

Income of Aged Persons, 1948

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DATA from the income-tax returns for 1948, recently furnished the Social Security Administration by the Bureau of Internal Revenue, fill an important gap in available information on the income of aged persons in that year. Under the Revenue Act of 1948, special exemptions of \$600 for age or blindness may be claimed by the taxpayer for himself or for a dependent spouse. The number of returns with special exemptions, arrayed by size of income, are of particular interest because of the clues they offer to the number of aged persons with incomes in the middle- and upper-income brackets. For reasons noted below, the tax returns are not a reliable guide to the number of aged in the lower income groups and tell us nothing about the total number of income recipients among the aged.

The major source of information on the income of the aged in 1948 remains the Bureau of the Census survey of April 1949.¹ The results of this survey, based on interviews conducted in a representative sample of approximately 25,000 households, are summarized in table 1. The income being discussed, incidentally, is money income only. In the Census estimates, the income excludes not only income in kind (value of farm produce consumed by the family, contributions received in the form of food, clothing, and the like, and free shelter), but money receipts as well from the following sources: withdrawals from bank deposits, loans, tax refunds, gifts, lump-sum inheritances or in-

surance payments, and income derived from the sale of assets.

The Bureau of the Census estimates that, among the 11 million persons aged 65 years and over in 1948, about 3.5 million had no money income (as defined) that year and that, of the 7.5 million with money income, about 2.3 million had incomes of less than \$500 and about the same number fell in the class \$500-1,000. There were about 1.4 million persons in the class \$1,000-2,000, about half that number with incomes from \$2,000 to \$3,000, and close to half a million in the class \$3,000-5,000. Perhaps 170,000 had incomes between \$5,000 and \$10,000, and a possible 60,000 had incomes of \$10,000 or more (table 1).

How does an income distribution based on the tax returns with a special exemption compare with the distribution developed by the Bureau of the Census? Before an answer is attempted, the limitations of the income-tax return as a source of information on the income of the aged should be looked at.

To begin with, not all income is reported to the Bureau of Internal Revenue. Fewer than half the income recipients among the aged in 1948 filed income-tax returns for that year, to judge from the fact that special exemptions for age or blindness were claimed in about 3.4 million returns only (table 2). The half or more of the aged income recipients who did not file an income-tax return were all or nearly all in the low-income brackets. They included persons all or most of whose income was derived from the following tax-exempt sources, which bulk large in the income pattern of the aged:

(1) Gross income from taxable sources (earnings, dividends, interest, rents, etc.) of less than \$600; (2) old-age assistance and other forms of public assistance; (3) benefit payments under old-age and survivors insurance, the railroad retirement program, and the program for veterans; (4) annuities and pensions (for

that portion representing a return of premiums paid in by the taxpayer); and (5) gifts, bequests, inheritances, and contributions by relatives.

Income derived from these sources is not only exempt from income tax but, except for wage and salary income in item 1, is not reported as income, and hence is not reflected in table 2, among whose 52 million returns are some 16 million with reportable but not taxable income.

A second possible limitation relates to the fact that the special exemption may be claimed for either age or blindness.² The income-tax form contains separate entries for exemptions for age and for blindness, but information is not available on the number falling into each of these groups. The limitation is not serious, however. On the basis of earlier experience with the special deduction of \$500 for blindness of the taxpayer, available in 1947 and earlier years, the Bureau of Internal Revenue is inclined to believe that the number of exemptions for blindness included in the total number of special exemptions is not large. Persons 65 years of age and over outnumber the blind of

² Two exemptions may be claimed by an individual who is both aged and blind. Some idea of the number of such individuals may be obtained by comparing the total number of extra exemptions with the number of extra exemptions in the joint returns of husband and wife. The difference in table 2 between the number of returns with special exemptions and the number of such exemptions is 907,375. This is presumably the number of returns with two exemptions. (Four exemptions could be claimed on one return filed by an aged and blind person who has an aged and blind spouse, but the number of such cases is probably quite small.) The extra exemptions in the 1,968,203 joint returns of husband and wife with special exemptions (table 3) numbered 897,842, nearly all of which may be presumed to represent special exemptions for an aged or blind spouse. The difference between 907,375 and 897,842—about 10,000—may be taken as a rough indication of the number of individuals claiming exemptions for both age and blindness.

