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## ❖ IRS Releases Updated Income Data by Zip Code

Have you ever wondered what the average income is in zip code 90210, a zip code made famous as the television series "Beverly Hills, 90210?" The U.S. Internal Revenue Service has made such data available in a format that can be easily sorted and read.

### Income and Sales Linkage

As we discussed in past newsletters, there is a strong correlation between income and spending on taxable goods. In the November 2005 Economic Perspective we discussed the relationship between incomes by city and estimates of consumption of taxable goods for each city using 1999 U.S. Census Bureau data. The income data are from the 2000 census and are only updated every ten years.

### IRS Releases 2003 Data by Zip Code

Two common questions arise from this analysis: Are incomes available for more specific geographic regions such as zip codes? And, are these 1999 data updated between 10-year censuses?

U.S. Census Bureau household income data by zip code from the 2000 census are available, although they are more difficult to access than its data tabulated for cities and towns.<sup>1</sup> As for updated data, the IRS made some related data available and relatively easily accessible last year.<sup>2</sup> The IRS released adjusted gross income (AGI) data and related data for personal income tax returns on its web site by zip code for 2003. The purpose of the publicly available database is to assist tax professionals who file returns electronically to identify

potential clients and target marketing areas, thereby increasing numbers of electronically filed returns.

These data show that IRS personal income tax returns were filed in 3,464 zip codes in California in 2003. A total of about 14.5 million returns were filed in California, an average of 4,173 returns per zip code. Average California AGI was \$54,104 in 2003.

While these data are not identical to the 1999 Census data for cities, they are similar. Zip codes do not respect political or census statistical boundaries. In fact, the related IRS "Read-me-first" text states that zip codes "usually do not have clearly identifiable boundaries." The data would often include residences located outside of city boundaries of smaller cities. Furthermore, AGI is defined differently than the Census Bureau's income definition. And not all households are included because not all of them are required to file tax returns. Nevertheless, these are valuable income data and in many cases zip codes can be aggregated to approximate city data.

### Top Ten and Bottom Ten AGI Zip Codes in California

It is relatively simple to download California IRS data by zip code, sort the data and examine it. We performed these operations and eliminated zip codes with less than 2,000 IRS personal income tax returns to avoid isolated zip codes dominated by unusual populations such as prisoners or single college students living in dormitories. We found 1,108 California zip codes with more than 2,000 returns filed in 2003. These zip codes covered 95 percent of all California IRS personal income tax returns.

We tabulated the top ten and bottom ten AGIs by zip code similarly to our tabulations of Census Bureau incomes for cities done in the November 2005 Economic Perspective. The results are presented in the accompanying tables and chart. Not surprisingly, these data show tremendous variation from the state average AGI per zip code of \$54,104 per return. Average AGI per tax return ranges from a high of \$533,843 in zip code 94027 (city of Atherton) to a low of \$12,018 in zip code 92278 (a part of the city of Twentynine Palms).

By the way, the average AGI in zip code 90210 was \$327,683 in 2003, the seventh highest AGI on our list of top 10 AGI zip codes.

**(Footnotes)**

<sup>1</sup>Source: U.S. Census Bureau website, [http://factfinder.census.gov/servlet/DatasetMainPageServlet?\\_ds\\_name=DEC\\_2000\\_SF3\\_U&\\_program=DEC&\\_lang=en](http://factfinder.census.gov/servlet/DatasetMainPageServlet?_ds_name=DEC_2000_SF3_U&_program=DEC&_lang=en)

<sup>2</sup>Source: U.S. IRS website, <http://www.irs.gov/taxpros/providers/article/0,,id=141177,00.html>

## ❖ U.S. Economic Developments

### Strong First Quarter Real GDP Growth

All indications are that the first quarter of 2006 started off with stronger than average economic growth, rebounding from a weak fourth quarter. Based on preliminary data, real gross domestic product (GDP) rose at an annual rate of 4.8 percent in the first quarter of 2006. In the fourth quarter, real GDP increased at an annual rate of just 1.7 percent. For all of 2005, real GDP rose 3.5 percent, just above the ten-year average of 3.3 percent. Many economists expect growth this year at a rate slightly lower than the ten-year average. A survey of 53 professional forecasters polled by the Federal Reserve Bank of Philadelphia in February calls for real GDP to increase 3.2 percent in both 2006 and 2007.

