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APPENDIX A

*Derivation, from Commerce Department Estimates,
of Total AGI, Wages and Salaries
(Income Tax Concept),
and Total Employee Compensation,
Selected Years, 1929-64*

TABLE A-1
Adjustments of Personal Income to Obtain Total AGI, Selected Years, 1929-64
 (millions of dollars)

	1929	1934	1939	1944	1949	1952	1955	1956
1. Personal income	85,905	53,966	72,769	165,276	207,154	272,455	310,889	333,006
2. Minus: personal income not included in AGI	13,248	9,918	8,827	31,336	26,818	38,655	47,387	49,486
3. Transfer payments	1,496	2,194	2,936	3,588	12,377	13,083	17,310	18,484
4. Other labor income (nontaxable)	447	354	503	1,454	2,667	4,895	6,716	7,715
5. Income in kind and imputed net rent	4,300	1,700	2,500	7,600	6,300	9,500	10,600	10,600
6. Nonfarm inventory valuation adjustment (noncorporate)	142	-54	-166	-69	463	201	-198	-502
7. Farm inventory change	-122	-930	95	-410	-866	987	467	-380
8. Imputed interest	2,000	1,600	1,700	2,100	3,200	4,500	6,200	6,900
9. Accrued interest (government bonds)	-	-	25	253	591	687	441	398
10. Tax exempt interest	565	583	441	353	259	271	436	522
11. Undistributed fiduciary income other than capital gains	268	153	382	453	639	819	1,224	1,399
12. Property income of nonprofit organizations	309	191	215	248	382	472	603	656
13. Nontaxable military pay	-	-	-	15,514	434	2,827	2,435	2,406

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14. Nontaxable state and local government pay less payments in kind	3,602	3,958	-	-	-	-	-	-
15. Imputed rental value of tenant occupied farm houses	241	169	196	252	372	458	460	458
16. Dividend exclusions	-	-	-	-	-	-	249	286
17. Sick pay exclusions	-	-	-	-	-	-	444	544
18. Plus: AGI not included in personal income	<u>3,890</u>	<u>964</u>	<u>1,533</u>	<u>4,503</u>	<u>5,817</u>	<u>8,524</u>	<u>12,171</u>	<u>13,058</u>
19. Personal contributions for social security	-	-	291	648	816	1,982	3,123	3,511
20. Personal contributions for government insurance	142	157	305	1,588	1,418	1,811	2,113	2,309
21. Net gains from sale of property reported on tax returns	2,893	18	-83	949	1,644	2,739	4,629	4,314
22. Other income	204	160	242	698	785	971	1,160	1,442
23. AGI of residents of Alaska and Hawaii	862	705	880	671	1,175	951	871	1,185
24. Annuities and pensions	-	-	-	213	508	657	967	1,043
25. Deductions for depletion	-144	-76	-102	-203	-362	-452	-529	-593
26. Net operating loss deduction reported on tax returns	-67	-	-	-61	-167	-135	-163	-153
27. <u>Total AGI</u>	76,547	45,012	65,475	138,443	186,153	242,324	275,673	296,578

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TABLE A-1 (concluded)

	1957	1958	1959	1960	1961	1962	1963	1964
1. Personal income	351,101	361,174	383,528	400,953	416,814	442,617	465,487	495,953
2. Minus: personal income not included in AGI	55,538	62,413	64,964	69,565	75,839	79,949	85,331	89,681
3. Transfer payments	21,388	25,664	26,594	28,487	32,427	33,286	35,318	36,763
4. Other labor income (nontaxable)	8,686	9,102	10,405	11,119	11,872	13,017	13,944	15,610 ^e
5. Income in kind and imputed net rent	10,800	11,400	11,700	11,700	11,900	12,200	12,800	13,200
6. Nonfarm inventory valuation adjustment (noncorporate)	-300	-56	-140	-19	33	17	-34	-42
7. Farm inventory change	534	848	-8	233	279	714	785	-594
8. Imputed interest	7,600	8,200	9,000	10,200	10,800	11,400	12,800	14,100
9. Accrued interest (government bonds)	294	438	237	397	575	597	664	710
10. Tax exempt interest	578	629	720	824	873	933	975	1,017 ^e
11. Undistributed fiduciary income other than capital gains	1,494	1,588	1,645	1,702	1,946	2,190	2,434	2,678 ^e
12. Property income of nonprofit organizations	709	737	799	878	921	1,013	906	1,216
13. Nontaxable military pay	2,401	2,432	2,458	2,464	2,536	2,753	2,777	2,993

