Alternative Measures of Household Income

Three of the most widely used measures of household income are BEA's measure of personal income, the Census Bureau's measure of money income, and the Internal Revenue Service's measure of adjusted gross income of individuals.[1]

Personal income, in general, is a more comprehensive measure. For both the national and regional accounts, personal income is defined as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. Because the personal income of an area represents the income that is received by, or on behalf of, all the persons who live in that area and because the estimates of the earnings component of personal income is made on a place-of-work basis, state personal income includes an adjustment for residence. Personal income includes the incomes of individuals, of nonprofit institutions that primarily serve individuals, of private noninsured welfare funds, and of private trust funds. It also includes property income earned on life insurance and annuity reserves of life insurance carriers and earned on the assets of noninsured pension plans.

Money income consists of income in cash and its equivalents before taxes and does not include the value of noncash benefits. It excludes, but personal income includes, employer contributions for employee pension and insurance funds, lump-sum payments except those received as part of earnings, certain in-kind personal current transfer receipts—such as Medicaid, Medicare, and food stamps—and imputed income.[2] Money income includes, but personal income excludes, personal contributions for government social insurance, distributions from government employee retirement plans and from private pensions and annuities, and income from regular interpersonal transfers, such as child support.

In addition, personal income at the national, state, and local area levels is presented annually on a per capita (or simple average per person) basis. Money income at the national level is presented annually both on a per capita basis and on a median household basis; median money income for states from the Current Population Survey is presented annually as two- and three-year averages.[3] State personal income is not adjusted for inflation, but the national estimates of money income are available in inflation-adjusted dollars, using the consumer price index.[4]

Adjusted gross income (AGI) consists of the taxable income prior to exemptions and the standard or itemized deductions that is reported by individuals on their Federal income tax return. It includes, but personal income excludes, personal contributions for social insurance, gains and losses on the sale of assets, and taxable distributions from government employee retirement plans and from private pensions and annuities. AGI excludes, but personal income includes, the income of the recipients of taxable incomes who, legally or illegally, did not file an individual income tax return. In particular, AGI excludes the income of many individuals with low incomes who are exempt from filing tax returns. Additionally, adjusted gross income excludes certain types of income that are not taxed—such as tax-exempt interest and nontaxable transfer payments, including Medicare, Medicaid, and welfare benefit payments—and it includes the taxable portion of social security benefit payments.

1. See also John Ruser, Adrienne Pilot, and Charles Nelson, "Alternative Measures of Household Income: BEA Personal Income, CPS Money Income, and Beyond" www.bea.gov/about/pdf/AlternativemeasuresHHincomeFESAC121404.pdf; the Census Bureau's *Income, Poverty and Health Insurance Coverage in the United States: 2010 Report*; the Internal Revenue Service's annual *Individual Income Tax Returns*; and Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New Estimates for 2005 and Revised Estimates for 2004," Survey of Current Business 87 (November 2007): 35–41.

2. Imputations are added to personal income in both the national and regional measures so that a comprehensive account of total production and its distribution can be presented. For a description of these imputations, see *State Personal Income and Employment Methodology* at www.bea.gov/regional/methods.cfm.

3. Although these state-level estimates of median household income and poverty are available on the Census Web site, they are no longer published in the Census Bureau report. The Census Bureau is now focusing on annual estimates of median household income and poverty for states and smaller geographic areas with populations of 65,000 or more from the American Community Survey. For guidance on the uses of the Census Bureau income products see www.census.gov/hhes/www/income/method/guidance/index.html.

4. At the national level, BEA also presents real per capita disposable personal income (DPI). (DPI is personal income less personal current taxes; real DPI is DPI divided by the implicit price deflator for personal consumption expenditures.) For the sources of the prices used for this deflator, see "Chapter 5: Personal Consumption Expenditures," in *NIPA Handbook* at www.bea.gov/national/pdf/NIPAhandbookch5.pdf.

Alternative Per Capita Income Measures

[Dollars]

	Per capita income		
	2009	2010	2011
State personal income [1]	38,846	39,937	41,663
Money income [2]	26,530	26,487	(NA)
Adjusted gross income [3]	24,860	26,008	(NA)

n.a. Not available

1. Bureau of Economic Analysis, available at www.bea.gov.

2. U.S. Census Bureau, Current Population Survey, 2009 and 2010 Annual Social and Economic Supplements, available at www.census.gov/hhes/www/income/data/historical/people/index.html. The Census Bureau calculates per capita money income using the civilian noninstitutional population as of March of the following year.

3. Internal Revenue Service (IRS), Statistics of Income Tax Stats, available at www.irs.gov/taxstats/index.html. Adjusted gross income (AGI) for 2010 is preliminary. The IRS does not produce per capita AGI. The estimates shown are derived by dividing aggregate AGI by total population from the Census Bureau (also used by BEA in the calculation of state per capita personal income).

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