#### Highest Average AGI per IRS Tax Return in 2003

##### California Zip Codes With More Than 2000 Returns

Rank	Zip Code	County	Town	Average AGI
1	94027	San Mateo	Atherton	\$533,843
2	90067	Los Angeles	Century City	494,531
3	92067	San Diego	Rancho Santa Fe	363,350
4	94028	San Mateo	Menlo Park	358,668
5	92657	Orange	Newport Beach	348,123
6	94111	San Francisco	San Francisco	333,473
7	90210	Los Angeles	Beverly Hills	327,683
8	90077	Los Angeles	Barrington	291,208
9	94022	Santa Clara	Los Altos	254,764
10	91436	Los Angeles	Encino	248,736

#### Lowest Average AGI per IRS Tax Return in 2003

##### California Zip Codes With More Than 2000 Returns

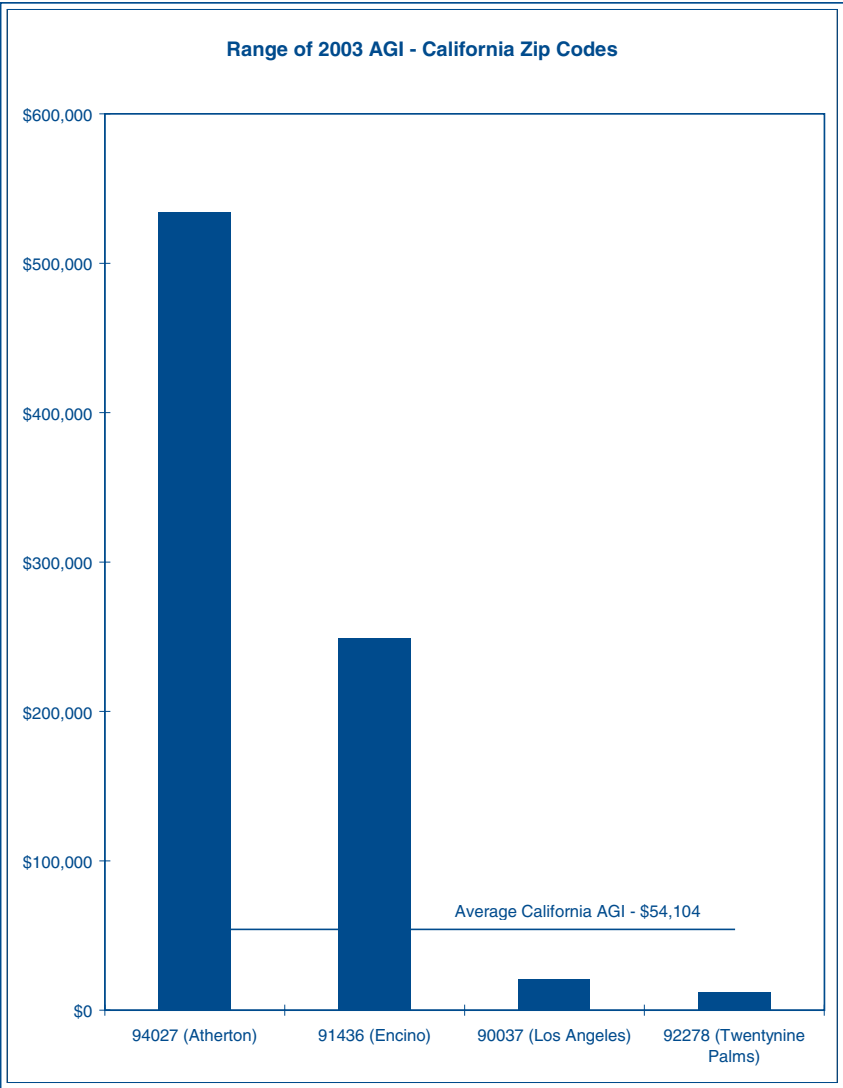
Rank	Zip Code	County	Town	Average AGI
1099	90037	Los Angeles	Los Angeles	\$20,457
1100	90011	Los Angeles	Los Angeles	19,874
1101	90006	Los Angeles	Los Angeles	19,709
1102	93640	Fresno	Mendota	19,525
1103	92254	Riverside	Mecca	18,813
1104	93219	Tulare	Allensworth	18,638
1105	93701	Fresno	Fresno	18,460
1106	92145	San Diego	San Diego	16,075
1107	92055	San Diego	Camp Pendleton	12,227
1108	92278	San Bernardino	Twentynine Palms	12,018

