

Census Definition of Income

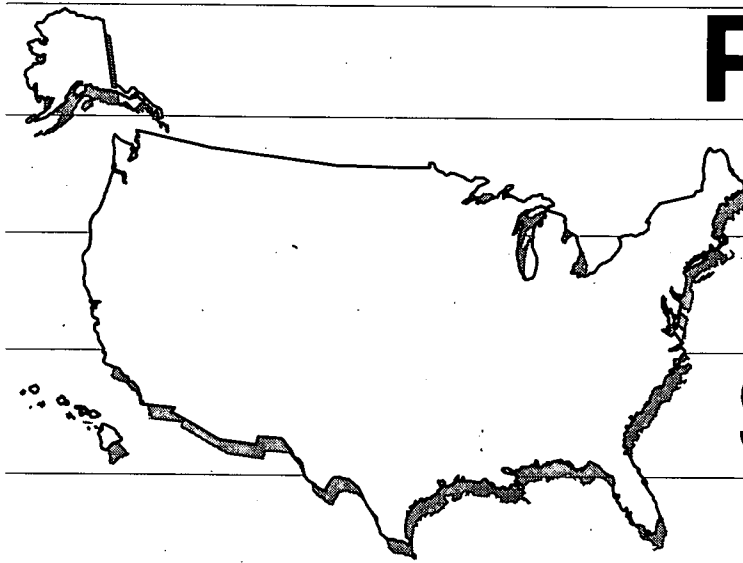
CENSUS



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Consumer Income

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Poverty in the United States: 1992

U.S. Department of Commerce
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→ **Income (CPS).** For each person in the sample 15 years old and over, questions were asked on the amount of money income received in the preceding calendar year from each of the following sources: (1) money wages or salary; (2) net income from nonfarm self-employment; (3) net income from farm self-employment; (4) Social Security or railroad retirement; (5) Supplemental Security income; (6) public assistance or welfare payments; (7) interest; (8) dividends, income from estates or trusts, net rental income or royalties; (9) veterans' payments or unemployment and worker's compensation; (10) private pensions or government employee pensions; (11) annuities, alimony or child support, regular contributions from persons not living in the household, and other periodic income.

It should be noted that although the income statistics refer to receipts during the preceding year the characteristics of the person, such as age, and labor force status, and the composition of families refer to the time of the survey. The income of the family does not include amounts received by persons who were members of the family during all or part of the income year if these persons no longer resided with the family at the time of enumeration. However, family income includes amounts reported by related persons who did not reside with the family during the income year but who were members of the family at the time of enumeration.

Data on consumer income collected in the CPS by the Bureau of the Census cover money income received (exclusive of certain money receipts such as capital gains) before payments for personal income taxes, Social Security, union dues, Medicare deductions, etc. Therefore, money income does not reflect the fact that some families receive part of their income in the form of noncash benefits such as food stamps, health benefits, and subsidized housing; that some farm families receive noncash benefits in the form of rent-free housing and goods produced and consumed on the farm; or that noncash benefits are also received by some nonfarm residents which often take the form of the use of business transportation and facilities, full or partial payments by business for retirement programs, medical and educational expenses, etc. These elements should be considered when comparing income levels. Moreover, readers should be aware that for many different reasons there is a tendency in household surveys for respondents to underreport their income. From an analysis of independently derived income estimates, it has been determined that income earned from wages or salaries is much better reported than other sources of income, and is nearly equal to independent estimates of aggregate income.

The various sources for which income is reported are defined as follows:

1. *Money wages or salary* is total money earnings received for work performed as an employee during

the income year. It includes wages, salary, Armed Forces pay, commissions, tips, piece-rate payments, and cash bonuses earned, before deductions were made for taxes, bonds, pensions, union dues, etc.

2. *Net income from nonfarm self-employment* is net money income (gross receipts minus expenses) from one's own business, professional enterprise, or partnership. Gross receipts include the value of all goods sold and services rendered. Expenses include costs of goods purchased, rent, heat, light, power, depreciation charges, wages and salaries paid, business taxes (not personal income taxes), etc. In general, inventory changes were considered in determining net income; replies based on income tax returns or other official records do reflect inventory changes. However, when values of inventory changes were not reported, net income figures exclusive of inventory changes were accepted. The value of saleable merchandise consumed by the proprietors of retail stores is not included as part of net income.
3. *Net income from farm self-employment* is net money income (gross receipts minus operating expenses) from the operation of a farm by a person on his own account, as an owner, renter, or sharecropper. Gross receipts include the value of all products sold, government farm programs, money received from the rental of farm equipment to others, and incidental receipts from the sale of wood, sand, gravel, etc. Operating expenses include cost of feed, fertilizer, seed, and other farming supplies, cash wages paid to farmhands, depreciation charges, cash rent, interest on farm mortgages, farm building repairs, farm taxes (not State and Federal personal income taxes), etc. The value of fuel, food, or other farm products used for family living is not included as part of net income. In general, inventory changes were considered in determining net income only when they were accounted for in replies based on income tax returns or other official records which reflect inventory changes; otherwise inventory changes were not taken into account.
4. *Social Security or railroad retirement* includes Social Security pensions and survivors' benefits, and permanent disability insurance payments made by the Social Security Administration prior to deductions for medical insurance and railroad retirement insurance checks from the U.S. Government. Medicare reimbursements are not included.
5. *Supplemental Security income* includes payments made by Federal, State, and local welfare agencies to low income persons who are (1) aged (65 years old or over), (2) blind, or (3) disabled.

