

United States General Accounting Office
Washington, DC 20548

April 11, 2002

The Honorable Dick Armey
Majority Leader
House of Representatives

Subject: **Income Ranges of Taxpayers Who May Have Overpaid Federal Taxes
by Not Itemizing**

Dear Mr. Armey:

As was discussed with your staff, this letter provides some information on the income ranges of taxpayers who may have overpaid federal taxes by not itemizing. This information relates to our March 29, 2002, report *Tax Deductions: Further Estimates of Taxpayers Who May Have Overpaid Federal Taxes by Not Itemizing* (GAO-02-509) and was developed in accordance with generally accepted government auditing standards.

As shown in table 1, we estimate that of the returns filed for tax year 1998 by taxpayers who may have overpaid federal taxes by not itemizing, 53 percent showed adjusted gross incomes of \$50,000 or less. Eleven percent of the returns showed adjusted gross incomes of more than \$75,000.

Table 1: Distribution of Returns, by Adjusted Gross Income, on Which Taxpayers May Have Overpaid Taxes because Itemizable Deductions May Have Exceeded the Standard Deduction, Tax Year 1998

Returns on which mortgage interest and points and state and local income tax plus imputed charitable contributions, real estate and personal property taxes exceeded the standard deduction	Adjusted gross income range	Estimated returns (in thousands)	95% confidence interval (in thousands)	Percentage of returns
	≤\$25,000	288	198-401	13
	\$25,001–\$50,000	853	588–1,177	40
	\$50,001–\$75,000	774	456–1,140	36
	\$75,001–\$100,000	179	119–257	8
	>\$100,000	62	37–98	3
Total		2,157	1,602–2,838	100

Note: Totals may not sum because of rounding.

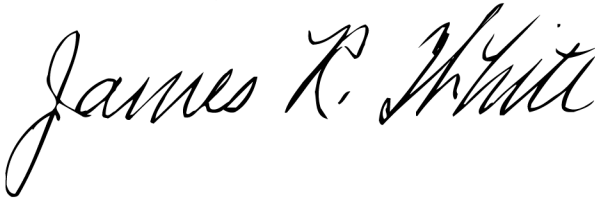
Source: GAO analysis of Statistics of Income and other IRS data and Department of Labor consumer expenditure survey data.

The median adjusted gross income for these returns was about \$47,000 (with a 95 percent confidence interval of \$35,000 to \$58,000). The median adjusted gross income for all returns in tax year 1998 was about \$27,000.

We are sending copies of this letter to Representative William Thomas, chairman, and Representative Charles B. Rangel, ranking minority member, House Committee on Ways and Means; Senator Max Baucus, chairman, and Senator Charles E. Grassley, ranking member, Senate Finance Committee; Representative Amo Houghton, chairman, and Representative William J. Coyne, ranking minority member, Subcommittee on Oversight, House Committee on Ways and Means; and the Honorable Charles O. Rossotti, commissioner of internal revenue. We will make copies available to others on request. This letter will also be available on GAO's home page at <http://www.gao.gov>.

If you have any questions, please contact me on (202) 512-9110 or Assistant Director Ralph Block on (415) 904-2150.

Sincerely yours,

A handwritten signature in black ink that reads "James R. White". The signature is written in a cursive style with a large, stylized initial "J".

James R. White
Director, Tax Issues

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