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14. Nontaxable state and local government pay less payments in kind	-	-	-	-	-	-	-	-	-	-	-	-	-
15. Imputed rental value of tenant occupied farm houses	472	491	517	521	529	547	568	597					
16. Dividend exclusions	308	317	359	384	392	499	517	911					
17. Sick pay exclusions	574	623	678	675	756	783	877	522					
18. Plus: AGI not included in personal income	13,878	15,274	18,174	17,985	20,718	20,399	23,234	28,345					
19. Personal contributions for social security	4,195	4,238	5,157	6,347	6,540	7,086	8,379	8,867					
20. Personal contributions for government insurance	2,497	2,623	2,765	2,945	3,089	3,251	3,444	3,677					
21. Net gains from sale of property reported on tax returns	3,414	4,248	6,157	5,217	7,530	5,555	6,295	7,897					
22. Other income	1,845	2,090	1,603	2,473	2,086	2,574	2,771	5,070					
23. AGI of residents of Alaska and Hawaii	1,311	1,320	1,496	-	-	-	-	-					
24. Annuities and pensions	1,258	1,476	1,613	1,791	2,039	2,551	2,956	3,416					
25. Deductions for depletion	-497	-585	-484	-622	-474	-438	-401	-372 ^e					
26. Net operating loss deduction reported on tax returns	-145	-136	-133	-166	-92	-180	-210	-210 ^e					
27. Total AGI	309,441	314,035	336,738	349,373	361,693	383,067	403,390	434,617					

e = estimate.

Notes to Table A-1, by Line

1. *The National Income and Product Accounts of the United States, 1929-1965*, Statistical Tables (hereafter referred to as *NIPA*), Department of Commerce, 1966, Table 2.1.

2. Sum of lines 3 through 17.

3. *NIPA*, Table 2.1.

4. Nontaxable other labor income includes employer contributions to private retirement and welfare plans, compensation for injuries, government payments to enemy prisoners of war, and merchant marine war-risk life and injury claims. Nontaxable other labor income was obtained by subtracting the following taxable components from total other labor income: directors' fees, pay of military reservists, and the sum of jury and witness fees and marriage fees to justices of the peace.

Total other labor income: *NIPA*, Table 2.1.

To obtain an estimate of directors' fees, the average ratio of directors' fees to compensation of corporation officers for 1951-55 (1.5 per cent, supplied by Joseph A. Pechman) was applied to compensation of corporation officers for various years (*Statistics of Income, Corporation Income Tax Returns*; calendar year estimate is simple average of two appropriate fiscal years).

Pay of military reservists: 1929-53: *National Income*, Department of Commerce, 1954, Table 34; 1954-64: simple average of appropriate fiscal years, *The Budget of the United States*, U.S. Bureau of the Budget, Department of Defense, Military Personnel Expenditures, Reserve Forces.

Sum of estimates of jury and witness fees and marriage fees to justices of the peace based on estimates by Joseph Pechman.

5. Income in kind and imputed net rent consist of food furnished government (including military) and commercial employees, standard clothing issued to military personnel, meals furnished domestic servants and nurses, lodging furnished employees, net rent of owner-occupied dwellings, and food and fuel produced and consumed on farms, *NIPA*, Table 7.3.

6. *NIPA*, Table 7.3.

7. *NIPA*, Table 1.10.