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¹ Bureau of the Census, "Income of Families and Persons in the United States: 1948" (*Current Population Reports, Consumer Income*, Series P-60, No. 6). Additional data from the same survey may be found in the report of the Joint Committee on the Economic Report, *Low-Income Families and Economic Stability* (81st Cong., 1st sess.), 1949. Similar estimates for 1949 appear in the Bureau of the Census report, Series P-60, No. 7.

Table 1.—Persons aged 20 and over and persons aged 65 and over, by money income, 1948

[In thousands]

Money income	Number of persons aged 20 and over	Persons aged 65 and over	
		Number	As percent of persons aged 20 and over
Total number in population ¹	95,910	10,980	11.4
Number of persons without income	30,570	3,490	11.4
Number of persons with income	65,340	7,490	11.5
Loss	260	20	7.7
\$1-499	8,550	2,320	27.1
500-999	8,530	2,260	26.5
1,000-1,499	7,450	930	12.5
1,500-1,999	7,170	510	7.1
2,000-2,499	8,730	460	5.3
2,500-2,999	6,590	280	4.2
3,000-3,999	9,990	350	3.5
4,000-4,999	3,950	130	3.3
5,000-5,999	1,780	80	4.5
6,000-9,999	1,540	90	5.8
10,000 and over	800	60	7.5

¹Represents estimated civilian noninstitutional population of the United States in April 1949 and includes approximately 393,000 members of the Armed Forces living off post or with families on post.

Source: Estimated from Bureau of the Census, "Income of Families and Persons in the United States: 1948" (*Current Population Reports, Consumer Income*, Series P-60, No. 6), table 12.

all ages about 40 to 1. It would be reasonable to assume that not more than 2 or 3 percent of the special exemptions were for blindness, although the proportion may have been higher in some income classes.

A third possible limitation concerns the inclusion of joint returns of husband and wife in the count of both the total number of returns and returns with special exemptions. Of the gross total of 52 million returns, 29.7 million or 57 percent were joint returns. Joint returns with special exemptions numbered 1,968,208, or 58 percent of all returns with special exemptions (table 3). The close correspondence in these two proportions suggests that the presence of joint returns in the data introduces no special problem affecting the over-all proportion of returns filed by aged persons.

Most joint returns represent one income split between husband and wife for tax purposes; about 1 in 4, however, to judge by data from the returns for 1943 and 1944 (similar

data are not available for later years), cover the incomes of two income recipients. The relevant consideration is the extent to which the individual incomes in the returns with two incomes, when distributed within the appropriate income classes, would affect the number and proportion of returns with special exemptions—those filed by aged persons—in each income class. It would be reasonable to assume that the effect in general would be to redistribute in lower income classes the individual incomes now merged with those of the spouse and scattered all over the income scale but relatively more frequent in the middle- and upper-income brackets. If the 1-in-4 ratio for double incomes in joint returns can be assumed for joint returns with special exemptions in 1948, then it is likely that there were about 3.9 million aged income recipients represented in the tax returns rather than 3.4 million, and that the 1 million income recipients in the 0.5 million returns with two incomes were located at lower levels on the income ladder than the places the 0.5 million "individuals" now occupy in tables 2 and 3 by virtue of the additional income of the spouse. In sum, the presence of joint returns in the income-tax data probably results in some overstatement of the income of the aged, but how many are affected and by how much their income is overstated is not known.

