

Tax Return Statistics for the Lynchburg Metro Region for Tax Year 2013

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Executive Summary

The IRS recently released detailed geographical data for tax returns filed for tax year 2013. These are the tax returns that most individuals would have filed in the spring 2014 filing season. This report conducted by the *Lynchburg College School of Business and Economics* provides an in-depth analysis of this new IRS data for the Lynchburg region. The main findings of this report include:

- The Lynchburg metro area had incomes that are significantly lower than the Virginia statewide average in tax year 2013.
- When one excludes from the statewide average the large metropolis of Northern Virginia, incomes in the Lynchburg metro region were more in line with the rest of state.
- There exist wide disparities in the geographic distribution of income within the Lynchburg metro region.

In tax year 2013, there were 110,710 tax returns with positive adjusted gross incomes filed by residents of the Lynchburg Metropolitan Statistical Area (MSA), which is made up of five jurisdictions: Lynchburg City and the counties of Amherst, Appomattox, Bedford and Campbell. Those tax returns had an average adjusted gross income (AGI) of \$51,012. The average statewide in Virginia was \$69,697. In the aggregate, Lynchburg area tax filers paid over \$508 million in federal individual income taxes to the IRS (after credits) on an aggregate adjusted gross income of over \$5.6 billion. That is an average tax rate of approximately 9%.

Of the five jurisdictions in the Lynchburg MSA, Bedford County residents had the highest average income (\$58,945), while Appomattox had the lowest (\$44,083). Lynchburg City had an average of \$49,665. Campbell and Amherst were only slightly ahead of Appomattox with average AGI values of \$45,536 and \$44,807, respectively.

In terms of zip codes, two zip codes in the area were on the high end of the income distribution: 24503 and 24551. The zip code 24503, which includes the Boonsboro area, had an average AGI of \$88,933. The zip code 24551, which includes Forest, had an average AGI of \$75,417. No other zip code in the area was above the state average. At the low end of the distribution was the 24501 zip code, whose average income of merely \$31,371 ranked near the bottom in the entire state of Virginia.

A Distributional Analysis of the Lynchburg MSA

Table 1 provides a breakdown of key tax return statistics for the Lynchburg MSA broken down by income cohort. The Lynchburg MSA includes Lynchburg City and the four surrounding counties: Amherst, Appomattox, Bedford and Campbell. In tax year 2013, there were 110,710 tax returns with positive adjusted gross incomes filed using addresses from the Lynchburg MSA. Nearly two-thirds of those tax returns had an adjusted gross income (AGI) less than \$50,000. On the other hand, only 12% of returns had an AGI exceeding \$100,000, and only 2% had an AGI exceeding \$200,000.

Table 1: Key Tax Return Statistics for Lynchburg MSA, by Income (AGI) Group, Tax Year 2013

	All Pos. Returns	\$1-\$25,000	\$25,000-\$50,000	\$50,000-\$75,000	\$75,000-\$100,000	\$100,000-\$200,000	\$200,000 or More
Returns	110,710	45,040	27,310	15,280	9,920	10,880	2,280
% Married	42.3%	15.0%	35.7%	65.5%	84.4%	90.6%	89.9%
% Single	43.3%	66.0%	44.6%	25.7%	11.9%	7.4%	7.0%
% HOH	12.3%	17.0%	16.1%	6.9%	3.0%	1.7%	0.0%
Avg. Exemptions	1.9	1.4	1.9	2.3	2.6	2.8	2.9
Avg. Dependents	0.6	0.4	0.6	0.7	0.8	0.9	1.0
Income (Avg.)	\$51,012	\$12,398	\$36,045	\$61,801	\$86,395	\$131,075	\$384,790
% Wages	72.5%	77.7%	79.8%	76.3%	75.8%	72.9%	53.1%
% Interest	0.8%	1.0%	0.6%	0.7%	0.6%	0.7%	1.4%
% Dividends	1.9%	1.3%	1.0%	1.2%	1.3%	2.2%	4.2%
% Cap Gains	2.2%	0.4%	0.6%	0.8%	1.1%	2.4%	7.6%
% Business	6.7%	5.3%	2.7%	2.3%	2.7%	4.4%	24.3%
EITC Returns	22,100	16,010	6,090	-	-	-	-
Avg. Amount	\$2,220	\$2,339	\$1,906	-	-	-	-
% w/ Pos. Tax	67.9%	35.5%	79.9%	94.9%	98.7%	99.3%	99.6%
Tax as % AGI	9.0%	-6.6%	3.5%	7.4%	8.7%	12.1%	21.9%
% Refund	80.3%	87.3%	85.4%	76.0%	72.3%	60.4%	37.3%
Avg. Refund	\$2,534	\$1,919	\$2,507	\$2,654	\$3,242	\$4,064	\$12,301
% Tax Owed	16.0%	7.1%	13.0%	22.3%	25.5%	35.8%	50.4%
Avg. Owed	\$3,575	\$717	\$1,254	\$1,860	\$2,290	\$4,322	\$24,111

Although the high-income returns earning more than \$200,000 made up only 2% of the tax returns filed in the Lynchburg MSA, they were responsible for earning over 15% of the entire adjusted gross income in the Lynchburg MSA. And due to the progressive nature of the federal income tax, these high-income tax returns paid nearly 38% of all the federal income taxes sent

to Washington from the Lynchburg MSA. These high-income tax returns had an average federal income tax rate of 21.9%. This is far above the average in the Lynchburg MSA of only 9%.

