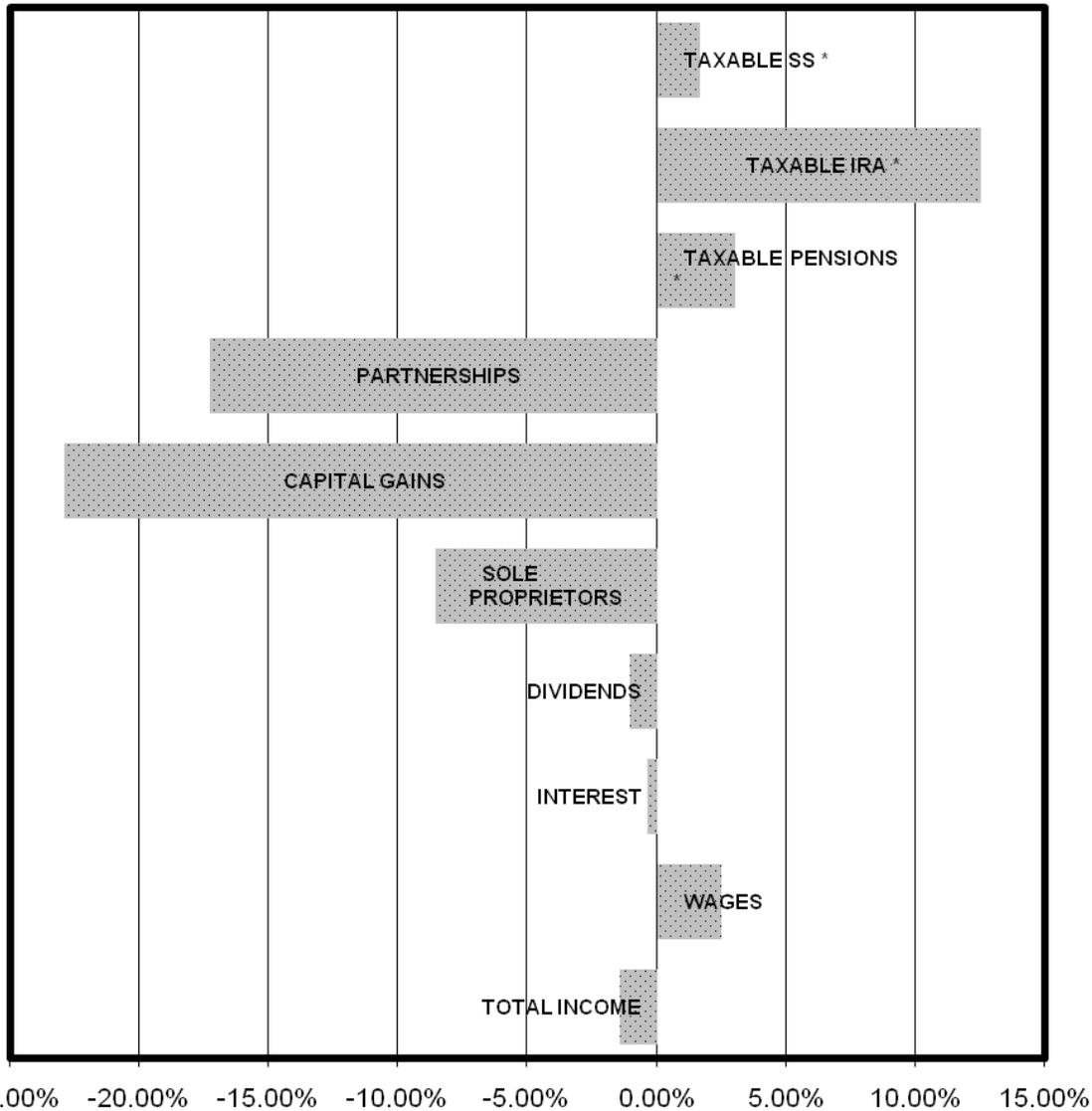


# UTAH STATISTICS OF INCOME

## RETURN YEAR 2008



## DATA DESCRIPTION

The 2008 volume of the Utah Statistics of Income series summarizes and analyzes tax return data available from the Internal Revenue Service (IRS) through the federal-state exchange program. The data are based on those federal income tax returns that list a Utah address and were processed by the IRS as of late August 2009.

