

Tax Return Statistics for the Lynchburg Metro Region for Tax Year 2015

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Executive Summary

This report conducted by the *Lynchburg College School of Business and Economics* provides an in-depth analysis of IRS data for tax year 2015 for the Lynchburg region. These are the tax returns that most individuals would have filed in the spring 2016 filing season. This is the latest data available for the Lynchburg region from the IRS. 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 2015. However, 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.
- Approximately four out of every five tax returns filed in 2015 in the Lynchburg area received a tax refund. The average refund for those returns was \$2,599.

In tax year 2015, there were 112,550 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 \$51,864. The average statewide in Virginia was \$75,673. In the aggregate, Lynchburg area tax filers paid over \$550 million in federal individual income taxes to the IRS (after credits) on an aggregate adjusted gross income of over \$5.8 billion. That is an average tax rate of approximately 9.5%.

Of the five jurisdictions in the Lynchburg MSA, Bedford County residents had the highest average income (\$64,132), while Amherst had the lowest (\$47,263). Lynchburg City had an average of \$52,496. Campbell and Appomattox were only slightly ahead of Amherst with average AGI values of \$47,652 and \$47,775, 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 \$97,738. The zip code 24551, which includes Forest, had an average AGI of \$81,254. 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 \$32,351 ranked near the bottom in the entire state of Virginia.

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 2015, there were 112,550 tax returns with positive adjusted gross incomes filed in the Lynchburg MSA. Nearly two-thirds of those tax returns had an adjusted gross income (AGI) less than \$50,000. On the other hand, 13% of returns had an AGI exceeding \$100,000, and 2.4% had an AGI exceeding \$200,000.

Table 1: Key Tax Return Statistics for Lynchburg MSA, by Income (AGI) Group, Tax Year 2015

	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	112,550	44,110	27,870	15,570	10,320	12,010	2,670
% Married	41.4%	13.9%	33.0%	61.8%	81.6%	89.9%	89.5%
% Single	44.1%	67.3%	46.3%	22.5%	13.6%	8.0%	7.5%
% HOH	12.4%	17.0%	17.1%	7.4%	3.7%	1.7%	0.0%
Avg. Exemptions	1.9	1.4	1.9	2.3	2.6	2.7	2.8
Avg. Dependents	0.6	0.4	0.6	0.6	0.8	0.8	0.9
Income (Avg.)	\$51,864	\$12,457	\$36,050	\$61,665	\$86,496	\$131,558	\$414,295
% Wages	73.4%	78.8%	80.3%	75.0%	74.1%	71.8%	47.8%
% Interest	0.7%	0.7%	0.5%	0.6%	0.5%	0.9%	1.2%
% Dividends	2.2%	1.3%	0.9%	1.3%	1.4%	2.3%	4.3%
% Cap Gains	4.0%	0.5%	0.6%	1.1%	1.2%	2.7%	14.6%
% Business	7.1%	5.6%	2.7%	2.1%	2.7%	4.4%	22.0%
EITC Returns	22,050	15,570	6,460	20	-	-	-
Avg. Amount	\$2,288	\$2,375	\$2,086	\$450	-	-	-
% w/ Pos. Tax	69.2%	36.5%	79.9%	94.5%	98.8%	99.3%	100.0%
Tax as % AGI	9.5%	-6.5%	3.4%	7.5%	8.9%	12.0%	21.8%
% Refund	79.0%	87.2%	84.7%	73.5%	70.7%	58.6%	39.3%
Avg. Refund	\$2,599	\$1,922	\$2,551	\$2,644	\$3,124	\$4,003	\$14,927
% Tax Owed	17.4%	7.6%	13.9%	24.5%	26.6%	37.1%	47.6%
Avg. Owed	\$3,758	\$738	\$1,265	\$1,985	\$2,388	\$4,296	\$25,784

Although the high-income returns earning more than \$200,000 made up only 2.4% of the tax returns filed in the Lynchburg MSA, they were responsible for earning 19% 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 over 43% 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 21.8%. This is far above the average in the Lynchburg MSA of only 9.5%.

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 73.4% 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 (22%) 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 (-6.5%) in 2015. 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, 63.5% 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 3.4%, while those in the next group of \$50,000-\$75,000 had an average rate of 7.5%. The average rate continues to rise as one goes up the income ladder. The \$75,000-\$100,000 cohort paid an average rate of 8.9%, while those in the \$100,000-\$200,000 cohort paid 12%. And at the very top, those

making more than \$200,000 paid an average rate of 21.8%. 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 in 2015 was \$2,599. On the other hand, 17.4% of Lynchburg tax filers actually owed the IRS at tax time when they filed their 2015 tax return. And the average owed to the IRS for these returns was \$3,758. 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 (49.2%) 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 (\$57,500), Blacksburg, Staunton, Harrisburg and the Tidewater (\$60,000) region were all between \$50,000 and \$60,000. The Danville micropolitan statistical area was noticeably lower, however.

