

## FEDERAL DATA FOR 2005

All sources of Adjusted Gross Income (AGI) rose more than 7% in tax year 2005, with AGI growing by 12.25%. Wages, which are the largest part by far, grew 7.12%. Taxable pensions grew by 6.76%, but are no longer the second most important source. Capital gains were the fastest growing part at over 56%, a rate that of course cannot be sustained (as we said last year). And the 36% growth in Partnership income will not be sustained either.

Federal taxes grew by almost 19% and have now returned to the 2000 level. As a share of AGI they are above 10% of AGI for the first time since 2002 but are still well below the 12.64% share in 2000.

Total itemized deductions rose by 10%, but when the limit on itemized deductions is considered they only rose by 9.37%. Interest payments in 2005 increased by 10%, reflecting the Federal Reserve policy of slowing the economy, but are still the largest itemized deduction. Charitable contributions rose by 10.59%. (See the detailed page.) The ratio of itemized deductions to AGI actually fell for the third straight year.