

Fewer Millionaires and a Larger Middle-Class: Tax Returns from 2003

According to the Census of Governments, 52 percent (\$11.2 billion) of the money coming into the state government's coffers was from taxes. The other half of the state's general revenue came in the form of intergovernmental revenue, current charges and miscellaneous revenue.¹ Indiana's largest sources of state government revenue (55.5 percent) are general and selective sales taxes,

contributing a collective \$6.2 billion. The personal income tax is the state government's next largest revenue stream, contributing \$3.6 billion or 32.5 percent (see **Figure 1**).

For the 2003 tax year (payable in 2004), 2.83 million personal income tax returns were filed, a 1.1 percent decline (32,032 returns) since 2002. (This includes all filing types and out-of-state taxpayers who owed Indiana

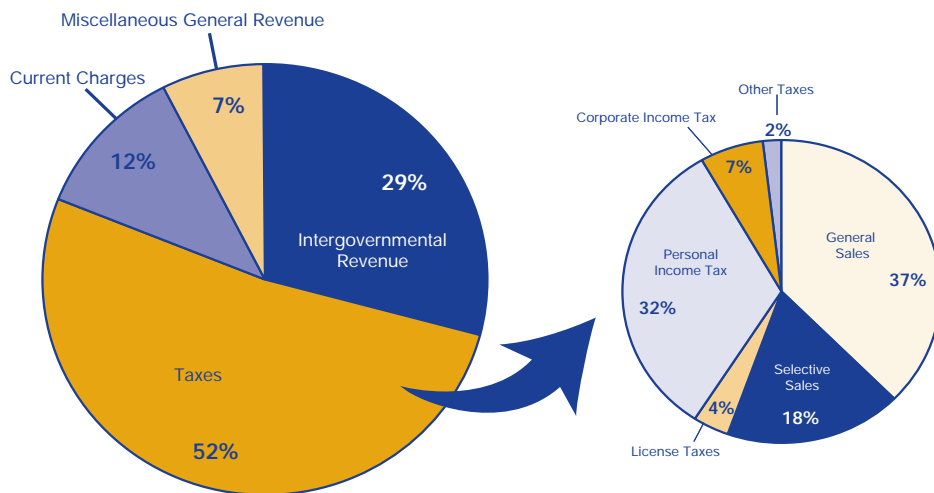
taxes.) Over the same time period, the population increased by 0.7 percent (41,244).

Returns for taxpayers in the \$20,001 to \$30,000 income bracket declined the most, and the largest increase was for taxpayers in the \$75,001 to \$100,000 income tax bracket. There were 105 fewer returns reporting over \$1 million in income and an increase of 5,225 returns reporting no income in 2003. Total federal adjusted gross income (AGI) for Indiana taxpayers and those non-resident filers was \$116.6 billion, slightly down from the previous year (see **Table 1**). AGI is the sum of all taxable sources of income (capital gains, dividends, pension and annuity income), less any adjustments allowed.

Marion and Lake county residents filed one-fifth of the state's tax returns and had a fifth of the state's total federal AGI. However, both Allen (6.1 percent) and Hamilton (6.5 percent) counties paid a larger share of income taxes than Lake County.²

The average AGI for all filing types increased by 1.1 percent to \$41,165

FIGURE 1: STATE GOVERNMENT FINANCES, 2003



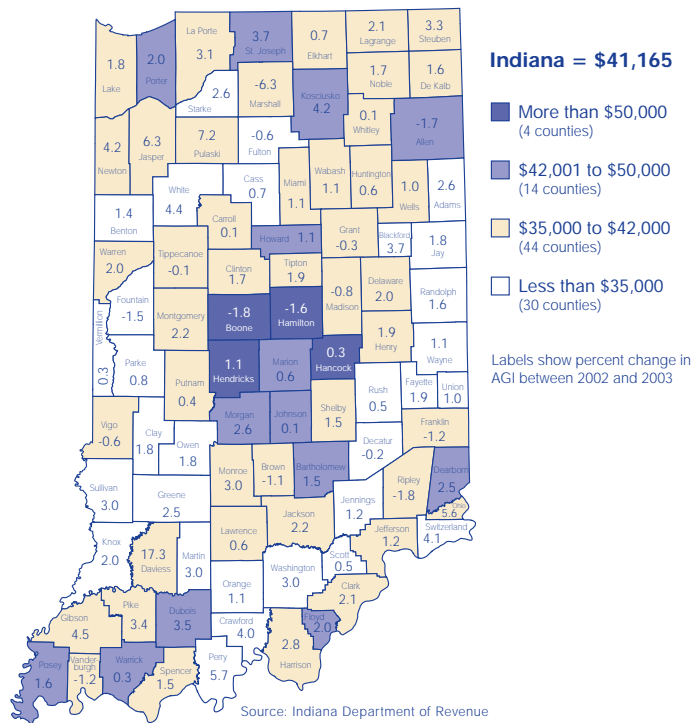
Source: IBRC, using Census of Governments