In the Danville MSA, only 8% 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 11.7% 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 15.5% 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 62.7% 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 \$57,500 compared to Lynchburg's \$52,000. Roanoke had a slightly smaller percentage of tax returns that were married filing jointly than Lynchburg. The average income tax rate in the Roanoke MSA was higher than the Lynchburg MSA by one full percentage point.

Table 2: Key Tax Statistics for Select Metropolitan Statistical Areas (MSAs) of Virginia, Tax Year 2015

	Lynchburg	Roanoke	Tidewater	Richmond	Charlottesville	No. Virginia	Danville	Blacksburg	Staunton	Harrisonburg
Returns	112,550	144,510	789,550	607,010	102,110	1,406,360	44,840	68,460	56,320	54,130
% Married	41.4%	39.3%	35.4%	34.8%	39.4%	40.3%	35.1%	41.0%	41.4%	40.1%
% Single	44.1%	46.1%	45.6%	47.1%	47.4%	47.3%	42.7%	47.5%	44.8%	46.6%
%HOH	12.4%	12.5%	16.1%	15.5%	10.9%	9.9%	20.0%	9.5%	11.8%	11.5%
Avg. Exemptions	1.9	1.9	1.9	1.9	1.9	2.0	2.0	1.8	1.9	1.9
Avg. Dependents	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.5	0.5	0.6
Income (Avg.)	\$51,864	\$57,503	\$60,061	\$68,351	\$89,212	\$102,473	\$43,728	\$54,736	\$51,878	\$53,311
% Wages	73.4%	69.4%	71.5%	71.9%	56.6%	72.3%	71.2%	72.5%	69.2%	69.7%
% Interest	0.7%	0.7%	0.6%	0.6%	1.0%	0.6%	0.7%	0.7%	0.8%	0.9%
% Dividends	2.2%	2.4%	1.8%	2.7%	4.1%	2.0%	1.6%	1.8%	2.1%	2.0%
% Cap Gains	4.0%	3.9%	3.3%	4.6%	14.9%	5.0%	2.1%	3.1%	2.9%	4.0%
% Business	7.1%	7.0%	6.1%	7.9%	9.9%	10.1%	7.2%	6.5%	7.0%	9.0%
% by Cohort										
% \$1-25k	39.2%	37.5%	36.1%	34.4%	32.3%	25.9%	45.7%	38.7%	36.6%	37.7%
% \$25-50k	24.8%	25.5%	24.9%	24.1%	23.5%	18.0%	25.9%	24.0%	26.3%	26.8%
% \$50 -75k	13.8%	13.7%	14.0%	13.6%	13.7%	13.2%	12.9%	14.2%	15.3%	14.3%
% \$75-100k	9.2%	9.2%	9.2%	9.3%	9.5%	10.3%	7.5%	9.7%	10.0%	8.9%
% \$100- 200k	10.7%	11.1%	12.8%	14.0%	14.8%	21.8%	6.8%	10.9%	9.9%	9.9%
% \$200k+	2.4%	3.0%	3.1%	4.5%	6.3%	10.9%	1.2%	2.5%	1.8%	2.4%
EITC Returns	22,050	26,740	160,370	106,130	14,850	151,420	12,490	11,420	10,170	9,990
Avg. Amount	\$2,288	\$2,266	\$2,430	\$2,325	\$2,178	\$2,233	\$2,418	\$2,043	\$2,151	\$2,260
% w/ Pos. Tax	69.2%	70.5%	70.3%	72.3%	74.4%	78.8%	62.7%	72.0%	71.9%	69.0%
Tax as % AGI	9.5%	10.5%	10.3%	12.5%	14.8%	15.5%	7.4%	10.0%	8.7%	9.1%
% Refund	79.0%	78.1%	79.2%	76.1%	71.1%	70.9%	82.6%	78.8%	78.6%	77.4%
Avg. Refund	\$2,599	\$2,040	\$2,819	\$2,796	\$3,381	\$3,429	\$2,659	\$2,393	\$2,475	\$2,571
% Tax Owed	17.4%	18.0%	17.8%	20.2%	23.0%	25.0%	14.5%	17.5%	17.5%	17.7%
Avg. Owed	\$3,758	\$3,893	\$4,021	\$4,543	\$5,639	\$6,125	\$3,111	\$3,805	\$3,839	\$6,023

Comparing Jurisdictions in the Lynchburg Area and Statewide

Among local jurisdictions, Bedford County had the highest average adjusted gross income, followed by Lynchburg City, Appomattox County, Campbell County, and Amherst 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 \$64,132, which is around \$12,000 higher than the second place jurisdiction in the area, Lynchburg City, which had an average AGI of \$52,496.