The skewed distribution of income is related to the dramatic differences in filing status across the income cohorts. As average gross income increases per bracket, the percentage of returns that are filed by married couples also increases whereas those from singles and heads of household decrease. Why are high-income tax returns much more likely to be married than low-income tax returns? The causation for this actually goes both ways. A married couple is more likely to be high-income because it often has two earners instead of just one. On the other hand, high-income people are more likely to be married in the first place for a variety of reasons, most notably the fact that age is an important factor in determining income level and the likelihood of being married at a given point in life. For the same reason, high-income tax returns are more likely to have children, which can also be seen in the table as the average number of dependents increases as one moves up the income ladder.

Like the nation as a whole, wages and salaries make up the bulk of adjusted gross income for the Lynchburg MSA. Wages and salaries were responsible for 72.5% of all AGI in the Lynchburg region. That figure is higher for the income groups earning less than \$100,000 in AGI, but is significantly smaller for the income group earning greater than \$200,000. High-income tax returns in Lynchburg received nearly one quarter of their AGI from business income sources, which includes sole proprietorships, partnerships and s-corps. High-income tax returns also earned a higher percentage of their income from capital gains. (Capital gains income comes from the selling of an asset for a higher price than the person paid. This is common for financial stocks and real estate.) Some income sources were not shown in this table, such as retirement income and taxable Social Security benefits.

Due to the progressive nature of the federal income tax, high-income taxpayers not only pay a higher dollar amount of income taxes to the federal government, they generally pay a higher *percentage* of their income to the government. For the Lynchburg MSA, this progressivity can be seen in the Tax as % of AGI line in Table 1. As a group, Lynchburg tax returns making less than \$25,000 actually had a negative federal income tax rate (-6.6%) in 2013. How is this? The federal income tax has various tax credits that are refundable, which means that one's overall income tax can go below zero (i.e., negative). This means that the federal government writes a check, on net, for the year to these taxpayers. This should not be confused with a simple refund, which is simply one reconciling withholding with income tax liability. Even if these taxpayers had zero income tax withholding throughout the year, they would receive a refund check from the IRS. For this \$1-\$25,000 income group, 65% of taxpayers had either a zero or negative federal income tax liability.

Taxpayers in the \$25,000-\$50,000 income group had an average tax rate of 3.5%, while those in the next group of \$50,000-\$75,000 had an average rate of 7.4%. The average rate continues to rise as one goes up the income ladder. The \$75,000-\$100,000 cohort paid an average rate of 8.7%, while those in the \$100,000-\$200,000 cohort paid 12.1%. And at the very top, those making more than \$200,000 paid an average rate of 21.9%. It should be noted that not every

tax return in each group pays the same tax rate. Thousands of different factors affect a tax return's tax liability. For example, marital status, presence of children, and the existence of certain deductions such as those for charitable contributions and mortgage interest have significant effects on tax liability.

Retailers in the Lynchburg area who typically market to spring shoppers to spend their tax refund at their places of business will be happy to know that four out of every five tax returns filed from the Lynchburg area received a refund. For those tax returns receiving a refund, the average refund amount was \$2,534. On the other hand, 16% of Lynchburg tax filers actually owed the IRS at tax time when they filed their 2013 tax return. And the average owed to the IRS for these returns was \$3,575. High-income tax returns were much more likely to owe the IRS at the time of filing. This is largely because high-income tax returns tend to have a smaller fraction of their income withheld during the year given that much of their income is non-wage income such as capital gains and business income.

A Comparison of the Lynchburg MSA to Other Regions in Virginia

Table 2 provides a comparison of various regions throughout the state of Virginia. As one can see, Northern Virginia had the highest incomes in the state in 2015. It is also the largest region in the state. Nearly half (48.8%) of the adjusted gross income earned in the state was earned by tax filers in Northern Virginia, which is defined as the Virginia jurisdictions in the Washington, DC MSA. The Charlottesville MSA had the second highest average incomes in the state, followed by the Richmond MSA. The other MSAs in the state, including Lynchburg, had roughly similar income levels. Lynchburg, Roanoke, Blacksburg, Staunton, Harrisburg and the Tidewater region were all in the neighborhood of \$50,000 when it came to average adjusted gross incomes. The Danville MSA, which is actually a micropolitan statistical area, was noticeably lower however.

In the Danville MSA, only 6.9% of tax returns had an AGI greater than \$100,000, which is by far the lowest among all the MSAs in the table. The next lowest was the Staunton area which had 10.4% of its tax returns with an income greater than \$100,000. Even for the \$75,000-\$100,000 range, Danville had the smallest frequency. In total, only 14.2% of tax returns had incomes greater than \$75,000 in the Danville region. Nearly 28% of all Danville tax returns claimed the earned income tax credit, and only 62% had a positive income tax liability.

The Roanoke MSA was slightly higher than the Lynchburg MSA as it relates to average AGI and the percentage of tax returns that were high income. Roanoke's average AGI was around \$54,000 compared to Lynchburg's \$51,000. Roanoke had a slightly smaller percentage of tax returns that were married filing jointly than Lynchburg. And Roanoke tax returns had a greater percentage of their income from non-wage sources such as capital gains and business income than Lynchburg taxpayers. The average income tax rate in the Roanoke MSA was higher than the Lynchburg MSA by nearly one full percentage point.

