | 12.8 | 6.5 | 13.8 | 12.7 | 6.3 | 15.1 |
| October | 8.6 | 5.8 | 3.4 | 13.8 | 5.9 | 15.1 | 13.4 | 5.9 | 16.3 |
| November | 6.1 | 8.4 | 10.5 | 7.3 | 10.6 | 6.8 | 7.3 | 9.5 | 6.4 |
| December | 11.8 | 29.7 | 45.3 | 6.2 | 30.5 | 2.1 | 6.6 | 30.1 | -2.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Memorandum:** | | | | | | | | | |
| Gains from Transactions with: | | | | | | | | | |
| Valid sell month | 7,782 | 16,727 | -8,945 | 107,253 | 15,341 | 91,912 | 115,035 | 32,068 | 82,967 |
| Missing or invalid sell month | 6,113 | 6,856 | -743 | 54,172 | 4,747 | 49,425 | 60,286 | 11,603 | 48,683 |

SOURCE: Congressional Budget Office tabulations of the 1993 Sales of Capital Assets panel.

NOTE: Percentages are based on transactions with a valid sell month. The last row represents the amount of gains with missing or invalid sell months reported.

TABLE A-25. CAPITAL GAINS FOR ALL TAXPAYERS, BY INCOME AND FILING STATUS, 1993

| Income (Dollars)[a] | Returns (Thousands) | Returns with Gains (Thousands) | Percentage of Returns in Income Class with Gains | Percentage of Returns with Gains | Net Capital Gains[b] (Millions of dollars) | Percentage of Gains | Average Capital Gains for Returns with Gains (Dollars) |
|---|---|---|---|---|---|---|---|
| **Joint Returns** | | | | | | | |
| Less Than 0 | 610 | 235 | 39 | 2 | -5,431 | -5 | -23,111 |
| 0 to 10,000 | 4,587 | 683 | 15 | 6 | 186 | 0 | 272 |
| 10,000 to 20,000 | 7,320 | 1,136 | 16 | 11 | 1,797 | 2 | 1,582 |
| 20,000 to 30,000 | 7,042 | 1,154 | 16 | 11 | 2,397 | 2 | 2,077 |
| 30,000 to 40,000 | 7,408 | 1,101 | 15 | 10 | 3,046 | 3 | 2,767 |
| 40,000 to 50,000 | 6,478 | 1,127 | 17 | 11 | 3,211 | 3 | 2,849 |
| 50,000 to 75,000 | 9,179 | 2,355 | 26 | 22 | 8,219 | 8 | 3,490 |
| 75,000 to 100,000 | 2,961 | 1,174 | 40 | 11 | 6,209 | 6 | 5,289 |