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 28.5% of tax returns from Bedford County had reported AGI greater than \$75,000. Of the five local jurisdictions, Appomattox County and Amherst County were the next closest in this category where 20.2% of tax returns had incomes greater than \$75,000. With higher incomes comes a higher tax rate. Bedford County residents paid in total 10.8% of their AGI to the federal government in income taxes, while Appomattox County residents paid only 7.3%. For Lynchburg City, that figure was 10.4%.

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. Nearly 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 48.9%.

Of the five local jurisdictions, Lynchburg City had the most skewed distribution of income. While 3% of tax returns filed from the city earned \$200,000 or more in AGI, 44.9% 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 (\$66,887) than any jurisdiction in the Lynchburg MSA, including Bedford. Roanoke City, on the other hand, had an average income that was lower than Lynchburg City and Bedford County. The county-city split on marriage rates that is seen in the Lynchburg MSA can also be seen for the Roanoke area. While 44.9% of tax returns in Roanoke County were married filing jointly, only 25.9% 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 \$43,140, residents in the county paid only 6.6% of their incomes in taxes to the federal government in 2015.

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 \$52,000 with Falls Church City sitting at the top at an income level of \$143,623. 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 2015 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. Interestingly however, Goochland County, which is a relatively small county northwest of Richmond, came in 2nd place in the state. Its \$140,547 was higher than any other 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 35th statewide. Lynchburg City's average of \$52,496 earned itself a 64th ranking out of 133 jurisdictions, which is in the middle of the pack. Appomattox, Campbell, and Amherst Counties were in the bottom half of jurisdictions. Appomattox was ranked 83rd, Campbell 87th, and Amherst 90th. 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 6th highest average AGI in the state (\$110,023).

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 come out on top. Over 1-in-5 tax returns from Falls Church City reported AGI greater than \$200,000. Tax returns from Falls Church were 3.43 times more likely than the state average to report incomes greater than \$200,000. Albemarle County ranked 8th on this list as 9.3% of tax returns filed from the county reported AGI greater than \$200,000.

Bedford County ranked 41st out of the 128 jurisdictions for which data on this statistic was reported by the IRS, followed closely by Lynchburg City, which was 47th. Campbell was ranked 102nd. Amherst and Appomattox were ranked near the bottom statewide. In Amherst, only 1.1% of tax returns had incomes greater than \$200,000, ranking it 112th out of 134. An Amherst County tax return was over five times *less* likely to report income greater than \$200,000 compared to the statewide average. In Appomattox County, only 1.2% of tax returns reported AGI greater than \$200,000, ranking it 105th out of 134 jurisdictions.

Table 3: Key Tax Return Statistics for Select Jurisdictions in Central Virginia, Tax Year 2015

