

The various tables, other than table 1, are based upon analysis of a sample of returns which submitted form 2950-SE. In general, these figures understate the magnitudes involved because not all returns claiming the deduction filed a form 2950-SE. Most of the understatement occurs in the lower income brackets. This is illustrated by the following comparison of the estimated distribution by income classes of returns which filed form 2950-SE with the estimated distribution of all returns with the deduction (reported on line 4, pt. III, p. 2 of the return):

AGI class	Returns with form 2950-SE		All returns reporting deductions	
	Number of returns	Percent of total	Number of returns	Percent of total
Under \$5,000.....	1,200	4.7	14,573	11.9
\$5,000 to \$10,000.....	2,403	9.4	7,971	20.8
\$10,000 to \$25,000.....	8,445	33.0	11,436	29.8
\$25,000 to \$50,000.....	9,844	38.5	10,487	27.4
\$50,000 and over.....	3,673	14.4	3,870	10.1
Total.....	25,569	100.0	38,337	100.0

¹ Includes nontaxables.

All data, particularly those based on the special tabulation from form 2950-SE, are subject to deficiencies resulting from omission of SOI sample returns which could not be obtained in time for this study. In many cases the actual number of returns used in the special tabulation to produce the frequency estimates was very small. The estimates of both number of returns and corresponding amounts are subject to high sampling variability.

2. Taxpayers benefiting and amount of deduction

Preliminary data from individual income tax returns for 1964, filed during 1965, indicate that the self-employed retirement deduction was taken on 38,300 returns (table 1). (The number of self-employed individuals benefiting from the deduction is somewhat greater than the number of returns, since on joint returns the spouse may also be covered as a separate self-employed person). Self-employed individuals taking advantage of the retirement deduction constituted only about one-half of 1 percent of the total number of self-employed. In 1964, the self-employment tax for social security purposes was reported on an estimated 6.3 million returns, and this did not include 0.2 million self-employed doctors who were not then covered by social security.

As is indicated in table 1, the self-employed retirement deduction is not widely used by those in the lower income brackets. Only 30 percent of the taxable returns taking the deduction in 1964 had adjusted gross income of less than \$10,000, while 73 percent of returns with self-employment tax had incomes below this level. Almost 40 percent of the returns with the self-employed retirement deduction were in the \$25,000 and over income class, while only 6 percent of the returns with self-employment tax are at this level.

Of the total amount deducted for contributions to self-employed retirement plans in 1964, only 11 percent was accounted for by the under \$10,000 income group, and more than 60 percent by the \$25,000 and over group.