8. *NIPA*, Table 1.1.

9. Individuals' share of difference between accrued discount on outstanding debt during calendar year and accrued discount on redemptions during the year. Individuals' share of accrued discount assumed to be 80 per cent of accrued discount on Series A-D; 66 $\frac{2}{3}$ per cent of Series F, G, J, and K; and 100 per cent of Series E bonds (1964: *Treasury Bulletin*, U.S. Treasury Department, July 1965, pp. 59-61; other issues for other years).

10. 1929-52: Lawrence H. Seltzer, *Interest as a Source of Personal Income and Tax Revenue*, New York, NBER, 1955, Table 15. 1952-64: Seltzer's extended worksheets.

11. Noncapital gains income reported by fiduciaries minus estimated distributed fiduciary income other than capital gains.

1929-53: Ratio of noncapital gains income to total income of fiduciaries applied to 110 per cent of reported fiduciary income of individuals. This estimate of distributed noncapital gains income of fiduciaries was subtracted from total noncapital gains income of fiduciaries.

1954-62: For comparability with earlier years, total reported fiduciary income was adjusted by excluding deductions for depletion and depreciation, dividend exclusion, and long-term capital gains; adjusted noncapital gains income is adjusted total reported fiduciary income less net gain from sales of capital assets and property other than capital assets plus net loss from sales of capital assets and deduction for long-term capital gains.

The ratio of adjusted noncapital gains income to adjusted total income was applied to the sum of distributions to beneficiaries and charities; this estimate of distributed noncapital gains income was subtracted from adjusted total income to obtain undistributed fiduciary income other than capital gains.

Figures from *Statistics of Income*, U.S. Treasury Department; 1963 and 1964 figures as estimated by linear extrapolation from 1961 and 1962.

12. Property income of nonprofit organizations consists of the sum of rents, interest, and dividends received by these organizations. Rents were estimated by applying the ratio of the 1944-47 average of rental income of nonprofit organizations to the 1944-47 average of rental income of persons to rental income of persons for all years. The sum of interest and dividends received by nonprofit organizations was estimated by the same method. Figures for nonprofit organizations for 1944-47 were provided by the late Selma F. Goldsmith: rental income of \$5,941 million; interest and dividends of \$12,619 million. Personal rental income, interest income and dividends, respectively, from: *NIPA*, Tables 7.2 and 1.10.

13. Total military cash payments (U.S. Department of Commerce unpublished estimates) less estimated taxable military wages. Taxable wages for 1953 obtained from the late Selma F. Goldsmith. 1929-53: Taxable wages for given year estimated by applying ratio of taxable military wages to taxes withheld by military in 1953 to taxes withheld by military in given year. 1954-64: Taxable wages for given year estimated by applying estimated ratio of taxable wages to total wages of military to total military wages and salaries. Ratio estimated by linear interpolation between figures for 1953 and 1962 (1962 figure provided by Department of Defense).

14. Sum of compensation of employees of state and local government enterprises (National Income, 1954, Table 14) less payments in kind (National Income Division, unpublished data).

15. Ratio of imputed rental value of tenant occupied farm houses to rental value of farm houses (0.264, supplied by Selma F. Goldsmith) applied to rental value of farm houses (*NIPA*, Table 1.17).

16 and 17. *Statistics of Income*, Individual Returns, annual series.

18. Sum of lines 19 through 26.

19. Personal contributions to Old Age and Survivors' Insurance by employees and self-employed (*NIPA*, Table 3.8).

20. *NIPA*, Table 3.8.

21. *Statistics of Income*, Individual Returns, annual series.

22, 23, 24. Reported amounts blown up by ratio of total estimated AGI to reported AGI for all other items.

AGI of Alaska has not been tabulated separately since 1942 but was included in the AGI of the State of Washington. AGI of Alaska was estimated by extrapolating the 1939-42 ratio of reported income for Alaska to that for Washington and Alaska combined by means of an index of the ratio of personal income tax collections in Alaska to collections in Alaska and Washington combined (1939-42 = 100).