	Lynchburg City	Amherst County	Appomatt. County	Bedford County	Campbell County	Buckingham County	Rockbridge County	Roanoke County	Roanoke City	Botetourt County	Virginia (total)
Returns	31,630	13,960	6,810	35,270	24,880	6,160	9,890	45,540	46,000	15,720	3,869,360
% Married	31.9%	40.8%	44.3%	48.9%	42.4%	35.9%	44.6%	44.9%	25.9%	50.6%	38.5%
% Single	50.5%	43.1%	38.6%	40.7%	42.8%	41.6%	43.1%	44.0%	53.3%	39.6%	46.0%
%HOH	15.5%	13.5%	15.0%	8.6%	12.7%	19.6%	10.6%	9.2%	18.6%	7.8%	13.0%
Avg. Exemptions	1.8	1.9	2.0	2.0	1.9	2.0	1.9	1.9	1.8	2.0	1.9
Avg. Dependents	0.6	0.6	0.6	0.6	0.6	0.7	0.5	0.5	0.6	0.5	0.6
Income (Avg.)	\$52,496	\$47,263	\$47,775	\$64,132	\$47,652	\$43,140	\$55,263	\$66,887	\$47,916	\$65,648	\$75,673
% Wages	67.8%	74.9%	74.7%	67.4%	75.7%	73.4%	61.3%	70.1%	70.0%	70.8%	71.1%
% Interest	0.8%	0.5%	0.7%	0.7%	0.6%	0.6%	0.8%	0.6%	0.6%	0.6%	0.6%
% Dividends	3.0%	1.4%	1.2%	2.1%	1.2%	1.2%	3.3%	2.2%	2.7%	1.9%	2.1%
% Cap Gains	4.3%	2.0%	2.4%	5.3%	1.9%	2.2%	5.1%	3.3%	5.7%	2.6%	4.7%
% Business	8.7%	3.6%	4.4%	7.8%	4.8%	5.8%	8.5%	7.2%	7.2%	5.9%	8.6%
% by Cohort											
% \$1-25k	44.9%	38.7%	39.9%	34.1%	39.2%	40.7%	38.3%	32.0%	45.3%	31.2%	32.9%
% \$25-50k	24.8%	26.4%	25.0%	23.2%	26.0%	31.3%	25.2%	23.2%	28.7%	21.7%	22.4%
% \$50-75k	12.1%	14.8%	15.0%	14.2%	14.7%	13.0%	13.4%	14.9%	11.8%	14.7%	13.6%
% \$75-100k	6.9%	9.6%	9.3%	10.7%	9.6%	7.1%	8.9%	11.2%	5.9%	12.3%	9.5%
% \$100- 200k	8.3%	9.5%	9.7%	14.4%	9.3%	6.8%	11.5%	14.7%	6.0%	16.6%	15.6%
% \$200k+	3.0%	1.1%	1.2%	3.4%	1.2%	1.0%	2.6%	4.1%	2.3%	3.4%	6.0%
EITC Returns	7,540	2,790	1,570	5,190	4,960	1,660	1,880	5,720	12,210	1,900	634,160
Avg. Amount	\$2,365	\$2,363	\$2,293	\$2,154	\$2,268	\$2,355	\$2,121	\$2,101	\$2,384	\$2,073	\$2,316
% w/ Pos. Tax	64.5%	69.6%	66.4%	73.7%	69.3%	65.4%	70.0%	75.3%	64.0%	76.1%	73.3%
Tax as % AGI	10.4%	7.5%	7.3%	10.8%	7.7%	6.6%	9.5%	11.6%	9.7%	10.7%	13.1%
% Refund	79.6%	80.9%	82.4%	75.5%	81.1%	80.2%	74.8%	75.1%	82.3%	75.4%	75.5%
Avg. Refund	\$2,650	\$2,561	\$2,713	\$2,605	\$2,517	\$2,676	\$2,568	\$2,596	\$2,698	\$2,561	\$2,997
% Tax Owed	16.5%	16.1%	14.2%	20.4%	15.8%	16.2%	19.2%	20.5%	14.5%	20.8%	20.7%
Avg. Owed	\$4,082	\$2,986	\$3,208	\$4,180	\$3,133	\$2,847	\$4,868	\$4,010	\$4,195	\$3,611	\$5,067

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	\$ 143,623	1.90
2	Goochland County	\$ 140,547	1.86
3	Fairfax County	\$ 118,373	1.56
4	Loudoun County	\$ 116,183	1.54
5	Arlington County	\$ 115,370	1.52
6	Albemarle County	\$ 110,023	1.45
7	Alexandria City	\$ 103,643	1.37
8	Fauquier County	\$ 95,971	1.27
9	Charlottesville City	\$ 93,603	1.24
10	Fairfax City	\$ 91,750	1.21
-	Virginia (Overall)	\$ 75,673	1.00
35	Bedford County	\$ 64,132	0.85
64	Lynchburg City	\$ 52,496	0.69
83	Appomattox County	\$ 47,775	0.63
87	Campbell County	\$ 47,652	0.63
90	Amherst County	\$ 47,263	0.62

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

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	20.7%	3.43
2	Loudoun County	15.4%	2.57
3	Fairfax County	13.5%	2.24
4	Goochland County	13.2%	2.19
5	Arlington County	13.0%	2.16
6	Alexandria city	10.6%	1.77
7	Fairfax city	10.4%	1.73
8	Albemarle County	9.3%	1.54
9	Fauquier County	7.7%	1.28
10	James City County	7.6%	1.26
-	Virginia (Overall)	6.0%	1.00
41	Bedford County	3.4%	0.56
47	Lynchburg City	3.0%	0.50
102	Campbell County	1.2%	0.20
105	Appomattox County	1.2%	0.20
112	Amherst County	1.1%	0.18

Note: There are 134 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 \$97,738. In this zip code, 9.7% of the tax returns filed in 2015 had incomes exceeding \$200,000, while 18.7% 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 \$81,254, and 5.7% of tax returns filed from the 24551 zip code had incomes exceeding \$200,000 and 21.2% between \$100,000-\$200,000. While the 24501 and 24551 zip codes combined only make up 17.9% of all tax returns filed in the Lynchburg MSA, they combined to earn 30.6% of all the income in the Lynchburg MSA.