Of the three limitations, the first, relating to the nonpresence in the income-tax returns of several million aged persons with low incomes, is the most consequential. Useful comparisons between Census estimates and estimates based on Bureau of Internal Revenue data on the number of aged in specified income classes can be made only for incomes large enough to be reflected in the tax returns. Ordinarily the minimum income for this purpose would be \$600, but because a considerable number of aged persons in the income group \$600-1,000 have income from tax-exempt sources, enumerated earlier, it is advisable perhaps not to compare the estimates for incomes of less than \$1,000. Even in the \$1,000-2,000 class, enough exempt income is prob-

Table 2.—Federal income-tax returns by individuals,¹ taxable and non-taxable, by adjusted gross income classes and by number of special exemptions for age or blindness, 1948

Adjusted gross income	Number of returns	Returns with special exemptions for age or blindness		Number of special exemptions claimed for age or blindness
		Number	Percent of all returns	
Total	52,072,006	3,388,154	6.5	4,295,529
No adjusted gross income	326,309	38,599	11.8	48,435
Under \$500	3,299,919	178,514	5.4	212,196
500-999	4,471,102	408,122	10.5	562,275
1,000-1,499	5,178,887	523,484	10.1	646,210
1,500-1,999	5,966,397	462,513	7.8	586,014
2,000-2,499	6,296,154	404,395	6.4	525,942
2,500-2,999	6,163,256	311,233	5.0	409,843
3,000-3,999	9,396,744	406,789	4.3	527,126
4,000-4,999	5,094,747	197,660	3.9	257,081
5,000-5,999	2,310,295	101,125	4.4	130,909
6,000-6,999	1,162,828	63,973	5.5	82,800
7,000-7,999	590,026	38,496	6.5	50,140
8,000-8,999	354,540	27,686	7.8	36,338
9,000-9,999	248,517	21,049	8.5	27,762
10,000-24,999	958,204	104,076	10.9	138,230
25,000-49,999	185,076	26,640	14.4	35,620
50,000-99,999	52,725	9,588	18.2	12,928
100,000-49,999	15,716	4,002	25.5	5,420
500,000 or more	564	210	37.2	260

¹ Includes joint returns of husband and wife. Source: Preliminary data, Bureau of Internal Revenue, *Statistics of Income for 1948*.

ably received to make the tax returns an unreliable indicator of the incomes of aged persons in this bracket.

The data in tables 1 and 2 indicate that in the income classes between \$1,000 and \$2,500, the Bureau of the Census estimate is consistently larger than an estimate derived from income-tax returns, the difference narrowing as \$2,500 is approached. Beyond this figure the income-tax source yields the larger estimate, the spread between the two estimates increasing with size of income. In the class \$10,000 and more, the estimate to be derived from the tax returns is more than twice as high as the Census estimate.

How are these differences to be interpreted?

Bureau of the Census estimates are based essentially upon the memory of the person interviewed. There is some evidence that persons reporting their income to an interviewer tend to understate income. Occasional earnings, gifts, small dividends, and public assistance payments received for a brief period are likely to be forgotten

a year later. The household member usually interviewed, furthermore, is the housewife, who may confuse take-home pay with total earnings and who sometimes may not be aware of the full amount of her husband's earnings or of other sources of income of which he may be the recipient.

It would be reasonable to conclude that many of the persons in the Census estimate shown in table 1 belong in a higher income bracket than the one in which they have been placed as a result of the survey. A redistribution of the individuals involved, on the basis of more complete information, could conceivably yield larger totals in all the classes beginning with \$1,000 with perhaps no reduction in the size of the group with incomes less than \$1,000, since some of the persons classified by the Bureau of the Census as not in receipt of any money income in 1948 probably had some income in that year, as will be noted later, and belong in the \$1-499 group.

Still another problem is presented by the fact that the Census income distributions are based on a sample of the population and not on a complete census. No matter how carefully a sample is selected, inflation of the

results to yield estimates for the total population inevitably entails some degree of error. The sampling error is particularly large where small numbers are involved. One reason for the increasing disparity at the upper end of the income distribution between Census estimates and income-tax returns is the growth in sampling variability as the number of persons affected declines.

Considerations of a different character are involved in the income-tax data. Aged persons reporting incomes of less than \$1,000 to the Bureau of Internal Revenue represent only a small part of the total number in this class, for reasons cited earlier; the same thing, to a somewhat lesser extent, is true of the group with incomes between \$1,000 and \$2,000. Since the exempt-income sources need not be reported, many individuals are lower in the income scale shown in table 2 than they would be if all income were reportable. As in the case of the Census estimates, therefore, adjustment of the data to reflect income distribution more accurately would necessitate an upward redistribution of the individuals affected. The upward adjustment is appropriate, however, for the lower end of the income scale only.

