

FEDERAL DATA FOR 2006

All major sources of Adjusted Gross Income (AGI) rose more than 8% in tax year 2006, with AGI growing by 14.68% and total income growing by 13.75%. Wages, which are the largest part by far, grew 10.5%. Taxable pensions grew by 8.9. Interest payments were the fastest growing part at over 47%, a rate that of course will be sustained is interest rates are falling. Capital gains increased over 35%.

Federal taxes grew by over 22%. As a share of AGI they are at 10.9% of AGI , and are the highest they have been since 2001. This probably reflects the rapid growth in gains, interest and dividends, which are important for higher income taxpayers.

Total itemized deductions rose by over 14%, but when the limit on itemized deductions is considered they only rose by almost 15%. (These data are from schedule A and are not identical to what is reported on 1040) Interest payments in 2006 increased by 18.8%, reflecting the Federal Reserve policy of slowing the economy, but are still the largest itemized deduction. Charitable contributions rose by 10.6%. (See the detailed page.) The ratio of itemized deductions to AGI actually fell for the fourth straight year.