| 100,000 to 200,000 | 2,114 | 1,202 | 57 | 11 | 15,261 | 15 | 12,696 |
| 200,000 and Over | 655 | 523 | 80 | 5 | 67,635 | 66 | 129,321 |
| All Returns | 48,354 | 10,690 | 22 | 100 | 102,530 | 100 | 9,591 |
| **Nonjoint Returns** | | | | | | | |
| Less Than 0 | 622 | 226 | 36 | 3 | -3,854 | -10 | -17,053 |
| 0 to 10,000 | 27,627 | 2,039 | 7 | 29 | 1,207 | 3 | 592 |
| 10,000 to 20,000 | 17,324 | 1,290 | 7 | 18 | 2,495 | 7 | 1,934 |
| 20,000 to 30,000 | 10,704 | 1,084 | 10 | 15 | 2,906 | 8 | 2,681 |
| 30,000 to 40,000 | 5,302 | 854 | 16 | 12 | 2,538 | 7 | 2,972 |
| 40,000 to 50,000 | 2,239 | 513 | 23 | 7 | 2,023 | 5 | 3,943 |
| 50,000 to 75,000 | 1,686 | 589 | 35 | 8 | 3,997 | 11 | 6,786 |
| 75,000 to 100,000 | 357 | 185 | 52 | 3 | 2,208 | 6 | 11,935 |
| 100,000 to 200,000 | 291 | 191 | 66 | 3 | 4,912 | 13 | 25,717 |
| 200,000 and Over | 97 | 78 | 80 | 1 | 18,875 | 51 | 241,987 |
| All Returns | 66,249 | 7,049 | 11 | 100 | 37,307 | 100 | 5,293 |
| **All Tax Returns** | | | | | | | |
| Less Than 0 | 1,232 | 461 | 37 | 3 | -9,285 | -7 | -20,141 |
| 0 to 10,000 | 32,214 | 2,722 | 8 | 15 | 1,393 | 1 | 512 |
| 10,000 to 20,000 | 24,644 | 2,426 | 10 | 14 | 4,292 | 3 | 1,769 |
| 20,000 to 30,000 | 17,746 | 2,238 | 13 | 13 | 5,303 | 4 | 2,370 |
| 30,000 to 40,000 | 12,710 | 1,955 | 15 | 11 | 5,584 | 4 | 2,856 |
| 40,000 to 50,000 | 8,717 | 1,640 | 19 | 9 | 5,234 | 4 | 3,191 |
| 50,000 to 75,000 | 10,865 | 2,944 | 27 | 17 | 12,216 | 9 | 4,149 |
| 75,000 to 100,000 | 3,318 | 1,359 | 41 | 8 | 8,417 | 6 | 6,194 |
| 100,000 to 200,000 | 2,405 | 1,393 | 58 | 8 | 20,173 | 14 | 14,482 |
| 200,000 and Over | 752 | 601 | 80 | 3 | 86,510 | 62 | 143,943 |
| All Returns | 114,603 | 17,739 | 15 | 100 | 139,837 | 100 | 7,883 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statitstics of Income individual income tax return data.

a. Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

b. Net capital gains before carryovers and loss limits.

TABLE A-26. CAPITAL GAINS FOR TAXPAYERS UNDER 65 YEARS OLD, BY INCOME AND FILING STATUS, 1993

| Income (Dollars)[a] | Returns (Thousands) | Returns with Gains (Thousands) | Percentage of Returns in Income Class with Gains | Percentage of Returns with Gains | Net Capital Gains[b] (Millions of dollars) | Percentage of Gains | Average Capital Gains for Returns with Gains (Dollars) |
|---|---|---|---|---|---|---|---|
| **Joint Returns[c]** | | | | | | | |
| Less Than 0 | 421 | 150 | 36 | 2 | -3,599 | -5 | -23,993 |
| 0 to 10,000 | 2,857 | 278 | 10 | 4 | 62 | 0 | 223 |
| 10,000 to 20,000 | 5,015 | 427 | 9 | 5 | 732 | 1 | 1,714 |
| 20,000 to 30,000 | 5,828 | 698 | 12 | 9 | 1,094 | 1 | 1,567 |
| 30,000 to 40,000 | 6,755 | 805 | 12 | 10 | 1,457 | 2 | 1,810 |
| 40,000 to 50,000 | 6,037 | 900 | 15 | 11 | 1,852 | 2 | 2,058 |
| 50,000 to 75,000 | 8,714 | 2,042 | 23 | 26 | 5,271 | 7 | 2,581 |
| 75,000 to 100,000 | 2,809 | 1,059 | 38 | 13 | 4,395 | 6 | 4,150 |
| 100,000 to 200,000 | 1,950 | 1,065 | 55 | 14 | 10,899 | 15 | 10,234 |
| 200,000 and Over | 585 | 458 | 78 | 6 | 52,259 | 70 | 114,103 |
| All Returns | 40,971 | 7,882 | 19 | 100 | 74,422 | 100 | 9,442 |
| **Nonjoint Returns** | | | | | | | |
| Less Than 0 | 491 | 154 | 31 | 3 | -2,541 | -11 | -16,500 |
| 0 to 10,000 | 24,756 | 1,398 | 6 | 29 | 1,011 | 4 | 723 |
| 10,000 to 20,000 | 15,558 | 692 | 4 | 14 | 1,189 | 5 | 1,718 |
| 20,000 to 30,000 | 10,003 | 765 | 8 | 16 | 1,580 | 7 | 2,065 |
| 30,000 to 40,000 | 4,962 | 667 | 13 | 14 | 1,317 | 5 | 1,975 |
| 40,000 to 50,000 | 2,035 | 376 | 18 | 8 | 1,029 | 4 | 2,737 |
| 50,000 to 75,000 | 1,467 | 438 | 30 | 9 | 2,242 | 9 | 5,119 |
| 75,000 to 100,000 | 308 | 144 | 47 | 3 | 1,336 | 6 | 9,278 |
| 100,000 to 200,000 | 224 | 134 | 60 | 3 | 2,802 | 12 | 20,910 |
| 200,000 and Over | 78 | 60 | 77 | 1 | 14,185 | 59 | 236,417 |
| All Returns | 59,882 | 4,828 | 8 | 100 | 24,150 | 100 | 5,002 |
| **All Tax Returns** | | | | | | | |
| Less Than 0 | 912 | 304 | 33 | 2 | -6,140 | -6 | -20,197 |
| 10,000 to 20,000 | 27,613 | 1,676 | 6 | 13 | 1,073 | 1 | 640 |
| 10,000 to 20,000 | 20,573 | 1,119 | 5 | 9 | 1,921 | 2 | 1,717 |
| 20,000 to 30,000 | 15,831 | 1,463 | 9 | 12 | 2,674 | 3 | 1,828 |
| 30,000 to 40,000 | 11,717 | 1,472 | 13 | 12 | 2,774 | 3 | 1,885 |
| 40,000 to 50,000 | 8,072 | 1,276 | 16 | 10 | 2,881 | 3 | 2,258 |
| 50,000 to 75,000 | 10,181 | 2,480 | 24 | 20 | 7,513 | 8 | 3,029 |
| 75,000 to 100,000 | 3,117 | 1,203 | 39 | 9 | 5,731 | 6 | 4,764 |
| 100,000 to 200,000 | 2,174 | 1,199 | 55 | 9 | 13,701 | 14 | 11,427 |
| 200,000 and Over | 663 | 518 | 78 | 4 | 66,444 | 67 | 128,270 |
| All Returns | 100,853 | 12,710 | 13 | 100 | 98,572 | 100 | 7,755 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data.

a. Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

b. Net capital gains before carryovers and loss limits.

c. Primary taxpayer under 65 years old.

