

data on forms 2950-SE suggest that these rules permitting exclusion of certain employees, where plans exist, result in exclusion of about 60 percent of employees of self-employed persons taking the retirement deduction.

The covered and noncovered employees and their compensation as reported on the 1964 forms 2950-SE of self-employed taking the retirement deduction was as follows:

Covered employees:

Number of returns reporting covered employees.....	5, 059
Number of returns reporting compensation.....	4, 357
Number of employees.....	6, 719
Amount of compensation.....	\$26, 384, 000

Noncovered employees:

Number of returns reporting no covered employees.....	20, 510
Number of returns reporting compensation.....	3, 774
Number of employees.....	10, 552
Amount of compensation.....	\$17, 177, 000

The reporting of employees, however, is clearly incomplete. Of the 26,000 returns, 5,000 reported covered employees, but only about 4,400 reported compensation of covered employees; 21,000 showed no covered employees, and only about 3,800 showed compensation of noncovered employees. This implies that 17,000 persons claiming the deduction had no employees. This seems unlikely. It appears that reporting of both noncovered employees and compensation paid to them is incomplete.

The total number of covered and noncovered employees, as reported, was 17,000 of which only about 40 percent were covered. The coverage percentage would be lower if there is more nonreporting of noncovered employees than there is of covered employees. The following table shows for selected occupations the reported coverage of employees of self-employed claiming the retirement deduction:

Occupation of self-employed	Percent of total number of employees reported on form 2950-SE	
	Covered	Noncovered
Physicians.....	41	59
Dentists.....	24	76
Legal services.....	45	55
Finance, insurance, and real estate.....	24	76
Retail, wholesale, and manufacturing.....	52	48
Total.....	39	61

The table below indicates the average number of covered employees of the self-employed who take the deduction.

Occupation	Average number of employees reported on form 2950-SE	
	Covered	Total
Physicians.....	0.4	0.9
Dentists.....	.3	1.2
Legal services.....	.4	1.0
Accounting and auditing.....	.2	.3