6. *Public assistance or welfare payments* include public assistance payments, such as aid to families with dependent children and general assistance.
7. *Interest* consists of returns on savings or other interest bearing investments.
8. *Dividends, income from estates or trusts, net rental income, or royalties* include dividends from stock holdings or membership in associations, periodic receipts from estates or trust funds, net income from rental of a house, store, or other property to others receipts from boarders or lodgers, and net royalties.
9. *Veterans' payments or unemployment and worker's compensation* include 1) money paid periodically by the Veterans Administration to disabled members of the Armed Forces or to survivors of deceased veterans, subsistence allowances paid to veterans for education and on-the-job training, as well as so-called "refunds" paid to ex-servicemen as GI insurance premiums; 2) unemployment compensation received from government unemployment insurance agencies or private companies during periods of unemployment and any strike benefits received from union funds; and 3) worker's compensation received periodically from public or private insurance companies for injuries incurred at work. The cost of this insurance must have been paid by the employer and not by the person.
10. *Private Pensions or government employee pensions* include (1) private pensions or retirement benefits paid to a retired person or his survivors by a former employer or by a union, either directly or through an insurance company and (2) government employee pensions received from retirement pensions paid by Federal, State, county, or other governmental agencies to former employees (including members of the Armed Forces) or their survivors.
11. *Annuities, alimony, or child support; regular contributions from persons not living in the household, and other periodic income* include (1) periodic receipts from annuities or insurance; (2) alimony and child support; (3) contributions received periodically from persons not living in the household; (4) other periodic income such as military family allotments, net gambling winnings, and other kinds of periodic income other than earnings.

Receipts not counted as income are receipts from the following sources (1) money received from the sale of property, such as stocks, bonds, a house, or a car (unless the person was engaged in the business of selling such property, in which case the net proceeds would be counted as income from self-employment); (2) withdrawals of bank deposits; (3) money borrowed; (4) tax refunds; (5) gifts; and (6) lump-sum inheritances or insurance payments.

All sources of income may be combined into two major types:

Total money earnings. The algebraic sum of money wages or salary and net income from farm and nonfarm self-employment.

Income other than earnings. The algebraic sum of all sources of money income except wages and salaries and income from self-employment.

Income (SIPP). The cash income concept used in the SIPP section of this report includes the sum of all income received from any of the sources listed in table A-1. Rebates, refunds, loans and capital gain or loss amounts from the sale of assets, and interhousehold transfers of cash such as allowances are not included.

Accrued interest on Individual Retirement Accounts, KEOGH retirement plans, and U.S. Savings bonds are also excluded. This definition differs somewhat from that used in the annual reports based on the March CPS income supplement questionnaire. The data from the CPS are based only on income received in a regular or periodic manner and, therefore, exclude lump-sum or one-time payments, such as inheritances, or insurance settlements which are included as income in SIPP. Educational assistance, which is included in the March CPS income concept, is not included in the SIPP income concept.

The income amounts represent amounts actually received during the month, before deductions for income and payroll taxes, union dues, Part B Medicare premiums, etc.

The SIPP income definition includes three types of earnings: wages and salary, nonfarm self-employment, and farm self-employment. The definition of nonfarm self-employment and farm self-employment earnings is not based on the net difference between gross receipts or sales and operating expenses, depreciation, etc. The monthly amounts for these income types are based on the salary or other income received from the business by the owner of the business or farm during the 4-month period.

While the income amounts from most sources are recorded monthly for the 4-month reference period, property income amounts such as interest, dividends, and rental income, were recorded as totals for the 4-month period. These totals were distributed equally between months of the reference period for purposes of calculating poverty status in the SIPP portion of this report.

Means-tested Assistance. There are two categories of means-tested assistance:

Means-tested cash assistance. Includes cash benefits received from Aid to Families with Dependent Children