25. Sum of depletion on rents and royalties, sole proprietorships, and partnerships.

Depletion on rents and royalties was available only for 1960 (*Statistics of Income*, 1960, Individual Returns). Depletion on rents and royalties for all other years assumed to be same percentage of net profits from rents and royalties as in 1960.

1929-38: Depletion of sole proprietorships and partnerships estimated by applying to depletion claimed by proprietors and partners in 1945 the index of depletion reported by corporations (1945 = 100).

1939-64: Depletion of partnerships estimated by applying the estimated ratio of partnership depletion to partnership net income to tabulated partnership net income; the ratio was estimated by linear interpolation of ratios for bench-mark years: 1939 (*Supplement to Statistics of Income for 1939*), 1945 (U.S. Treasury Department, Press Release S-2235), 1947 (Press Release S-2645), 1953 (*Statistics of Income*, 1953, Partnership Returns), and 1958, 1959, and 1960 (U.S. Treasury Department, *Selected Financial Data*, 1958-59, 1959-60, and 1960-61). For 1956 (U.S. Treasury Department, *Business Indicators*, 1956-57) and 1957 (*Selected Financial Data*, 1957-58), tabulated figures were adjusted for omission of agriculture, forestry and fisheries by the average known ratio of total depletion to total excluding agriculture, forestry and fisheries.

Depletion of sole proprietorships was estimated similarly to that of partnerships. For the period 1939-44 the 1945 ratio of depletion-to-net-income was used.

26. 1929-32: Net operating loss deduction (NOLD) for returns with more than \$5,000 net income was expanded to include returns with less than \$5,000 net income on the basis of each group's share in total deductions. There was no provision for a NOLD from 1933 to 1939.

NOLD was available for sole proprietors in 1945 and for sole proprietors and partners in 1951-54, 1960, and 1961. It was assumed that the ratio of NOLD in 1945 to losses in 1944 on returns with no AGI was the same for partners as it was for sole proprietors. The 1945 ratio was 34.2 per cent, and 1944 NOLD was estimated as this percentage of losses on returns with no net income in 1943 (*Statistics of Income*, 1943, p. 77).

The average of the ratios of NOLD to prior year's losses on returns with no AGI for the 1951-54 period was 14.2 per cent. Straight-line interpolation between the ratio for 1945 and the average for 1951-54 gave 21.0 per cent of prior years' losses (*Statistics of Income*, 1948, Table 2) for 1949 NOLD. The figure for 1952 is as tabulated (*Statistics of Income*, 1952, Table 3).

For 1955-59, the average of the ratios of NOLD to net operating loss of prior year for 1951-54 and 1960 was applied to prior year's net operating loss to obtain NOLD of given year. Net operating loss figures are from C. Harry Kahn, *Business and Professional Income Under the Personal Income Tax*, NBER, 1964, Table 35. NOLD for 1960 and 1961 are as tabulated (*Statistics of Income*, 1960 and 1961, Table 2). 1962-64: Method similar to that for 1955-59 was used.

TABLE A-2
*Adjustments of Wage and Salary Disbursements to Obtain Total Wages
 and Salaries, Income Tax Concept, Selected Years, 1929-64*
 (millions of dollars)

	1929	1934	1939	1944	1949	1952	1955	1956
1. Wage and salary disbursements	50,436	33,712	45,941	116,749	134,505	185,076	211,266	227,842
Minus:								
2. Payments in kind	600	300	500	3,700	1,600	2,600	1,900	1,900
3. Nontaxable military pay	-	-	-	15,514	434	2,827	2,435	2,406
4. Sick pay exclusion	-	-	-	-	-	-	444	544
5. Nontaxable state and local government wages and salaries	3,602	3,958	-	-	-	-	-	-
Plus:								
6. Taxable other labor income	114	89	124	72	354	421	598	735
7. Total wages and salaries of Hawaii and Alaska	115	106	175	527	625	766	936	951
Equals:								
8. Total wages and salaries, income tax concept	46,463	29,649	45,740	98,134	133,450	180,836	208,021	224,678