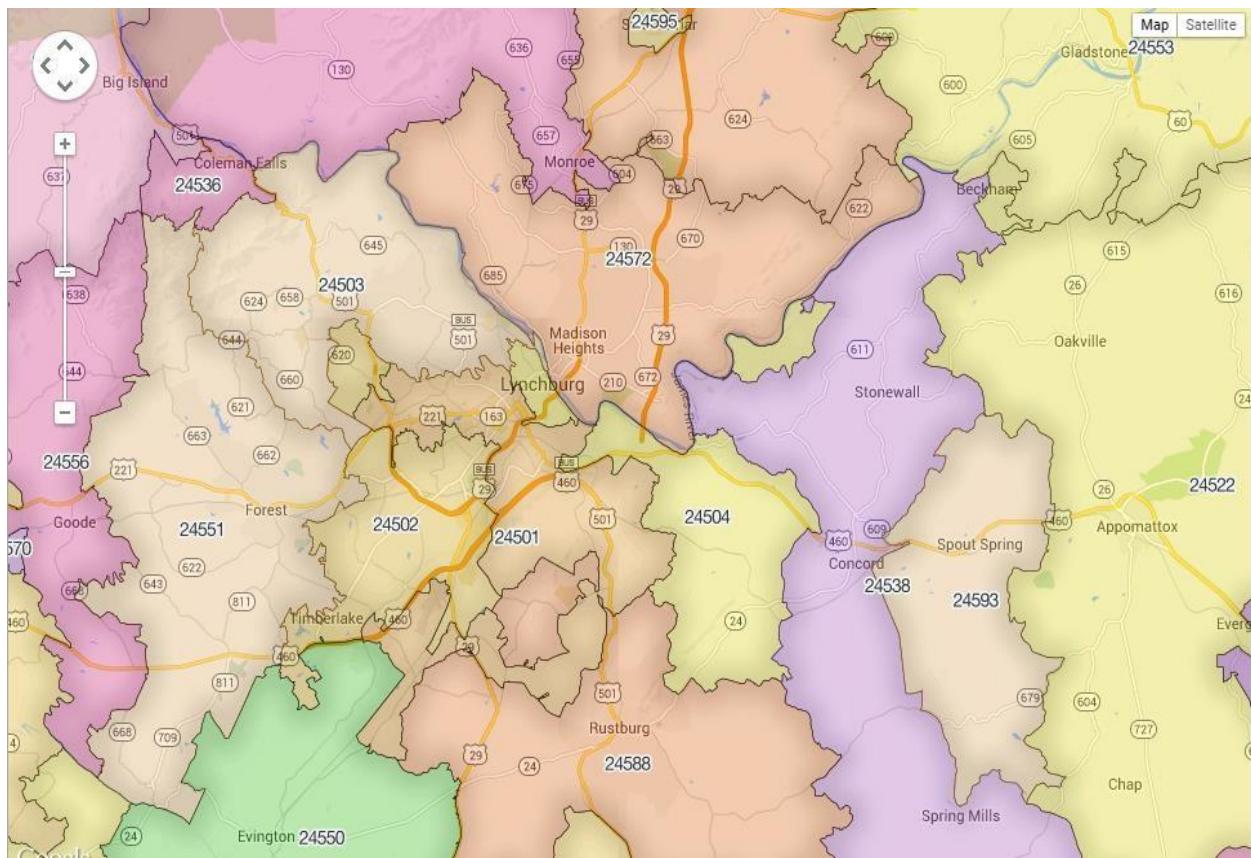


Table 6: Key Tax Return Statistics for Select Zip Codes in Lynchburg Area, Tax Year 2015