Table 2: Key Tax Statistics for Select Metropolitan Statistical Areas (MSAs) of Virginia, Tax Year 2013

	Lynchburg	Roanoke	Tidewater	Richmond	Charlottesville	No. Virginia	Danville	Blacksburg	Staunton	Harrisonburg
Returns	110,710	144,230	781,980	614,710	93,030	1,341,660	44,360	60,570	55,440	52,450
% Married	42.3%	40.0%	35.9%	35.7%	39.9%	40.3%	36.2%	41.2%	42.6%	41.0%
% Single	43.3%	45.5%	45.1%	46.0%	47.3%	47.2%	41.5%	47.2%	43.9%	45.6%
% HOH	12.3%	12.5%	16.2%	15.8%	10.6%	10.0%	20.1%	9.6%	11.5%	11.7%
Avg. Exemptions	1.9	1.9	1.9	1.9	1.9	2.0	2.0	1.9	1.9	2.0
Avg. Dependents	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.5	0.5	0.6
Income (Avg.)	\$51,012	\$54,206	\$56,440	\$64,042	\$78,380	\$96,083	\$42,196	\$52,257	\$48,879	\$49,932
% Wages	72.5%	70.4%	72.7%	72.1%	61.1%	74.2%	71.2%	73.7%	70.8%	70.7%
% Interest	0.8%	0.9%	0.7%	0.7%	1.4%	0.7%	0.9%	0.8%	1.0%	1.1%
% Dividends	1.9%	2.2%	1.7%	2.4%	4.4%	1.8%	1.6%	1.7%	2.0%	1.9%
% Cap Gains	2.2%	3.1%	2.4%	4.2%	8.4%	3.7%	1.9%	2.3%	2.7%	2.8%
% Business	6.7%	7.1%	5.9%	7.4%	11.4%	9.8%	6.8%	6.1%	6.2%	8.9%
% by Cohort										
% \$1-25k	40.7%	39.2%	37.6%	35.9%	33.3%	26.6%	46.5%	40.1%	38.0%	39.9%
% \$25-50k	24.7%	25.2%	25.1%	24.3%	23.3%	18.3%	26.1%	23.7%	26.6%	26.7%
% \$50-75k	13.8%	13.9%	13.9%	13.7%	13.7%	13.5%	13.1%	14.3%	15.4%	14.2%
% \$75-100k	9.0%	9.1%	9.1%	9.3%	9.6%	10.4%	7.3%	9.4%	9.6%	8.6%
% \$100-200k	9.8%	10.0%	11.7%	13.0%	14.3%	21.4%	5.8%	10.3%	8.9%	8.8%
% \$200k+	2.1%	2.5%	2.6%	3.8%	5.8%	9.8%	1.1%	2.2%	1.5%	1.9%
EITC Returns	22,100	26,700	161,880	110,210	13,240	147,030	12,420	10,180	10,110	9,920
Avg. Amount	\$2,220	\$2,204	\$2,366	\$2,259	\$2,081	\$2,185	\$2,383	\$1,999	\$2,086	\$2,259
% w/ Pos. Tax	67.9%	69.3%	69.3%	70.9%	73.6%	78.1%	62.2%	71.1%	70.3%	67.1%
Tax as % AGI	9.0%	9.9%	9.8%	11.6%	13.6%	15.0%	7.0%	9.7%	8.2%	8.7%
% Refund	80.3%	79.2%	80.3%	77.4%	71.1%	71.9%	83.6%	80.4%	79.2%	78.5%
Avg. Refund	\$2,534	\$2,520	\$2,779	\$2,807	\$3,130	\$3,301	\$2,628	\$2,353	\$2,417	\$2,522
% Tax Owed	16.0%	16.8%	16.7%	18.9%	22.8%	24.0%	13.2%	16.0%	16.6%	16.6%
Avg. Owed	\$3,575	\$3,675	\$3,784	\$4,271	\$5,369	\$5,628	\$3,041	\$3,491	\$3,270	\$4,154

Comparing Jurisdictions in the Lynchburg Area and Statewide

Among local jurisdictions, Bedford County had the highest average adjusted gross income, followed by Lynchburg City, Campbell County, Amherst County, and Appomattox County in order. One can see in Table 3, Bedford County, which is the largest of the five jurisdictions in terms of population, had an average AGI of \$58,945, which is around \$9,000 higher than the second place jurisdiction in the area, Lynchburg City, which had an average AGI of \$49,665.

Bedford County had the highest percentage of tax returns in each of the top three cohorts: \$75,000-\$100,000, \$100,000-\$200,000 and \$200,000+. Nearly 27% of tax returns from Bedford County had reported AGI greater than \$75,000. Of the five local jurisdictions, Campbell County was next closest in this category where 18.6% of tax returns had incomes greater than \$75,000. With higher incomes comes a higher tax rate. Bedford County residents paid in total 10.3% of their AGI to the federal government in income taxes, while Appomattox County residents paid only 6.8%. For Lynchburg City, that figure was 9.7%.

One reason for Bedford County's dominance in the income statistics is that families in this county are much more likely to be married and have two primary earners than other jurisdictions. Over half of all tax returns in Bedford County were joint tax returns. For Lynchburg City, that figure was less than one-third. Amherst, Appomattox and Campbell County had a higher percentage of tax returns married than Lynchburg but were still below Bedford's 50.2%.

Of the five local jurisdictions, Lynchburg City had the most skewed distribution of income. While 2.8% of tax returns filed from the city earned \$200,000 or more in AGI, 46.2% of returns had AGI less than \$25,000. This skewed distribution is tied to a geographic split of income in the city, which can be seen in the zip code level data presented later in this report. Lynchburg City also had a disproportionate share of its income derived from business and capital gains compared to the other four jurisdictions.

Table 3 also presents data for jurisdictions surrounding the Lynchburg MSA, including Roanoke County and Roanoke City. Roanoke County had a higher average income (\$63,064) than any jurisdiction in the Lynchburg MSA, including Bedford. Roanoke City, on the other hand, had an average income that was lower than every jurisdiction in the Lynchburg MSA except Appomattox County. The county-city split on marriage rates that is seen in the Lynchburg MSA can also be seen for the Roanoke area. While 45.8% of tax returns in Roanoke County were married filing jointly, only 26.8% of tax returns in Roanoke City were married filing jointly.