(continued)

TABLE A-2 (concluded)

	1957	1958	1959	1960	1961	1962	1963	1964
1. Wage and salary disbursements	238,695	239,936	258,187	270,844	278,080	296,091	311,095	333,619
Minus:								
Payments in kind	1,900	2,000	1,900	1,800	2,000	2,000	2,100	2,200
Nontaxable military pay	2,401	2,432	2,458	2,464	2,536	2,753	2,777	2,993
Sick pay exclusion	574	623	678	675	756	783	877	522
Nontaxable state and local government wages and salaries	—	—	—	—	—	—	—	—
Plus:								
Taxable other labor income	804	816	851	883	874	867	920	1,003 ^e
Total wages and salaries of Hawaii and Alaska	1,042	1,051	1,400	—	—	—	—	—
Equals:								
8. Total wages and salaries, income tax concept	235,666	236,738	255,402	266,788	273,662	291,422	306,261	328,907

e = estimate.

1. *NIPA*, Table 1.10.

2. Line 5, Table A-1, minus net rent of owner-occupied dwellings, and food and fuel produced and consumed on farms.

3. See note to line 13, Table A-1.

4. See note to line 17, Table A-1.

5. See note to line 14, Table A-1.

6. See note to line 4, Table A-1.

7. Wages and salaries of Hawaii were tabulated separately in

every year, 1929-59. Alaska was tabulated separately from Washington only for 1939-42 and from 1955 on. 1929-38: Hawaiian wages and salaries were raised by the average 1939-42 ratio of Alaskan to Hawaiian wages and salaries. 1943-54: The average ratio for all years with available information was used. These amounts were then divided by the annual mainland coverage ratios. The tabulations referred to are those in the annual *Statistics of Income* for the respective years.

TABLE A-3
*Adjustments of Wage and Salary Disbursements (Department of Commerce) to Obtain
 Total Compensation of Employees, Selected Years, 1929-64*
 (millions of dollars)

	1929	1934	1939	1944	1949	1952	1955	1956
1. Wage and salary disbursements	50,436	33,712	45,941	116,749	134,505	185,076	211,266	227,842
Plus:								
2. Employer contributions to Social Security	-	-	291	648	816	1,776	2,825	3,043
3. Employer contributions to retirement and welfare plans	270	318	1,497	3,237	4,711	7,159	8,595	10,022
a. Whose benefits are taxable	-	-	-	-	-	-	4,409	5,228
b. Whose benefits are not taxable	-	-	-	-	-	-	4,186	4,794
4. Other labor income	114	89	124	72	354	421	598	735
5. Discounts on company goods and services	n.a.	n.a.	n.a.	n.a.	81	94	154	134
6. Miscellaneous payments	n.a.	n.a.	n.a.	n.a.	54	121	231	263
Equals:								
7. Total compensation excluding Hawaii and Alaska	50,820	34,119	47,853	120,706	140,521	194,647	223,669	242,039
8. Total reported wages and salaries divided by total reported mainland wages and salaries	100.26	100.36	100.39	100.54	100.47	100.43	100.45	100.43
9. Total compensation including Hawaii and Alaska (line 7 times line 8)	50,952	34,242	48,040	121,358	141,181	195,484	224,676	243,080

(continued)

TABLE A-3 (concluded)

