In addition, tax returns will furnish a complete and presumably accurate record of business activity. In 1967 the Service will receive more than 1½ million corporation income tax returns, almost one million returns for partnerships, and about 10 million individual returns reflecting the operations of sole proprietors, both farm and nonfarm.

Although these constitute the main areas, the Service receives many other returns containing useful information. They include fiduciary, estate, and gift tax returns, and returns of tax exempt organizations, as well as the many millions of employment returns, estimated tax returns and information returns.

Coping with all these documents and maintaining standards of fair and equitable enforcement is, of course, a monumental task. To this end there has been, over the past five years, a change to completely integrated automatic data processing of individual and business tax returns and the establishment of master files. The last regions were converted at the beginning of this year so that the system is now operating on a nationwide basis. In addition to the effect on revenue processing, this has some very significant implications for our statistical programs.

Statistics of Income Reports

For the past 50 years the Internal Revenue Service has been publishing a series of statistical compilations under the title *Statistics of Income.* This is in accordance with a requirement of the Revenue Act of 1916, incorporated in Section 6108 of the Revenue Code, providing that:

"The Secretary or his delegate shall prepare and publish annually statistics reasonably available with respect to the operation of the income tax laws, including classifications of taxpayers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable."

While the publication for 1916 consisted of only one volume, Statistics of Income, in response to this mandate, has expanded to four basic series covering individuals, corporations, business, and estate, gift, and fiduciary tax returns. The last 50 years has, of course, seen important changes. Statistics of Income has developed from a tax collection oriented publication to a document of great economic significance. This came about through the extension of the income tax to practically the whole population, and the introduction of new and complex provisions making the tax return a rich source of economic data.

The volume of *Individual Income Tax Returns* presents, in considerable detail, data showing adjusted gross income, taxable income, income tax liability, sources of income, and itemized deductions, classified by size of adjusted gross income. Taxable income and tax are also shown by applicable tax rates. Selected items of income and tax are shown by States, annually, and by metropolitan areas biennially. Some of the special analyses which have been covered in recent reports include self-employed pension deduction, income of taxpayers over 65, contributions by type of recipient, and divident recipients by number of payer corporations.

Corporation Income Tax Returns presents the many items from the income and balance sheet statements, as well as income tax liability and distributions to stockholders. The statistics are classified by industry, and by size of total assets, business receipts, and net income. Most of these data are also shown separately for returns with net income, consolidated returns, and returns of Small Business Corporations electing to be taxed through shareholders. In addition, selected items are available for each Internal Revenue district or region. Other statistics are designed primarily for use in revenue estimating and tax analyses. Special tabulations have included classifications by ratio sizes based on the relationships between net income and business receipts, and business receipts and total assets. Special subjects for which statistics are available include inventory valuation and depreciation methods, paterns of current and prior year net income, unincorporated businesses electing to be taxed as corporations, and investment credit.

The most recent addition to our publications in the regular Statistics of Income series is *U. S. Business Tax Returns.* It was first introduced for tax year 1957 in response to widespread demand for an annual volume of statistics covering all three of the principal forms of business organization, i.e., sole proprietorships, partnerships, and corporations. The primary emphasis of the report is to provide data with industry detail about unincorporated businesses. Statistics of Income is the only reliable source of this segment. Each year, new data are introduced into the report such as financial ratios, depreciation methods, inventory methods, use of the investment credit, statistics on a state-by-state basis,