At the \$2,750 level the number of joint returns of husband and wife (among the group with special exemptions for age or blindness) becomes larger than the number of one-person returns, a situation which calls for a downward adjustment to take account of the double incomes in some of the joint returns. The two adjustments may cancel each other out in the \$2,500-3,500 class, but beyond this interval the net effect of the adjustments is probably in the direction of a lower income classification for the individuals concerned.

If the modifications that seem indicated in the Census estimates and the income-tax data are given effect, a rough picture of the income distribution of aged persons would look somewhat as follows.

Among the 11 million persons aged 65 years and over in 1948, about 3 million³ had no money income, about 2.5 million had money income of less than \$500, and about 2.3 million had money income between \$500 and \$1,000. Income recipients in the class

³ The number of persons in the no-income group in the Census estimate is 3.5 million. That the size of this group is overstated becomes evident from an examination of the number of aged persons with income from known sources. According to the Bureau of the Census report, "Work Experience of the Population in 1948" (*Current Population Reports, Labor Force, Series P-50, No. 15*), 3,460,000 persons aged 65 years and over in December 1948 had some paid employment during the year. In the same month, 1,581,000 aged persons were receiving old-age and survivors insurance, 682,000 were on the benefit rolls of other social insurance and related programs, and 2,495,000 were receiving old-age assistance. After allowances are made for an overlap between old-age and survivors insurance and old-age assistance equivalent to 10 percent of the insurance beneficiaries and an overlap between all forms of social insurance and employment equal to 10 percent of the insurance beneficiaries, the total number with income from these sources is 7.8 million, or 0.3 million more than the Census estimate of aged persons with income. Since several hundred thousand aged persons must have had money income from other sources only (commercial insurance annuities, industrial pensions, dividends, interest, contributions from friends or relatives) the number with no money income could not have been larger than 3 million and was probably below that figure.

Table 3.—Federal income-tax returns by individuals, taxable and nontaxable, by adjusted gross income classes, joint returns of husband and wife, and number with special exemptions for age or blindness, 1948

Adjusted gross income	All returns			Returns with special exemptions for age or blindness		
	Total	Joint returns of husband and wife		Total	Joint returns of husband and wife	
		Number	As percent of total		Number	As percent of total
Total.....	52,072,006	29,695,806	57.0	3,388,154	1,968,208	58.1
No adjusted gross income.....	326,309	210,961	64.7	38,599	18,647	48.3
Under \$500.....	3,299,919	396,624	12.0	178,514	62,470	35.0
500-999.....	4,471,102	1,061,539	23.7	468,122	173,425	37.0
1,000-1,499.....	5,178,887	1,006,277	36.8	523,484	246,311	47.1
1,500-1,999.....	5,966,397	2,588,124	43.4	462,513	272,959	59.0
2,000-2,499.....	6,296,154	3,197,176	50.8	404,395	266,801	66.0
2,500-2,999.....	6,163,256	3,753,312	60.9	311,233	213,948	68.7
3,000-3,999.....	9,396,744	7,067,034	75.2	406,789	300,594	73.9
4,000-4,999.....	5,094,747	4,313,046	84.7	197,660	144,599	73.2
5,000-5,999.....	2,310,295	2,068,472	89.5	101,125	72,814	72.0
6,000-6,999.....	1,162,828	1,042,331	89.6	63,973	42,423	66.3
7,000-7,999.....	590,026	522,916	88.6	38,496	25,924	67.3
8,000-8,999.....	354,540	309,592	87.3	27,686	18,424	66.5
9,000-9,999.....	248,517	215,409	86.7	21,049	13,913	66.1
10,000-24,999.....	958,204	825,595	86.2	104,076	67,881	65.2
25,000-49,999.....	185,076	159,225	86.0	26,640	17,706	66.5
50,000-99,999.....	52,725	44,920	85.2	9,588	6,506	67.9
100,000-499,999.....	15,716	12,898	82.1	4,002	2,747	68.6
500,000 or more.....	364	355	62.9	210	116	55.2

Source: Preliminary data, Bureau of Internal Revenue, *Statistics of Income for 1948*.