TABLE A-27. CAPITAL GAINS FOR TAXPAYERS 65 YEARS OLD AND OVER, BY INCOME AND FILING STATUS, 1993

| Income (Dollars)[a] | Returns (Thousands) | Returns with Gains (Thousands) | Percentage of Returns in Income Class with Gains | Percentage of Returns with Gains | Net Capital Gains[b] (Millions of dollars) | Percentage of Gains | Average Capital Gains for Returns with Gains (Dollars) |
|---|---|---|---|---|---|---|---|
| **Joint Returns[c]** | | | | | | | |
| Less Than 0 | 189 | 86 | 46 | 3 | -1,833 | -7 | -21,314 |
| 0 to 10,000 | 1,730 | 405 | 23 | 14 | 124 | 0 | 306 |
| 10,000 to 20,000 | 2,305 | 708 | 31 | 25 | 1,066 | 4 | 1,506 |
| 20,000 to 30,000 | 1,214 | 456 | 38 | 16 | 1,303 | 5 | 2,857 |
| 30,000 to 40,000 | 653 | 296 | 45 | 11 | 1,589 | 6 | 5,368 |
| 40,000 to 50,000 | 441 | 227 | 51 | 8 | 1,359 | 5 | 5,987 |
| 50,000 to 75,000 | 465 | 313 | 67 | 11 | 2,948 | 10 | 9,419 |
| 75,000 to 100,000 | 152 | 115 | 76 | 4 | 1,814 | 6 | 15,774 |
| 100,000 to 200,000 | 164 | 137 | 84 | 5 | 4,362 | 16 | 31,839 |
| 200,000 and Over | 71 | 64 | 90 | 2 | 15,375 | 55 | 240,234 |
| All Returns | 7,384 | 2,807 | 38 | 100 | 28,107 | 100 | 10,013 |
| **Nonjoint Returns** | | | | | | | |
| Less Than 0 | 131 | 71 | 54 | 3 | -1,312 | -10 | -18,479 |
| 0 to 10,000 | 2,871 | 640 | 22 | 29 | 195 | 1 | 305 |
| 10,000 to 20,000 | 1,766 | 598 | 34 | 27 | 1,306 | 10 | 2,184 |
| 20,000 to 30,000 | 701 | 319 | 46 | 14 | 1,326 | 10 | 4,157 |
| 30,000 to 40,000 | 340 | 187 | 55 | 8 | 1,220 | 9 | 6,524 |
| 40,000 to 50,000 | 204 | 137 | 67 | 6 | 994 | 8 | 7,255 |
| 50,000 to 75,000 | 219 | 151 | 69 | 7 | 1,755 | 13 | 11,623 |
| 75,000 to 100,000 | 49 | 40 | 82 | 2 | 873 | 7 | 21,825 |
| 100,000 to 200,000 | 67 | 57 | 85 | 3 | 2,110 | 16 | 37,018 |
| 200,000 and Over | 19 | 18 | 95 | 1 | 4,689 | 36 | 260,500 |
| All Returns | 6,367 | 2,218 | 35 | 100 | 13,156 | 100 | 5,931 |
| **All Tax Returns** | | | | | | | |
| Less Than 0 | 320 | 157 | 49 | 3 | -3,145 | -8 | -20,032 |
| 0 to 10,000 | 4,601 | 1,045 | 23 | 21 | 319 | 1 | 305 |
| 10,000 to 20,000 | 4,071 | 1,306 | 32 | 26 | 2,372 | 6 | 1,816 |
| 20,000 to 30,000 | 1,915 | 775 | 40 | 15 | 2,629 | 6 | 3,392 |
| 30,000 to 40,000 | 993 | 483 | 49 | 10 | 2,809 | 7 | 5,816 |
| 40,000 to 50,000 | 645 | 364 | 56 | 7 | 2,353 | 6 | 6,464 |
| 50,000 to 75,000 | 684 | 464 | 68 | 9 | 4,703 | 11 | 10,136 |
| 75,000 to 100,000 | 201 | 155 | 77 | 3 | 2,687 | 7 | 17,335 |
| 100,000 to 200,000 | 231 | 194 | 84 | 4 | 6,472 | 16 | 33,361 |
| 200,000 and Over | 90 | 82 | 91 | 2 | 20,064 | 49 | 244,683 |
| All Returns | 13,751 | 5,025 | 37 | 100 | 41,263 | 100 | 8,212 |

SOURCE: Congressional Budget Office tabulations of the 1993 Statistics of Income individual income tax return data.

a. Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

b. Net capital gains before carryovers and loss limits.

c. Primary taxpayer 65 years old and over.

TABLE A-28. CAPITAL GAINS FOR JOINT RETURNS, BY INCOME, 1985, 1989, AND 1993 (In 1993 dollars)