	24501	24502	24503	24504	24517	24521	24522	24523	24551	24572	24588
	Lynchburg	Lynchburg	Lynchburg	Lynchburg	Altavista	Amherst	Appomat.	Bedford	Forest	Madis. Hts.	Rustburg
Returns	10,990	18,130	9,060	4,030	2,390	4,420	4,320	8,570	11,080	7,450	4,190
% Married	25.3%	37.4%	46.7%	27.0%	37.7%	43.4%	44.0%	42.6%	52.3%	38.4%	45.1%
% Single	50.2%	49.4%	44.2%	49.1%	43.5%	41.4%	38.9%	44.0%	39.8%	44.3%	40.8%
%HOH	22.3%	11.1%	7.7%	21.1%	18.4%	12.2%	15.3%	11.3%	6.4%	14.9%	11.9%
Avg. Exemptions	1.8	1.8	1.9	1.8	1.9	1.9	2.0	1.9	2.1	1.9	2.0
Avg. Dependents	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6
Income (Avg.)	\$32,351	\$47,068	\$97,738	\$38,736	\$45,024	\$49,990	\$48,463	\$47,794	\$81,254	\$44,714	\$47,409
% Wages	82.9%	76.0%	57.0%	77.4%	71.8%	71.7%	72.9%	69.3%	67.7%	77.8%	74.7%
% Interest	0.3%	0.5%	0.8%	0.4%	0.6%	0.5%	0.8%	0.8%	0.7%	0.4%	0.6%
% Dividends	0.7%	1.5%	4.8%	0.8%	1.9%	1.9%	1.4%	1.8%	2.3%	0.9%	1.0%
% Cap Gains	0.9%	1.9%	8.5%	0.9%	3.1%	2.4%	2.2%	3.0%	6.6%	1.1%	1.6%
% Business	3.1%	3.8%	11.9%	5.7%	3.0%	4.3%	4.7%	4.8%	9.1%	2.5%	5.4%
% by Cohort											
% \$1-25k	54.5%	38.8%	30.6%	52.9%	43.9%	37.3%	40.5%	40.5%	29.5%	39.2%	38.4%
% \$25-50k	26.7%	26.7%	19.1%	23.6%	25.5%	25.6%	24.3%	26.0%	19.2%	27.7%	27.2%
% \$50 -75k	10.1%	15.4%	12.4%	9.9%	12.1%	14.5%	15.0%	14.1%	12.8%	15.3%	15.0%
% \$75-100k	4.7%	9.1%	9.6%	6.5%	8.4%	10.2%	8.8%	9.3%	11.6%	9.0%	9.3%
% \$100- 200k	3.6%	8.7%	18.7%	6.2%	8.8%	10.9%	10.0%	8.6%	21.2%	8.2%	9.1%
% \$200k+	0.4%	1.3%	9.7%	1.0%	1.3%	1.6%	1.4%	1.4%	5.7%	0.7%	1.0%
EITC Returns	3,750	3,130	1,030	1,280	630	790	1,000	1,730	1,010	1,600	880
Avg. Amount	\$2,530	\$2,153	\$2,039	\$2,427	\$2,368	\$2,439	\$2,346	\$2,210	\$1,977	\$2,343	\$2,289
% w/ Pos. Tax	56.4%	69.8%	75.2%	59.8%	65.3%	70.8%	66.0%	69.2%	77.9%	69.3%	69.2%
Tax as % AGI	3.7%	7.9%	15.0%	7.0%	6.9%	7.9%	7.4%	8.0%	12.4%	6.9%	7.1%
% Refund	87.7%	79.4%	67.0%	84.4%	82.0%	78.5%	81.9%	78.9%	71.8%	82.8%	80.9%
Avg. Refund	\$2,542	\$2,303	\$3,544	\$2,521	\$2,702	\$2,612	\$2,724	\$2,381	\$2,737	\$2,491	\$2,533
% Tax Owed	10.4%	17.1%	25.4%	13.9%	14.2%	18.3%	14.4%	17.9%	24.0%	14.5%	16.2%
Avg. Owed	\$1,913	\$2,702	\$6,703	\$2,829	\$2,344	\$2,891	\$3,379	\$3,090	\$4,695	\$2,903	\$2,696

Unsurprisingly, Table 6 shows that the higher income zip codes are more likely to be married. For example, in the 24503 zip code 46.7% of tax returns were married filing jointly. In the 24551 zip code, that figure was even higher at 52.3%. But in the 24501 zip code, only 25.3% of tax returns were married filing jointly. It was only slightly higher (27.0%) 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. Roughly one third of tax returns in these two low-income zip codes claimed the earned income tax credit (EITC), and only 56-60% of tax returns in these two zip codes actually had a positive federal income tax liability.

Although the 24503 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 2015 was in the 20184 zip code, which had an average AGI of \$386,750. The 20184 zip code is the Upperville (Fauquier County) area of Northern Virginia. Six of the top 10 Virginia zip codes were located in Fairfax County, one each was in Loudoun County, Fauquier County, and Arlington County. 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 39% 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. Overall, nine of the top ten zip codes in terms of percentage that have AGI above \$200,000 were from the Northern Virginia area. The other one was in the Richmond area.

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 24551 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 \$68,549, which is only slightly lower than the state average. The 24526 zip code, which represents Big Island, was the only other local zip code to exceed \$53,000 in average AGI. Its average AGI in 2015 was \$53,159.

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 2015 of \$38,736. The 24501 zip code had an average AGI even lower, which earned it a ranking near the bottom statewide. Out of the 793 zip codes in Virginia for which the IRS provides data for tax year 2015, the 24501 zip code ranked 775th with an average AGI of \$32,351.