The earned income tax credit (EITC) is extremely valuable for the two urban jurisdictions in Table 3 (Roanoke City and Lynchburg City). Nearly 1-in-4 tax returns from these two jurisdictions claim the EITC. The EITC is a tax credit that subsidizes the wages of low-income workers. It is most valuable for single parents. The EITC was also valuable for the small jurisdiction of Buckingham County, which had (by far) the lowest incomes of the local jurisdictions from Table 3. With an average AGI of only \$39,410, residents in the county paid only 5.8% of their incomes in taxes to the federal government in 2013.

Table 3: Key Tax Return Statistics for Select Jurisdictions in Central Virginia, Tax Year 2013

	Lynchburg City	Amherst County	Appomatt. County	Bedford County	Campbell County	Buckingham County	Rockbridge County	Roanoke County	Roanoke City	Botetourt County	Virginia (Total)
Returns	30,670	13,870	6,740	34,830	24,600	6,070	9,750	45,300	46,140	15,910	3,792,490
% Married	32.8%	42.4%	46.0%	50.2%	43.4%	37.4%	45.7%	45.8%	26.8%	51.0%	39.3%
% Single	49.6%	42.8%	39.5%	40.5%	43.0%	41.0%	43.6%	44.0%	53.2%	40.2%	46.1%
% HOH	15.6%	13.5%	13.9%	8.6%	12.4%	20.3%	10.4%	9.3%	18.7%	7.9%	13.2%
Avg. Exemptions	1.8	2.0	2.1	2.0	2.0	2.0	1.9	2.0	1.8	2.0	2.0
Avg. Dependents	0.6	0.6	0.6	0.6	0.6	0.7	0.5	0.6	0.6	0.6	0.6
Income (Avg.)	\$49,665	\$44,807	\$44,083	\$58,945	\$45,536	\$39,410	\$50,375	\$63,064	\$44,341	\$61,519	\$69,697
% Wages	69.9%	76.7%	76.4%	71.5%	77.1%	75.7%	63.9%	71.2%	72.1%	72.4%	73.7%
% Interest	0.9%	0.7%	0.8%	0.9%	0.7%	0.8%	1.0%	0.8%	1.1%	0.8%	0.8%
% Dividends	2.8%	1.3%	1.0%	2.0%	1.1%	1.2%	3.2%	2.0%	2.6%	1.8%	2.0%
% Cap Gains	3.2%	1.6%	1.6%	2.2%	1.5%	2.4%	3.7%	2.8%	4.3%	2.8%	3.6%
% Business	8.4%	3.5%	4.7%	7.5%	4.2%	4.8%	7.5%	7.7%	6.9%	5.8%	8.0%
% by Cohort											
% \$1-25k	46.2%	40.4%	42.1%	35.5%	40.9%	43.5%	40.4%	33.7%	47.4%	32.4%	34.3%
% \$25-50k	24.5%	26.4%	25.1%	23.1%	26.1%	31.1%	25.0%	22.6%	28.0%	22.1%	22.6%
% \$50-75k	12.0%	14.6%	14.4%	14.5%	14.5%	11.9%	13.5%	15.3%	11.6%	15.4%	13.7%
% \$75-100k	6.7%	9.7%	9.5%	10.5%	9.1%	6.8%	9.0%	11.4%	5.8%	12.1%	9.5%
% \$100-200k	7.8%	8.1%	8.2%	13.5%	8.5%	5.9%	9.6%	13.5%	5.3%	15.1%	14.7%
% \$200k+	2.8%	0.8%	0.7%	2.9%	1.0%	0.8%	2.4%	3.5%	1.9%	2.9%	5.2%
EITC Returns	7,250	2,870	1,610	5,370	5,060	1,740	1,900	5,780	12,180	1,940	639,990
Avg. Amount	\$2,300	\$2,297	\$2,249	\$2,076	\$2,189	\$2,258	\$2,078	\$2,096	\$2,298	\$2,054	\$2,250
% w/ Pos. Tax	63.7%	68.2%	64.2%	72.3%	67.6%	62.8%	67.8%	74.5%	62.7%	74.8%	72.2%
Tax as % AGI	9.7%	7.1%	6.8%	10.3%	7.4%	5.8%	9.0%	11.4%	8.9%	10.3%	12.6%
% Refund	80.6%	83.1%	84.3%	77.3%	82.9%	83.0%	76.4%	76.8%	83.8%	77.2%	77.1%
Avg. Refund	\$2,517	\$2,540	\$2,694	\$2,569	\$2,462	\$2,636	\$2,477	\$2,546	\$2,525	\$2,501	\$2,915
% Tax Owed	15.4%	14.5%	13.2%	19.0%	14.5%	14.2%	18.6%	19.4%	13.4%	19.4%	19.6%
Avg. Owed	\$4,040	\$2,628	\$2,862	\$3,814	\$3,193	\$2,481	\$3,538	\$3,917	\$3,461	\$3,911	\$4,657

Each area jurisdiction presented in Table 3 had an average AGI that is less than the statewide average. So which jurisdictions earn the bulk of the income in the state of Virginia? As shown in Tables 4 and 5, which rank the top jurisdictions statewide along with the Lynchburg area jurisdictions, the highest ranking jurisdictions in the state are located in Northern Virginia. The range of income over the top ten jurisdictions is wide, roughly \$48,000 with Falls Church City sitting at the top at an income level of \$133,533. The last column in Table 4 shows the ratio of that jurisdiction's average income to the average income statewide. As one can see, Falls Church City had an average income in 2013 that was nearly twice that of the state (ratio of 1.9).