	1957	1958	1959	1960	1961	1962	1963	1964
1. Wage and salary disbursements	238,695	239,926	258,187	270,844	278,080	296,091	311,095	333,619
Plus:								
Employer contributions to Social Security	3,673	3,657	4,569	5,650	5,716	6,242	7,496	7,868
Employer contributions to retirement and welfare plans	11,271	11,760	13,441	14,605	15,623	17,714	18,537	19,715
a. Whose benefits are taxable	6,069	6,321	6,974	7,396	7,603	8,132	8,620	9,527
b. Whose benefits are not taxable	5,202	5,439	6,467	7,209	8,020	9,582	9,917	10,188
Other labor income	804	816	851	883	874	867	920	1,003 ^e
Discounts on company goods and services	98	108	124	132	142	231	337	371
Miscellaneous payments	293	377	494	709	995	1,017	1,011	1,114
Equals:								
7. Total compensation excluding Hawaii and Alaska	254,834	256,644	277,666	292,823	301,430	322,162	339,396	363,690
8. Total reported wages and salaries divided by total reported mainland wages and salaries	100.44	100.45	100.55	—	—	—	—	—
9. Total compensation including Hawaii and Alaska (line 7 times line 8)	255,955	257,799	279,193	292,823	301,430	322,162	339,396	363,690

Notes to Table A-3, by Line

1. *NIPA*, Table 1.10.
2. *NIPA*, Table 3.8.
3. 1929-53: *National Income*, Table 34, sum of lines 3-11 and 14; 1954-64: sum of lines 3a and 3b, found as follows for 1964:

	million
3a. Contributions to plans whose benefits are taxable:	\$9,527
A. Federal civilian employee retirement systems	1,140
B. State and local employee retirement systems	2,340
C. Private pension and deferred profitsharing plans	5,900
D. Supplemental unemployment benefits	147
3b. Contributions to plans whose benefits are nontaxable:	10,188
E. Life insurance and death benefits	1,733
F. Accidental death and dismemberment	84
G. Hospitalization	2,471
H. Surgical and regular medical	1,196
I. Major medical expense	627
J. Federal unemployment tax	542
K. Cash sickness compensation funds	9
L. Government life insurance	9
M. State unemployment insurance	3,059
N. Railroad unemployment insurance	153
P. Railroad retirement insurance	305

Lines A, B, and J-P: *NIPA*, Table 3.8. Line C: Joseph Krislov, "Employee-Benefit Plans, 1954-64," U.S. Department of Health, Education, and Welfare, *Social Security Bulletin*, April, 1966, Table 5. Lines D-I: *SSB*, Table 2 (employer contributions assumed to be 100 per cent of total contributions for line D, 85 per cent for lines E and F, 65 per cent for lines G, H, and I). Values for lines C-I for 1955 are simple averages of the values for 1954 and 1956.

4. Includes other labor income minus employer contributions to private retirement and welfare plans, compensation for injuries, government payments to enemy prisoners of war, and merchant marine war-risk life and injury claims. Taxable other labor income obtained by adding directors' fees, pay of military reservists, estimated sum of jury and witness fees, compensation of prison inmates and marriage fees to justices of the peace. See notes to Table A-1, line 4, for method of computation of taxable components of other labor income.

5. Discounts on company goods and services estimated from data for 940 companies published in U.S. Chamber of Commerce, *Fringe Benefits*, Washington, D.C., 1949-65. The ratio of discounts to employer contributions to private insurance plans for the 940 companies was multiplied by estimated total employer contributions to private insurance plans. The Chamber of Commerce figures are only given for odd-numbered years; the ratios used for even-numbered years are averages of odd-numbered years. Employer contributions to private insurance were in turn estimated from Commerce Department figures for total contributions for private insurance. The latter was multiplied by the ratio of employer contributions to private insurance to total such contributions. This ratio was available for 1954 (U.S. Senate, *Welfare and Pension Plans Investigation*, Senate Report No. 1734, Washington, 1956, Appendix II, p. 84) and for 1960 (Richard Goode, *The Individual Income Tax*, Washington, 1964, pp. 117-118).

6. Miscellaneous payments include meals furnished to employees, compensation paid in excess of legal requirements, payments to needy employees, tuition refunds, and savings and stock purchase plans. The method of estimation was the same as for company discounts on goods and services (note to line 5).