Two different data tapes are available from the IRS. The first, called the master file, contains very basic information from the 1040 form, such as federal taxes, adjusted gross income (AGI), deductions and the number of exemptions claimed. The second source contains most of the individual tax form lines, such as detail on deductions and sources of income. The detailed source is not updated to reflect amendments and is not as thoroughly edited for errors as the first source. Thus, the data are not 100 percent correct, but in most cases are reliable for general orders of magnitude and averages. Since the two sources are not at the same phase in processing when the state tapes are made, totals from the two sources are generally not identical, although usually very close. Either differences in IRS processing speed or the timeliness of taxpayers in filing returns will cause discrepancies. This may result in slight differences on some tables in items such as AGI, deductions, or the number of taxpayers.

The IRS's tax data always contain information from prior-year returns that are filed late. We generally include prior-year returns since their omission would result in a serious under-reporting of the various income and tax magnitudes. In a sense, 2008 prior-year (2007) data is a proxy for returns for 2008 that will be filed late. Prior-year returns are included as a separate "county" in the county tables and are not included in either the city or ZIP Code data, since we believe the inclusion of the data at the state level is reliable, but that its allocation to lower level geographic units is questionable.

In addition to state, county, city, and ZIP Code data on adjusted gross income, federal taxes, exemptions, and returns by income level, this volume reports statewide data on itemized deductions, adjustments to income, sources of income, and other important magnitudes from federal tax schedules C through F, as well as for various credits and tax payments.

The data on Utah's income is AGI, which is not the same concept as either the census definition or personal income. AGI includes capital gains, which most definitions of income do not cover, and only captures a portion of social security income and pension income. In addition, a list of adjustments, such as IRA and Keogh plans, self employed health insurance, moving expenses, alimony paid, etc. are subtracted to arrive at AGI. AGI also excludes the imputed income included in personal income measures.

We are subject to the way taxpayers fill out their forms as far as addresses are concerned. If they use a wrong ZIP Code, we are forced to live with it. Probably the most important error of this type is in the "city" taxpayers claim. Some residents of the smaller communities, for example, may list Salt Lake City as a city rather than Sandy, or Murray, for example. This also happens for residents of unincorporated areas. Some taxpayers will also use their professional address or post office box rather than their actual residence. Every year there are also many city names that are misspelled. For example a return this year listed "Aest Valley City" which was most likely intended to be West Valley City. With nearly 1,000 errors of this type every year it is a timely process making the corrections but the majority are fixed.

To understand what is included in federal taxes, please consult the federal form 1040. This figure is what is reported on the total tax line, but self-employment taxes are not included, while alternative minimum taxes are included as well as some other small items. Credits have been subtracted, except the earned income tax, which is considered

a payment by the IRS. In addition, average values are only averages for taxpayers using a particular form or line.

This report represents an ongoing effort at the Utah State Tax Commission's Economic and Statistical Unit to calculate family-based data from individual returns. Since the raw data is based on tax returns and tax definitions of income, and since the aggregation is not perfect, this data should not be expected to conform to other sources of family or household data. This report groups returns into larger units, such as households or families. It groups returns that show the same last name, ZIP Code, and first part of the address into a unit, generally a family. This method adds minors with their parents, if they use the same name and address. It also groups a married couple living with the husband's parents (same last name). However, it would not group a married couple living with the wife's parents (different last names).

## RECENT TRENDS

In December of 2007 the US economy entered potentially the worst recession since the Great Depression. The main business cycle indicators (industrial production, real income, employment, and retail sales) all dropped below the average decline of the past 6 recessions. The current recession has ended but lasted much longer than the 16 month average of the previous 6 recessions. Although it may be officially over the effects may be felt for some time as unemployment continues to climb and the economy slowly returns to its pre-recession levels. The 2008 Utah Statistics of Income reflects some of hardships being felt by Utah residents.

Many of the major sources of adjusted gross income (AGI) dropped in 2008, with AGI falling by .94 percent and total income by 1.46 percent. Wages grew by only 2.47 percent compared to the previous year growth of 10.96 percent. The largest declines were in capital gains and partnership income, 22.93 and 17.31 percent respectively.

Federal taxes fell by 2.32 percent. As a share of AGI they remained nearly same at 10.7 percent of AGI. Total itemized deductions grew by 4.61 percent compared to the previous two years of growth around 14 percent. Interest payments in 2008 fell by .39 percent as a result of the Federal Reserve policy of low interest rates.