While Falls Church City is a relatively small jurisdiction, large jurisdictions in Northern Virginia were also in the top 10, including most notably Fairfax County (the largest jurisdiction in the state). Interestingly however, Goochland County, which is a relatively small county northwest of Richmond, came in 2nd place in the state. Its \$126,905 was well higher than any other Northern Virginia jurisdiction besides Falls Church.

The five local jurisdictions each had an average income level that falls below the state average. Out of the 133 jurisdictions provided by the IRS, Bedford County had the highest in average income locally, ranking 37th statewide. Lynchburg City's average of \$49,665 earned itself a 65th ranking out of 133 jurisdictions, which is in the middle of the pack. Campbell, Amherst and Appomattox Counties were in the bottom half of jurisdictions. Campbell was ranked 82nd, Amherst 90th and Appomattox 96th. There was one jurisdiction in the top 10 that is relatively close to Lynchburg. Albemarle County, which covers the area surrounding Charlottesville City, had the 7th highest average AGI in the state (\$93,299).

Table 4: Highest Average AGI by Jurisdiction in Virginia (Top 10 and Lynchburg Area Rankings)

Rank	Jurisdiction	Average AGI	Ratio to State Avg.
1	Falls Church City	\$133,553	1.90
2	Goochland County	\$126,905	1.80
3	Fairfax County	\$108,974	1.55
4	Loudoun County	\$108,653	1.54
5	Arlington County	\$106,520	1.51
6	Alexandria City	\$96,433	1.37
7	Albemarle County	\$93,299	1.32
8	Fauquier County	\$87,457	1.24
9	Fairfax City	\$85,277	1.21
10	Rappahannock County	\$85,233	1.21
-	Virginia (Overall)	\$70,453	1.00
37	Bedford County	\$59,564	0.85
65	Lynchburg City	\$49,665	0.70
82	Campbell County	\$45,705	0.65
90	Amherst County	\$45,077	0.64
96	Appomattox County	\$44,535	0.63

Note: There are 133 Virginia jurisdictions included in this data provided by the IRS.

While Table 4 ranked the jurisdictions based on average AGI, Table 5 analyzes the relatively frequency of high-income taxpayers. Specifically, it ranks the top jurisdictions in the state and the local jurisdictions based on the percentage of tax returns reporting adjusted gross incomes greater than \$200,000. Once again, Northern Virginia jurisdictions come out on top. Nearly 1-in-5 tax returns from Falls Church City reported AGI greater than \$200,000. Tax returns from Fall Church were 3.45 times more likely than the state average to report incomes greater than \$200,000. Albemarle County ranked 8th on this list as 8.2% of tax returns filed from the county reported AGI greater than \$200,000.

Bedford County ranked 38th out of the 128 jurisdictions for which data on this statistic was reported by the IRS, followed closely by Lynchburg City, which was 40th. Campbell was ranked 97th. Amherst and Appomattox were ranked near the bottom statewide. In Amherst, only 0.8% of tax returns had incomes greater than \$200,000, ranking it 116th out of 128. An Amherst County tax return was over six times *less* likely to report income greater than \$200,000 compared to the statewide average. In Appomattox County, only 0.7% of tax returns reported AGI greater than \$200,000, ranking it 120th out of 128 jurisdictions.

Table 5: Greatest Concentration of High-Income Tax Returns by Jurisdiction in Virginia (Top 10 and Lynchburg Area Rankings)

Rank	County	% of Tax Returns with AGI > \$200k	Ratio to State Avg.
1	Falls Church city	18.1%	3.45
2	Loudoun County	13.6%	2.59
3	Fairfax County	12.1%	2.31
4	Goochland County	11.9%	2.28
5	Arlington County	11.6%	2.21
6	Alexandria city	9.4%	1.80
7	Fairfax city	8.8%	1.67
8	Albemarle County	8.2%	1.57
9	Fauquier County	6.9%	1.32
10	James City County	6.7%	1.28
-	Virginia (Overall)	5.2%	1.00
38	Bedford County	2.9%	0.55
40	Lynchburg City	2.8%	0.54
97	Campbell County	1.0%	0.19
116	Amherst County	0.8%	0.15
120	Appomattox County	0.7%	0.14

Note: There are 128 Virginia jurisdictions included in this data provided by the IRS. There were five counties where the number of returns was too small to provide data on high-income tax returns due to privacy concerns

Comparing Local Zip Codes in the Lynchburg Area and Statewide

In addition to providing data for counties and independent cities, the IRS also provides a breakdown of tax return data by zip code. (For some zip codes, the IRS must take steps to hide some data to ensure privacy of certain taxpayers.) In the Lynchburg area, the zip code data shows two zip codes that stand out at the high-end (24503 and 24551). All other zip codes in the area have an average AGI that is less than the state average. Table 6 provides detailed statistics for select zip codes in the Lynchburg area. (Not all local zip codes are in this table due to space constraints.)

The zip code map of the immediate Lynchburg area below (courtesy of MapTechnica.com) provides information as to the location of each zip code. The 24503 zip code includes parts of North Lynchburg City and Bedford County. This is often labeled the Boonsboro area. It has an average income of \$88,933. In this zip code, 9.2% of the tax returns filed in 2013 had incomes exceeding \$200,000, while 18% were between \$100,000-\$200,000. The 24551 zip code, almost all of which is in Bedford County, is identified by the USPS as Forest. It had the second highest average AGI in the region at \$75,417, and 4.8% of tax returns filed from the 24551 zip code had incomes exceeding \$200,000 and 20.8% between \$100,000-\$200,000. While the 24501 and 24551 zip codes combined only make up 17.6% of all tax returns filed in the Lynchburg MSA, they combined to earn 28.3% of all the income in the Lynchburg MSA.