### Growth in Remote Sales Faster Than Physical Stores

This spring the U.S. Census Bureau released its annual revisions of sales of retail trade and food services for 2005 and previous years. The figures show that U.S. retail and food services sales increased 6.9 percent in 2005 (unadjusted for inflation). Growth was much stronger for remote retail sales (electronic shopping and mail order houses). U.S. remote retail sales increased 9.8 percent in 2005. Preliminary data for U.S. retail e-commerce sales (which are included in remote retail sales) rose about 25 percent in both 2004 and 2005.

### Continued Steady Employment Growth

In the first quarter of 2006, U.S. non-agricultural employment increased 1.5 percent compared to the first quarter of 2005. This is the same as annual growth in 2005. With the growth in jobs, the unemployment rate has declined to an average of 4.7 percent for the first quarter of 2006. This is the lowest it has been since 2001.



## ❖ California Economic Developments

### California Employment Growth Similar to U.S.

One of the most comprehensive indicators of economic well-being available for states on a timely basis is nonagricultural payroll employment. Revised data show that California nonagricultural employment increased 1.8 percent in 2005, stronger than U.S. growth of 1.5 percent. In the first quarter of 2006, California nonagricultural employment has increased even faster. Preliminary data show that California nonagricultural employment in the first quarter rose 2.0 percent compared to the first quarter of 2005.

### Falling Unemployment Rates

With the strong payroll growth, the California unemployment rate has decreased, and is now close to the U.S. unemployment rate. In 2005 the California

unemployment rate averaged 5.4 percent, while the U.S. rate was 5.1 percent. The California unemployment rate has not been this close to matching the U.S. unemployment rate on an annual basis since 1990.

### California Personal Income Growth Above Average in 2005

This spring the U.S. Bureau of Economic Analysis released personal income estimates by state for 2005. California personal income increased 6.0 percent in 2005, a bit stronger than the 5.6 percent growth for the U.S. as a whole. On a per capita basis, California personal income rose 5.2 percent, while U.S. personal income per capita increased 4.6 percent.

## Contact Us

Please contact us if you would like to be added to our mailing list, need additional copies, or have any questions or comments.

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Current and past issues of this publication are on the Board's website:  
[www.boe.ca.gov/news/epcont.htm](http://www.boe.ca.gov/news/epcont.htm)

Taxpayers' Rights Advocate:  
888-324-2798

To contact your Board Member, see  
[www.boe.ca.gov/members/board.htm](http://www.boe.ca.gov/members/board.htm)

## Online Resources

For more information about topics covered in this issue, please visit any of the websites listed below.

**California Department of Finance**  
[www.dof.ca.gov](http://www.dof.ca.gov)

**California Employment Development Department (EDD), Labor Market Conditions in California**  
[www.calmis.cahwnet.gov](http://www.calmis.cahwnet.gov)

**Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters**  
[www.phil.frb.org/econ/spf/index.html](http://www.phil.frb.org/econ/spf/index.html)

**U.S. Bureau of Economic Analysis**  
[www.bea.doc.gov](http://www.bea.doc.gov)

**U.S. Bureau of Labor Statistics**  
[www.bls.gov](http://www.bls.gov)

**U.S. Census Bureau**  
[www.census.gov](http://www.census.gov)

**U.S. Internal Revenue Service 2003 personal income tax data by zip code**  
<http://www.irs.gov/taxpros/providers/article/0,,id=141177,00.html>