\$1,000–2,000 numbered perhaps 1.6 million. About three-quarters of a million were in the income class \$2,000–3,000; about half a million in the income class \$3,000–5,000; about 0.2 million in the class \$5,000–10,000; and about 0.1 million had incomes of \$10,000 or more.

Examination of the relative frequency of aged persons in the different income classes indicates that there were somewhat more aged persons in the low-income groups than would be expected from their proportion in the population or among income recipients, and that they constituted a smaller-than-proportionate share of the persons in the middle-income groups. These findings correspond with our general impressions concerning the place of the aged in the country's income structure. What is not generally known, however, is the relatively large place that they occupy in the high-income group.

In 1948 approximately 1 income recipient in 10 was 65 years of age or over. Among persons with incomes of less than \$1,000, however, about 1 in 4 was aged. The ratio dropped to 3 or 4 per 100 in the income classes from \$3,000–4,000 and then rose again. At the \$10,000 level, perhaps 10 in every 100 income receivers were 65 years of age or over; at the \$50,000 level, perhaps 16 in every 100; at the \$100,000 level, perhaps 23 in every 100. Though the high-income aged persons were few in absolute numbers, they comprised an increasing proportion of the total group of recipients in the higher-income brackets.

Census data on living arrangements and studies made by the Social Security Administration of the circumstances of old-age and survivors insurance beneficiaries and old-age assistance recipients provide a basis

for some observations concerning the major sources of income in the different income classes.⁴

The 3 million in the "no-income" group included some persons living on withdrawals from savings and sale of assets. More than 9 in 10 were living with related persons and presumably were being supported by them in whole or part. More than 8 in 10 were women, almost half of whom were living with a husband who was probably an income recipient.

Almost half the 2.5 million persons with money incomes less than \$500 were old-age assistance recipients; about one-quarter were old-age and survivors insurance beneficiaries. Probably fewer than 10 percent had any income from employment. More than three-fourths were living with related persons and may have been supported in part by them.

Old-age assistance recipients and old-age and survivors insurance beneficiaries comprised the bulk also of the 2.3 million persons in the income class \$500–1,000. More than 6 in 10 may have been supported in part by the relatives with whom they were living.

Earners probably outnumbered assistance recipients and old-age and survivors insurance beneficiaries among the 1.6 million persons with incomes between \$1,000 and \$2,000. There were more beneficiaries of social insurance and related programs than there were assistance recipients, the reverse of the situation in the

⁴The estimates are based in part on estimates of the incomes of aged old-age and survivors insurance beneficiaries and of old-age assistance recipients, prepared by the Social Security Administration for the House-Senate Joint Committee on the Economic Report and published in the Committee's report on low-income families (pp. 11, 12).

income classes below \$1,000. The number living with relatives was proportionately larger than among persons in the \$500–1,000 class, but probably more of such related persons were dependents rather than sources of support.

At income levels above \$2,000 the relative number of persons with income from employment increased. There was a sharp decline in the number of old-age and survivors insurance beneficiaries, and there were no public assistance recipients.

The pattern that may be traced shows, in brief, a shift from complete or almost complete dependence on relatives in the no-income group to support of relatives as income rises; considerable dependence on public assistance income in the very low income brackets and some dependence on this source in the moderately low brackets. Social insurance benefit income bulks large in the moderately low income group and becomes less prominent as one leaves the low income group. At the \$1,000–2,000 level earnings from employment tend to replace relatives, public assistance, and social insurance benefits as a major income source. Considerably further up the income scale—at the \$100,000 level, to judge from the income-tax returns, for persons of all ages, but probably at a lower level for aged persons—income from accumulated assets (dividends, interest, and so on) becomes more important than earnings.

Additional information on the relative importance of these sources of income at various income levels may be available shortly as a result of special tabulations planned by the Social Security Administration from schedules taken by the Bureau of the Census in the course of its postenumeration survey.