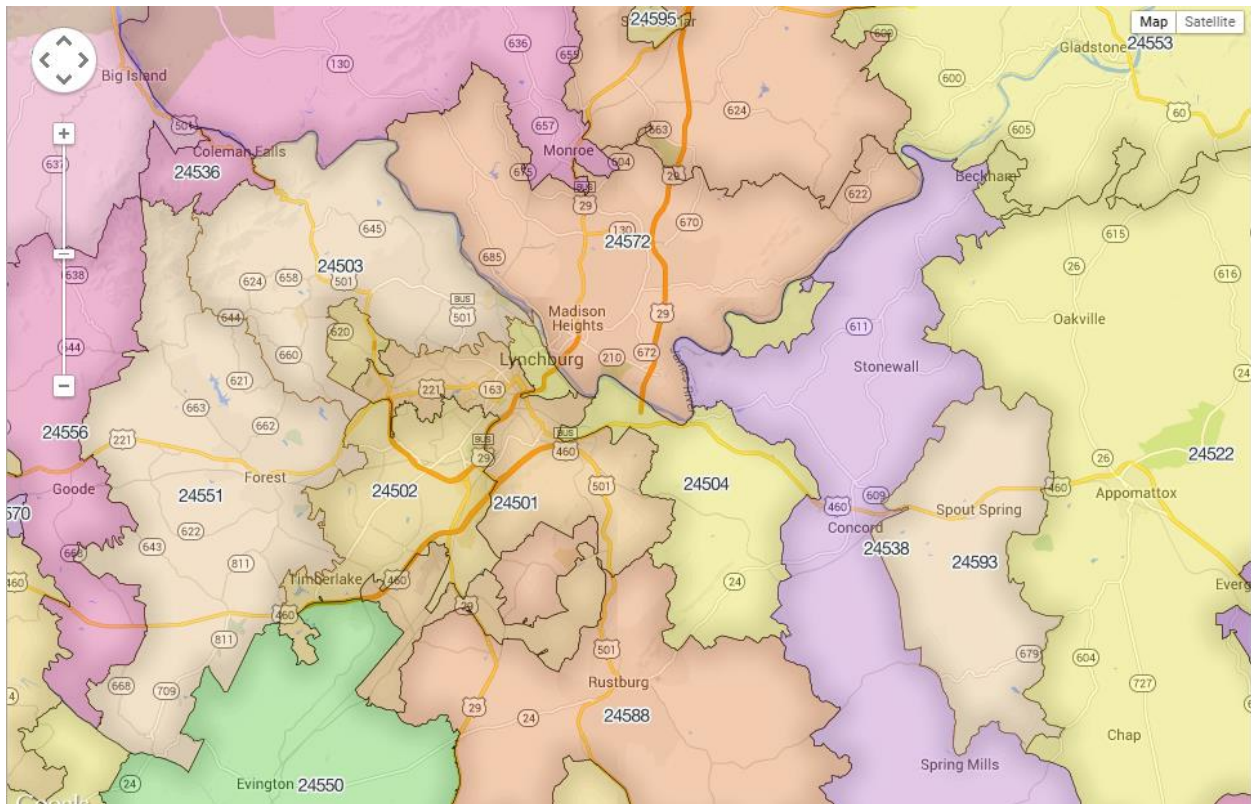


Table 6: Key Tax Return Statistics for Select Zip Codes in Lynchburg Area, Tax Year 2013

	24501	24502	24503	24504	24517	24521	24522	24523	24551	24572	24588
	Lynchburg	Lynchburg	Lynchburg	Lynchburg	Altavista	Amherst	Appomat.	Bedford	Forest	Madis. Hts	Rustburg
Returns	10,890	17,650	8,960	3,770	2,330	4,290	4,280	8,470	10,590	7,440	4,280
% Married	26.4%	38.0%	47.0%	29.4%	39.5%	44.8%	45.1%	43.7%	52.9%	39.1%	44.9%
% Single	50.1%	49.0%	43.2%	46.4%	41.2%	40.8%	39.3%	43.1%	39.0%	43.5%	41.1%
Avg. Exemptions	1.9	1.8	2.0	1.9	2.0	2.0	2.0	1.9	2.1	1.9	2.0
Avg. Dependents	0.7	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.7	0.6	0.6
Income (Avg.)	\$31,371	\$44,851	\$88,933	\$35,929	\$44,548	\$47,406	\$45,313	\$44,757	\$75,417	\$42,411	\$44,946
% Wages	83.0%	77.4%	61.1%	80.8%	72.1%	73.5%	74.3%	71.6%	71.9%	79.2%	77.6%
% Interest	0.3%	0.6%	1.1%	0.3%	1.0%	0.7%	0.9%	1.0%	0.9%	0.5%	0.7%
% Dividends	0.6%	1.3%	4.5%	0.7%	2.4%	1.6%	1.2%	1.5%	1.7%	0.8%	0.8%
% Cap Gains	1.0%	1.3%	5.3%	0.6%	1.6%	1.8%	1.9%	1.9%	2.0%	1.2%	1.0%
% Business	3.3%	3.3%	11.8%	3.6%	3.4%	3.7%	5.4%	4.8%	9.8%	2.6%	5.2%
% by Cohort											
% \$1-25k	55.7%	40.7%	32.0%	53.6%	43.8%	40.1%	42.5%	41.3%	30.2%	41.4%	40.7%
% \$25-50k	25.6%	26.6%	18.8%	23.9%	25.3%	24.2%	24.3%	26.6%	18.7%	27.7%	27.8%
% \$50-75k	10.5%	14.7%	12.3%	10.1%	13.7%	15.2%	14.3%	14.4%	13.5%	14.2%	14.0%
% \$75-100k	4.7%	8.6%	9.8%	6.6%	8.2%	9.8%	9.6%	8.7%	12.0%	9.4%	8.6%
% \$100-200k	3.1%	8.4%	18.0%	5.3%	7.7%	9.8%	8.4%	7.8%	20.8%	6.7%	7.9%
% \$200k+	0.4%	1.0%	9.2%	0.5%	1.3%	0.9%	0.9%	1.2%	4.8%	0.5%	0.9%
EITC Returns	3,610	3,000	1,040	1,250	610	840	1,000	1,740	950	1,610	920
Avg. Amount	\$2,416	\$2,072	\$2,099	\$2,375	\$2,236	\$2,296	\$2,308	\$2,224	\$1,851	\$2,335	\$2,202
% w/ Pos. Tax	55.9%	68.6%	74.4%	57.6%	64.4%	68.8%	64.7%	67.9%	76.8%	68.1%	67.3%
Tax as % AGI	3.5%	7.6%	14.2%	5.3%	7.2%	7.4%	7.0%	7.3%	12.0%	6.3%	7.2%
% Refund	88.2%	80.5%	68.1%	86.2%	81.5%	81.1%	83.4%	79.8%	73.3%	84.4%	83.2%
Avg. Refund	\$2,167	\$1,803	\$2,061	\$2,220	\$2,071	\$2,059	\$2,255	\$1,931	\$1,905	\$2,123	\$2,082
% Tax Owed	9.6%	16.1%	24.1%	11.4%	14.2%	15.6%	13.1%	16.3%	22.2%	13.2%	13.6%
Avg. Owed	\$1,990	\$2,224	\$7,027	\$2,402	\$3,370	\$2,688	\$3,296	\$2,519	\$4,650	\$2,021	\$3,355