TABLE 1: INDIANA INCOME TAX RETURNS, 2003 PAYABLE 2004

Income Brackets	Returns	Distribution	Change	Change 2002-2003	Value of Returns	Distribution	Change	Change 2002-2003
Number of Tax Returns Filed	2,833,942	100%	-32,032	-1.1%	\$116,659,257,951	100%	-\$39,350,472	-0.03%
Equal To Zero	172,265	6.1%	5,225	3.1%	-\$551,073,332	-0.5%	\$52,277,109	-8.7%
\$0.01-\$10,000	702,850	24.8%	-11,841	-1.7%	\$5,342,423,861	4.6%	\$223,473	0.0%
\$10,001 to \$20,000	451,137	15.9%	-8,253	-1.8%	\$8,614,989,013	7.4%	-\$94,413,980	-1.1%
\$20,001 to \$30,000	357,414	12.6%	-11,921	-3.2%	\$10,586,989,877	9.1%	-\$313,150,029	-2.9%
\$30,001 to \$40,000	270,720	9.6%	-6,852	-2.5%	\$10,984,293,326	9.4%	-\$255,572,810	-2.3%
\$40,001 to \$50,000	211,554	7.5%	-7,617	-3.5%	\$10,824,634,673	9.3%	-\$375,928,842	-3.4%
\$50,001 to \$75,000	355,567	12.5%	-4,560	-1.3%	\$24,015,012,101	20.6%	-\$271,141,191	-1.1%
\$75,001 to \$100,000	162,781	5.7%	7,728	5.0%	\$15,030,529,874	12.9%	\$707,889,089	4.9%
\$100,001 to \$250,000	128,619	4.5%	6,499	5.3%	\$18,498,141,796	15.9%	\$802,226,109	4.5%
\$250,001 to \$500,000	14,649	0.5%	-80	-0.5%	\$5,018,466,696	4.3%	-\$62,974,495	-1.2%
\$500,001 to \$1 million	4,443	0.2%	-255	-5.4%	\$2,956,498,288	2.5%	-\$216,614,582	-6.8%
Over \$1 million	1,943	0.1%	-105	-5.1%	\$5,338,351,778	4.6%	-\$12,170,324	-0.2%
Income Greater than \$50,000	668,002	23.6%	9,227	1.4%	\$70,857,000,533	60.7%	\$947,214,606	1.4%
Income Greater than \$100,000	149,654	5.3%	6,059	4.2%	\$31,811,458,558	27.3%	\$510,466,708	1.6%

Source: IBRC, using Indiana Department of Revenue data

FIGURE 2: AVERAGE ADJUSTED GROSS INCOME, 2003

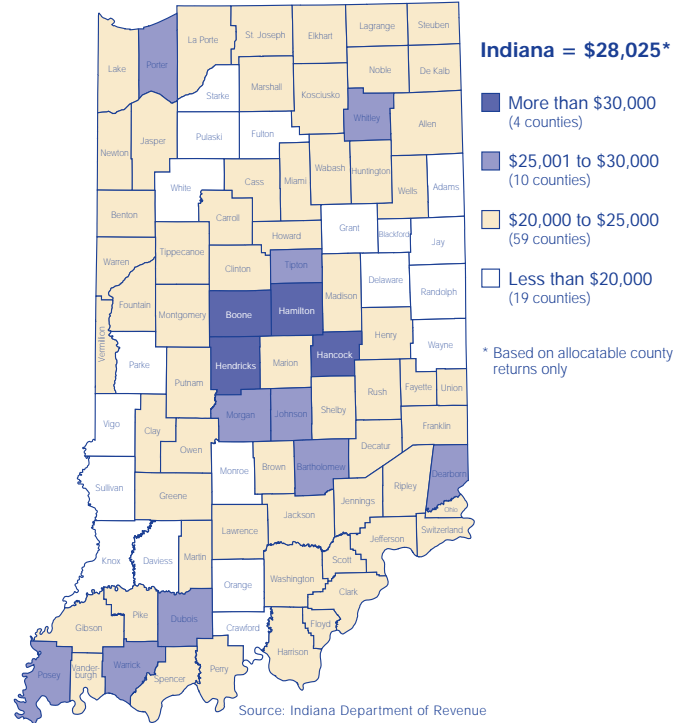


over the year. This increase did not keep pace with inflation, which was 2.3 percent for the same time period. **Figure 2** is a good depiction of where wealth is located in the state, which not surprisingly encompasses the major metro areas. The most notable increase is the average value per return in Daviess County (17.3 percent), where 121 fewer returns were filed but the cumulative value of those returns rose by \$65 million.

Figure 3 looks at the median AGI. When there are some tax returns with very high incomes, the median is a closer measure of the “typical” taxpayer.³

Figure 4 looks at the average tax due per return before withholding and credits are figured into the equation. (Note: Only returns with tax liability were used as a base for this calculation.) As we might expect, the counties with the highest average adjusted gross incomes also had the largest income tax liability. Hamilton County led the state with an average

FIGURE 3: MEDIAN ADJUSTED GROSS INCOME, 2003



tax of \$3,285 per return. However, this has dropped \$52 since 2002.

The income tax—just another piece of the economic puzzle but certainly an avenue that should be explored.

3. This figure is not the same as the median household income reported by the Census Bureau; this figure represents the adjusted gross income that is higher than half of the incomes reported on individual income tax returns.

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Notes

- Intergovernmental revenue comprises monies from other governments, including grants, shared taxes, and contingent loans and advances for support or reimbursement of particular functions or for general financial support. Current charges are those imposed for providing current services or for the sale of products in connection with general government activities. Miscellaneous revenue comprises all other general revenue of governments from their own sources (other than liquor store, utility and insurance trust revenue).
- For percent of state calculations, out-of-state taxpayers were removed from the state total. Incidentally, those out-of-state residents filed 122,000 returns and contributed \$3.4 billion to Indiana’s total federal AGI.

FIGURE 4: AVERAGE TAX DUE PER RETURN, 2003