| Income (Dollars)[a] | Returns (Thousands) | Returns with Gains (Thousands) | Percentage of Returns in Income Class with Gains | Percentage of Returns with Gains | Net Capital Gains[b] (Millions of dollars) | Percentage of Gains | Average Capital Gains for Returns with Gains (Dollars) |
|---|---|---|---|---|---|---|---|
| | | | **Joint Returns in 1993** | | | | |
| Less Than 0 | 610 | 235 | 39 | 2 | -5,431 | -5 | -23,111 |
| 0 to 10,000 | 4,587 | 683 | 15 | 6 | 186 | 0 | 272 |
| 10,000 to 20,000 | 7,320 | 1,136 | 16 | 11 | 1,797 | 2 | 1,582 |
| 20,000 to 30,000 | 7,042 | 1,154 | 16 | 11 | 2,397 | 2 | 2,077 |
| 30,000 to 40,000 | 7,408 | 1,101 | 15 | 10 | 3,046 | 3 | 2,767 |
| 40,000 to 50,000 | 6,478 | 1,127 | 17 | 11 | 3,211 | 3 | 2,849 |
| 50,000 to 75,000 | 9,179 | 2,355 | 26 | 22 | 8,219 | 8 | 3,490 |
| 75,000 to 100,000 | 2,961 | 1,174 | 40 | 11 | 6,209 | 6 | 5,289 |
| 100,000 to 200,000 | 2,114 | 1,202 | 57 | 11 | 15,261 | 15 | 12,696 |
| 200,000 and Over | 655 | 523 | 80 | 5 | 67,635 | 66 | 129,321 |
| All Returns | 48,354 | 10,690 | 22 | 100 | 102,530 | 100 | 9,591 |
| | | | **Joint Returns in 1989** | | | | |
| Less Than 0 | 466 | 179 | 38 | 2 | -5,560 | -5 | 3,184 |
| 0 - 10,000 | 3,726 | 385 | 10 | 4 | -80 | -0 | -208 |
| 10,000 to 20,000 | 6,679 | 788 | 12 | 9 | 1,164 | 1 | 1,477 |
| 20,000 to 30,000 | 6,937 | 884 | 13 | 10 | 1,672 | 1 | 1,891 |
| 30,000 to 40,000 | 7,381 | 989 | 13 | 11 | 2,318 | 2 | 2,344 |
| 40,000 to 50,000 | 6,900 | 1,025 | 15 | 11 | 2,919 | 2 | 2,848 |
| 50,000 to 75,000 | 9,996 | 2,116 | 21 | 23 | 8,211 | 7 | 3,880 |
| 75,000 to 100,000 | 3,257 | 1,128 | 35 | 12 | 7,420 | 6 | 6,578 |
| 100,000 to 200,000 | 2,145 | 1,124 | 52 | 12 | 17,168 | 14 | 15,274 |
| 200,000 and Over | 689 | 528 | 77 | 6 | 86,508 | 71 | 163,841 |
| All Returns | 48,176 | 9,146 | 19 | 100 | 121,740 | 100 | 13,311 |
| | | | **Joint Returns in 1985** | | | | |
| Less Than 0 | 550 | 202 | 37 | 2 | -5,087 | -3 | 2,822 |
| 0 to10,000 | 3,283 | 270 | 8 | 3 | 51 | 0 | 189 |
| 10,000 to 20,000 | 6,486 | 570 | 9 | 7 | 661 | 0 | 1,160 |
| 20,000 to 30,000 | 7,553 | 882 | 12 | 11 | 1,988 | 1 | 2,254 |
| 30,000 to 40,000 | 7,748 | 894 | 12 | 11 | 2,461 | 1 | 2,753 |
| 40,000 to 50,000 | 7,139 | 981 | 14 | 12 | 3,716 | 2 | 3,788 |
| 50,000 to 75,000 | 9,848 | 1,990 | 20 | 24 | 10,051 | 6 | 5,051 |
| 75,000 to 100,000 | 2,898 | 1,055 | 36 | 13 | 10,748 | 6 | 10,188 |
| 100,000 to 200,000 | 1,888 | 1,115 | 59 | 13 | 28,134 | 17 | 25,232 |
| 200,000 and Over | 531 | 434 | 82 | 5 | 116,576 | 69 | 268,608 |
| All Returns | 47,924 | 8,393 | 18 | 100 | 169,299 | 100 | 20,171 |

SOURCE: Congressional Budget Office tabulations of the 1985, 1989, and 1993 Statistics of Income individual income tax return data.

a. Income includes wages and salaries, interest, dividends, capital gains, pensions, rents, royalties, and business and farm income.

b. Net capital gains before carryovers and loss limits.