Unsurprisingly, Table 6 shows that the higher income zip codes are more likely to be married. For example, in the 24503 zip code 47% of tax returns were married filing jointly. In the 24551 zip code, that figure was even higher at 52.9%. But in the 24501 zip code, only 26.4% of tax returns were married filing jointly. It was only slightly higher (29.4%) for the 24504 zip code. The higher income zip codes are also more likely to have a larger fraction of their incomes come from non-wage income sources, especially capital gains and business income.

Tax returns in the 24501 and 24504 zip codes were the most likely to earn a tax refund, which is likely due to the fact that many tax returns earn significant refundable tax credits. Over one-third of tax returns in these two low-income zip codes claimed the earned income tax credit (EITC), and only 56-57% of tax returns in these two zip codes actually had a positive federal income tax liability.

Although the 24501 and 24551 zip codes have average incomes that are higher than the statewide average, they are well below the top zip codes in the state of Virginia. Most of the top zip codes are in Northern Virginia. The highest average AGI for a zip code in the state of Virginia for 2013 was in the 22101 zip code, which had an average AGI of \$309,100. The 22101 zip code is the McLean area of Northern Virginia. This area includes the CIA headquarters in Langley and has historically been a common residence for wealthy Washington-area families, such as the Kennedy family. Five of the top 10 zip codes in the state of Virginia are within a 5-mile radius of Tyson's Corner. (This can explain why Tyson's has two of the largest shopping malls in Virginia.) Tables 7 and 8 rank the zip codes based on average AGI and the percentage of tax returns making greater than \$200,000 in AGI, respectively. Table 8 shows that over 36% of all tax returns from the 22066 zip code reported an AGI greater than \$200,000, while only 0.4% of returns from the 24501 did. Eight of the top ten zip codes in terms of percentage that have AGI above \$200,000 were from the Northern Virginia area. The other two were in the Richmond area, including a zip code in downtown Richmond.

Also presented in Tables 7 and 8 is a full listing of the zip codes in the Lynchburg area, including those not fully presented in Table 6. Table 7 shows that after 24501 and 24503, the 24556 zip code, which represents the Goode area, was the next highest zip code in terms of average AGI. It had an average AGI of \$65,700, which is only slightly lower than the state average. The 24574 zip code, which represents Monroe, was the only other local zip code to exceed the \$50,000 average AGI threshold. Its average AGI in 2013 was \$51,400.

At the bottom of the list of local zip codes sit two Lynchburg City zip codes: 24504 and 24501. The 24504 zip code, which represents the downtown portion of the City (among other areas) had an average AGI in 2013 of \$35,900. The 24501 zip code had an average AGI even lower, which earned it a ranking near the bottom statewide. Out of the 794 zip codes in Virginia for which the IRS provides data for tax year 2013, the 24501 zip code ranked 774th with an average AGI of \$31,371.

**Table 7: Highest Average AGI by Zip Code in Virginia
(Top 10 and Lynchburg Area Zip Code Rankings)**

Rank	Zip Code	Location	Average AGI	Ratio to State Avg.
1	22101	McLean	\$309,100	4.40
2	22066	Great Falls	\$300,400	4.27
3	23219	Richmond City (Downtown)	\$266,100	3.79
4	22102	Tyson's Corner (McLean)	\$259,800	3.70
5	23103	Manakin-Sabot	\$197,400	2.81
6	22182	Tyson's Corner (Vienna)	\$197,100	2.80
7	22207	Arlington (North)	\$192,400	2.74
8	22124	Oakton	\$190,400	2.71
9	22027	Dunn Loring	\$179,800	2.56
10	22039	Fairfax Station	\$179,200	2.55
90	24503	Lynchburg (North-Boonsboro)	\$88,900	1.27
137	24551	Forest	\$75,400	1.07
184	24556	Goode	\$65,700	0.93
358	24574	Monroe	\$51,400	0.73
421	24526	Big Island	\$41,200	0.69
429	24550	Evington	\$47,900	0.68
439	24521	Amherst	\$47,400	0.67
452	24538	Concord	\$46,900	0.67
491	24522	Appomattox	\$45,300	0.64
498	24588	Rustburg	\$44,900	0.64
501	24502	Lynchburg (South-Timberlake)	\$44,900	0.64
503	24523	Bedford	\$44,800	0.64
509	24517	Altavista	\$44,500	0.63
551	24572	Madison Heights	\$42,400	0.60
619	24554	Gladys	\$40,000	0.57
715	24504	Lynchburg (Downtown)	\$35,900	0.51
774	24501	Lynchburg (Central)	\$31,400	0.45

Note: There are 794 Virginia zip codes included in this data provided by the IRS.