**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	20184	Upperville	\$ 386,750	5.11
2	22101	McLean	\$ 363,863	4.81
3	22066	Great Falls	\$ 341,004	4.51
4	22102	Tyson's Corner (McLean)	\$ 269,533	3.56
5	22124	Oakton	\$ 230,880	3.05
6	20117	Middleburg	\$ 222,278	2.94
7	22207	Arlington (North)	\$ 219,280	2.90
8	22182	Tyson's Corner (Vienna)	\$ 218,239	2.88
9	23103	Manakin-Sabot	\$ 207,657	2.74
10	22039	Fairfax Station	\$ 190,722	2.52
89	24503	Lynchburg (North-Boonsboro)	\$ 97,738	1.29
132	24551	Forest	\$ 81,254	1.07
-	-	Virginia (Overall)	\$ 75,673	1.00
201	24556	Goode	\$ 68,549	0.91
377	24526	Big Island	\$ 53,159	0.70
409	24574	Monroe	\$ 51,220	0.68
432	24538	Concord	\$ 50,141	0.66
434	24550	Evington	\$ 50,003	0.66
435	24521	Amherst	\$ 49,990	0.66
469	24522	Appomattox	\$ 48,463	0.64
482	24523	Bedford	\$ 47,794	0.63
488	24588	Rustburg	\$ 47,409	0.63
493	24502	Lynchburg (South-Timberlake)	\$ 47,068	0.62
542	24517	Altavista	\$ 45,024	0.59
549	24572	Madison Heights	\$ 44,714	0.59
602	24554	Gladys	\$ 42,660	0.56
693	24504	Lynchburg (Downtown)	\$ 38,736	0.51
775	24501	Lynchburg (Central)	\$ 32,351	0.43

Note: There are 793 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	39.1%	6.49
2	22101	McLean	37.0%	6.15
3	22027	Dunn Loring	35.0%	5.81
4	22039	Fairfax Station	33.3%	5.52
5	22207	Arlington (North)	32.3%	5.36
6	22182	Tyson's Corner (Vienna)	31.4%	5.22
7	20197	Waterford	30.9%	5.12
8	22124	Oakton	29.5%	4.91
9	22308	Fairfax (City-Downtown)	27.8%	4.61
10	20148	Ashburn	26.0%	4.31
90	24503	Lynchburg (North-Boonsboro)	9.7%	1.61
-	-	Virginia (Overall)	6.0%	1.00
147	24551	Forest	5.7%	0.94
231	24556	Goode	3.5%	0.58
303	24550	Evington	2.0%	0.34
330	24574	Monroe	1.7%	0.29
340	24521	Amherst	1.6%	0.26
359	24523	Bedford	1.4%	0.23
361	24522	Appomattox	1.4%	0.23
376	24502	Lynchburg (South-Timberlake)	1.3%	0.21
380	24517	Altavista	1.3%	0.21
400	24504	Lynchburg (Downtown)	1.0%	0.16
404	24588	Rustburg	1.0%	0.16
429	24572	Madison Heights	0.7%	0.11
438	24501	Lynchburg (Central)	0.4%	0.06

Note: There are 442 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.

The Affordable Care Act in the Lynchburg Area

In 2014, key coverage provisions of the Affordable Care Act (also known as ‘Obamacare’) took effect. Many of these provisions are administered through the tax code, including premium credits and the individual mandate penalty. Table 9 summarizes how those provisions affected Lynchburg area residents. It should be noted that the premium tax credits are excluded from the tax figures in the rest of this report.

Table 9: Effect of Coverage Provisions of the Affordable Care Act on Lynchburg Tax Returns

Geography	# Returns (%) Claiming Premium Tax Credit	Avg. Premium Tax Credit	# Returns (%) Paying Individual Mandate Penalty	Avg. Individual Mandate Penalty
Virginia (Overall)	155,620 (4.0%)	\$3,760	156,010 (4.0%)	\$465
Lynchburg MSA	5,410 (4.6%)	\$4,112	4,460 (4.0%)	\$413
Lynchburg City	1,360 (4.3%)	\$3,647	1,200 (3.8%)	\$395
Amherst County	610 (4.4%)	\$4,213	580 (4.2%)	\$403
Appomattox County	330 (4.8%)	\$4,383	280 (4.1%)	\$400
Bedford County	1,740 (4.9%)	\$4,472	1,380 (3.9%)	\$446
Campbell County	1,140 (4.6%)	\$3,985	1,020 (4.1%)	\$398
Zip Code: 24501	490 (4.5%)	\$3,371	550 (5.0%)	\$362
Zip Code: 24502	810 (4.5%)	\$3,702	600 (3.3%)	\$428
Zip Code: 24503	380 (4.2%)	\$4,092	210 (2.3%)	\$471
Zip Code: 24504	160 (4.0%)	\$3,794	190 (4.7%)	\$384
Zip Code: 24517	90 (3.8%)	\$3,978	110 (4.6%)	\$336
Zip Code: 24551	450 (4.1%)	\$4,367	290 (2.6%)	\$503
Zip Code: 24572	300 (4.0%)	\$4,013	330 (4.4%)	\$385
Zip Code: 24588	200 (4.8%)	\$4,110	200 (4.8%)	\$395
Zip Code: 24521	220 (5.0%)	\$4,223	160 (3.6%)	\$406
Zip Code: 24523	490 (5.7%)	\$4,353	450 (5.3%)	\$393

Approximately 4% of Lynchburg area tax returns paid an individual mandate penalty in tax year 2015. The average penalty payment was \$413. This is the penalty for not having adequate health insurance enacted in the Affordable Care Act. This provision, although in effect for tax years 2014 through 2017, was repealed in the Tax Cuts and Jobs Act passed in December 2017.