Two of the tax cuts for individuals aimed at stimulating the economy that are captured in this year's federal data are the first-time homebuyer credit and the recovery rebate credit (2008 Federal form 1040, line 69 and 70 respectively). A description of the credits are given below along with summary statistics for Utah taxpayers.

### First Time Home Buyer Credit

The Housing and Economic recovery Act of 2008 established a tax credit up to \$7,500 (\$3,750 for married filling separate returns) that must be repaid in 15 equal annual installments beginning in 2010 income tax year. The credit phases out for individual taxpayers with modified adjusted gross income between \$75,000 and \$95,000 (\$150,000 and \$170,000 for joint filers). On February 17, 2009 the American Recovery and Reinvestment Act (ARRA) was signed into law in attempt to prevent the economy from slipping further into recession. It is estimated that the act will create and save three to four million jobs through an injection of nearly \$800 billion in tax cuts and direct spending. To view the full bill [click here](#). ARRA expanded the credit to \$8,000 for purchases made before December 1 and converted the interest free loan into a cash grant. For homes purchased in 2009 the credit does not have to be paid back unless the home ceases to be the taxpayers main residence within a three-year period following the purchase. The Joint Committee on Taxation estimated that the extension of the credit will have a \$4,376,000 revenue impact in 2009 and 2010. To view the details of the credit [click here](#). This credit should not be confused with the Home Run Grant Program signed into law on March 19, 2009 in Utah. The Home Run Grant program was

established with ARRA funds and allows a grant of \$6,000 towards the purchase of a newly constructed home. These grants are available to all home buyers who meet the income requirement of \$75,000 for singles, and \$150,000 for couples.

The table below shows the number of filers claiming the federal credit on their 2008 taxes along with the total and mean value of the credit, according to filing status. The number of Utah filers claiming the credit totaled 14,864 with a total value of \$108,442,173. The mean value of the credit was \$7,296, close to its maximum amount of \$7,500. Approximately 62% of those claiming the credit filed as married joint.

First Time Homebuyers Credit			
Filing Status	Number	Total Value of Credit	Mean Credit
All	14,864	108,442,173	7,296
Single	4,250	30,125,931	7,088
HeadofHousehold	1,244	8,803,735	7,077
Married Joint	9,241	69,032,721	7,470
Married Separate	129	479,786	3,719

The next table displays the distribution of adjusted gross income for those filers who claimed the home credit and for the federal sample as a whole. The percentiles represent the value of adjusted gross income below which a certain percent of the filers fall. So the 75<sup>th</sup> percentile is the value below which 75 percent of the filers may be found.

Distribution of Adjusted Gross Income								
Group	Number	P05	P10	P25	Mean	P75	P90	P95
All Filers	1,143,264	2,368	5,253	14,786	54,846	65,893	104,755	140,660
Claimed Credit	14,864	16,206	23,192	34,208	50,280	63,005	81,380	94,338

Only 1.3 percent of Utah filers claimed the first time home buyers credit. The mean adjusted gross income for those who utilized the credit was slightly lower the mean for the entire sample. The distribution of adjusted gross income was also more tightly centered around the mean. These two observations make sense because people with low incomes cannot afford to buy homes and those with high incomes already own homes and do not qualify for the credit.

### Recovery Rebate Credit

The recovery rebate credit is a benefit for people who did not receive the full economic stimulus payment last year and whose circumstances may have changed making them eligible now for some or all of the unpaid portion. The credit is calculated the same way as it was in 2008 except 2008 tax information is used. To view the IRS recovery rebate credit information center [click here](#). People who may be eligible are:

- Individuals who did not receive an economic stimulus payment.
- Those who received less than the maximum economic stimulus payment in 2008 — \$600 per taxpayer; \$1,200 if married filing jointly — because their qualifying or gross income was either too high or too low.
- Families who gained an additional qualifying child in 2008.
- Individuals who could be claimed as a dependent on someone else's tax return in 2007, but who cannot be claimed as a dependent on another return in 2008.
- Individuals who did not have a valid Social Security number in 2007 but who did receive one in 2008.

Economic Recovery Credit			
<b>Filing Type</b>	<b>Number</b>	<b>Total Value of Credit</b>	<b>Mean Credit</b>
All	208,823	98,057,563	470
Single	80,068	28,802,848	360
Headof Household	27,651	12,318,300	445
Married Joint	97,971	55,625,395	568
Married Separate	3,133	1,311,020	418

Approximately 18% of Utah taxpayers claimed the economic recovery credit. The average credit was \$470 with a total of \$98,057,563.