Table 8: Greatest Concentration of High-Income Tax Returns by Zip Code in Virginia (Top 10 and Lynchburg Area Rankings)

Rank	Zip Code	Location	% of Tax Returns with AGI > \$200k	% of State Avg.
1	22066	Great Falls	36.5%	7.02
2	22101	McLean	34.2%	6.57
3	22039	Fairfax Station	31.3%	6.02
4	22027	Dunn Loring	30.5%	5.86
5	22207	Arlington (North)	29.4%	5.66
6	22182	Tyson's Corner (Vienna)	29.2%	5.61
7	20197	Waterford	27.5%	5.28
8	22124	Oakton	27.1%	5.21
9	22308	Fairfax (City-Downtown)	23.7%	4.57
10	20124	Clifton	23.1%	4.44
81	24503	Lynchburg (North-Boonsboro)	9.2%	1.76
146	24551	Forest	4.8%	0.93
197	24556	Goode	3.5%	0.68
285	24574	Monroe	1.7%	0.34
306	24550	Evington	1.5%	0.29
332	24517	Altavista	1.3%	0.25
349	24523	Bedford	1.2%	0.23
363	24502	Lynchburg (South-Timberlake)	1.0%	0.19
365	24522	Appomattox	0.9%	0.18
366	24588	Rustburg	0.9%	0.18
367	24521	Amherst	0.9%	0.18
405	24572	Madison Heights	0.5%	0.10
407	24504	Lynchburg (Downtown)	0.5%	0.10
416	24501	Lynchburg (Central)	0.4%	0.07

Note: There are 419 Virginia zip codes included in this data provided by the IRS. For many zip codes (over 300 of them), the number of returns were too small to provide data on high-income tax returns. The IRS thereby will not release the data due to privacy concerns.

Conclusion

Overall, incomes in the Lynchburg area are below the statewide averages. However, the statewide averages for Virginia are highly skewed by the large high-income region of Northern Virginia. Compared to regions besides Northern Virginia, Richmond, and Charlottesville, incomes in the Lynchburg MSA are comparable to most other metro regions in the state, such as Roanoke and the Tidewater region.

Within the Lynchburg MSA, incomes are skewed along income lines and geography. While only 2.1% of tax returns in the region make over \$200,000 in adjusted gross income, those tax returns were responsible for over 15% of the income earned in the region and 38% of all the federal income taxes paid from the region. Geographically within the Lynchburg region, Bedford County tops the list in terms of average income (\$59,564), while Appomattox is last (\$44,083). In terms of zip codes, two stand out from the rest on the high end of the distribution: 24503 (Boonsboro) and 24551 (Forest). On the low end, the zip code 24501 ranks near the bottom in the entire state of Virginia.

Notes on Tables

Data is for Tax Year 2013 (i.e., income earned from January 1, 2013 through December 1, 2013). Data is from the IRS Statistics of Income Division, released on August 26, 2015.

Number of returns is rounded to the nearest tens. So for example, 76 returns would round to 80. All income data is rounded to the nearest thousands. So for example, a jurisdiction with a total income of \$175,874,203 would round to \$175,874,000.

Geographic location of the tax return is based on the zip code provided on the taxpayer's 1040.

Adjusted gross income equals total income less adjustments. It is the final number at the bottom of the front page of the 1040 form. It includes, among others, wages and salaries, taxable interest (excludes tax-free municipal bond interest), dividends, capital gains realized, business income (including sole proprietorships, partnerships, and S-corps), taxable Social Security benefits, taxable retirement benefits (including standard 401k benefits, traditional IRAs, and pensions, but not Roth IRA distributions), taxable unemployment benefits, and other sources.

The total number of exemptions on a tax return is the total number of people listed on the tax return, including primary taxpayers and dependents. (For returns filed by a dependent such a 16-year old who works at a grocery store but who is claimed by his/her parents as a dependent, he/she would not be classified as an exemption on his/her own return. He/she would only be counted as an exemption on his/her parent's return.)

Tax returns with negative adjusted gross incomes are excluded entirely from this analysis.

Taxes paid as a percentage of AGI is calculated as the Income Tax After Credits (excluding refundable portion) less the refundable portions of the Earned Income Tax Credit, the Additional Child Tax Credit, and the American Opportunity Credit.

Returns filed by dependents are included in these tables.

Percent married in the tables refers to the percentage of returns that are filed as joint returns. This excludes returns with a filing status of married filing separately. % Married + % Single + % HOH do not sum to 100 percent because of the other few filing status options such as married filing separately, qualifying widow, and surviving spouse.

Although Bedford City was independent in 2013, Bedford City is included in the totals for Bedford County in the jurisdictional tables.

Readers should note that these tables do not fully reflect the entire population of a jurisdiction because some individuals do not file a tax return. This is typically because they do not earn a sufficient level of income to be required to file, but it could also be due to tax evasion.

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