Premium tax credits are refundable tax credits that assist low-and-middle-income taxpayers who purchase private health insurance on the health insurance exchange. The amount of the premium tax credit is tied to the tax return’s adjusted gross income and is set so that the amount paid for a typical health insurance plan does not exceed a certain percentage of the tax return’s income. That threshold is on a sliding scale based on AGI level. In the Lynchburg area in 2015, 4.6% of tax returns claimed a premium tax credit. The average credit was \$4,112. Among

jurisdictions in the Lynchburg MSA, Bedford County had both the highest percentage of returns claiming the credit and the highest average credit value. Lynchburg City had the lowest premium tax credits among area jurisdictions.

Table 10 shows how two non-coverage tax provisions targeted at high-income taxpayers in the Affordable Care Act affected the Lynchburg area: the additional Medicare tax and the net investment tax. The ACA enacted an additional 0.9% Medicare tax on the payrolls of tax returns with incomes exceeding \$200,000 (single) or \$250,000 (married). The ACA also enacted a new net investment tax of 3.8% on investment income such as dividends, interest, capital gains, etc. earned by high-income tax returns. The income thresholds on the net investment tax were the same as the additional Medicare tax: \$200,000 for single returns and \$250,000 for married returns. These taxes are excluded from the other tables in this report. Overall, these taxes affected a small percentage of Lynchburg residents compared to Virginia as a whole. And these two taxes hit those areas with the largest concentration of high-income tax returns: the zip codes of 24501 and 24503.

Table 10: Effect of High-Income Taxes in the Affordable Care Act on Lynchburg Tax Returns

Geography	# Returns (%) Paying Additional 0.9% Medicare Tax	Avg. Additional Medicare Tax	# Returns (%) Paying Net Investment Tax	Avg. Net Investment Tax
Virginia (Overall)	116,500 (3.0%)	\$1,758	121,480 (3.1%)	\$3,227
Lynchburg MSA	1,020 (0.9%)	\$1,340	1,420 (1.3%)	\$3,169
Lynchburg City	430 (1.4%)	\$1,540	580 (1.8%)	\$4,021
Amherst County	Between 35-45	N/A	Between 65-75	N/A
Appomattox County	Between 20-25	N/A	Between 35-45	N/A
Bedford County	440 (1.2%)	\$1,309	580 (1.2%)	\$2,752
Campbell County	Between 85-95	N/A	150 (0.6%)	\$2,347
Zip Code: 24501	Less than 20	N/A	Between 20-25	N/A
Zip Code: 24502	Between 85-95	N/A	Between 85-95	N/A
Zip Code: 24503	420 (4.6%)	\$1,612	560 (6.2%)	\$3,855
Zip Code: 24504	Less than 20	N/A	Between 20-25	N/A
Zip Code: 24517	Less than 20	N/A	Less than 20	N/A
Zip Code: 24551	240 (2.2%)	\$1,217	290 (2.6%)	\$2,414
Zip Code: 24572	Less than 20	N/A	Less than 20	N/A
Zip Code: 24588	Less than 20	N/A	Between 25-35	N/A
Zip Code: 24521	Less than 20	N/A	Between 25-35	N/A
Zip Code: 24523	Between 25-35	N/A	Between 55-65	N/A

Note: Due to privacy concerns, the IRS rounds figures in county and zip code data to the nearest 10. For Table 10, a few counties and zip codes had such a low number paying these taxes that we simply put the range. If there are fewer than 20 returns, the IRS excludes them entirely.

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 2.4% of tax returns in the region make over \$200,000 in adjusted gross income, those tax returns were responsible for over 19% of the income earned in the region and 43% 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 (\$64,132), while Amherst is last (\$47,263).

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

Data is for Tax Year 2015 (i.e., income earned from January 1, 2015 through December 1, 2015). Data is from the IRS Statistics of Income Division, released in August 2017.

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 (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. Some portion of military income is not included in AGI by law. This could have an impact on military heavy regions, such as the Tidewater MSA.

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.) Returns filed by dependents are included in these tables.

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. ACA tax credits are excluded.

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.

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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