

Income & Wages

Simple Primer about Components of Personal Income

Personal income represents total compensation received by individuals within the United States. This includes earnings from multiple sources, such as salaries, wages and bonuses received from employment; rental income; interest and dividends; and profit-sharing from a business, as well as unearned income like Social Security and food stamps, now called the Supplemental Nutrition Assistance Program (SNAP).¹

The largest source of total personal income is *earnings by place of work*. However, to represent earnings received by individuals in New Hampshire, there are a couple of adjustments that need to be done to *earnings by place of work*. The first adjustment is due to mandatory *government insurance* obligations such as Social Security, which are deducted from the earnings stream, including the contributions made by employees, employers, and the self-employed. These deductions are subtracted from *earnings by place of*

State Income and Employment Summary - New Hampshire

Description	2011	2012
Income by place of residence (thousands of current dollars)		
Personal income	\$60,480,474	\$62,150,236
Nonfarm personal income ^a	\$60,452,532	\$62,122,434
Farm income ^b	\$27,942	\$27,802
Population (persons) ^c	1,318,194	1,320,718
Per capita personal income (current dollars) ^d	\$45,881	\$47,058
Derivation of personal income		
Earnings by place of work	\$42,132,525	\$42,953,071
Less: Contributions for government social insurance ^e	\$4,262,611	\$4,321,933
Employee and self-employed contributions for government social insurance	\$2,019,601	\$2,036,540
Employer contributions for government social insurance	\$2,243,010	\$2,285,393
Plus: Adjustment for residence ^f	\$4,824,131	\$4,952,955
Equals: Net earnings by place of residence	\$42,694,045	\$43,584,093
Plus: Dividends, interest, and rent ^g	\$8,852,467	\$9,290,674
Plus: Personal current transfer receipts	\$8,933,962	\$9,275,469

^a Nonfarm personal income is total personal income less farm income.

^b Farm income is farm earnings less farm employer contributions for government social insurance.

^c Census Bureau midyear population estimate. Estimates for 2010-2011 use state population estimates released in December 2011, while 2012 estimates reflect the December 2012 release.

^d Per capita personal income is total personal income divided by total midyear population.

^e Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.

^f The adjustment for residence is the net inflow of the earnings of inter-area commuters. For the United States, it consists of adjustments for border workers and US residents employed by international organizations and foreign embassies.

^g Rental income of persons includes the capital consumption adjustment.

Note-- All dollar estimates are in current dollars (not adjusted for inflation).

Source: Bureau of Economic Analysis, <www.bea.gov>

¹. Definition of 'Personal Income'. Investopedia. <www.investopedia.com/terms/p/personalincome.asp>.

work because these earnings are not currently available to or received by individuals. Then an *adjustment for residence* is made to earnings to accommodate for those residents who commute to work in another state. The result is the *net earnings by place of residence* component of personal income. New Hampshire's preliminary 2012 *net earnings by place of residence* accounted for 70.1 percent of total personal income, down 0.5 percentage points from 2011 annual estimates.

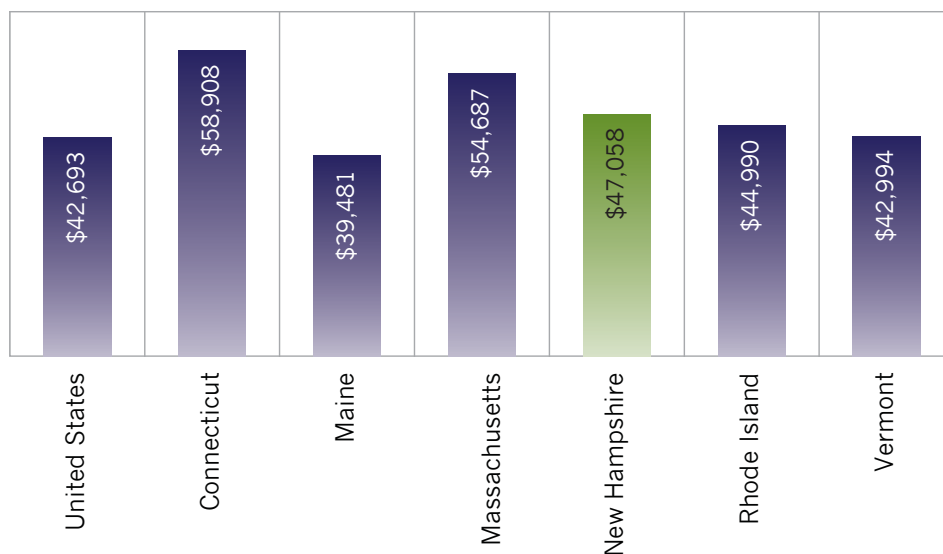
Two more components are added to *net earnings by place of residence* in order to estimate total personal income. First is *dividends, interest, and rent* income which includes dividends from stocks, all interest income and income from rental properties, as well as any royalty payments from patents, copyrights, or the rights to natural resources received by residents. Second is *personal current transfer payments* which includes income received for which there was no exchange of services or work, for example, Social Security or unemployment benefits. In New Hampshire in 2012, *dividends, interest, and rent* income increased by 0.3 percentage points over-the-year and *personal current transfer payments* edged up by 0.15 percentage points.

Per Capita Personal Income

New Hampshire's size, both in residents and number of businesses, is difficult to compare with larger states like California and New York. *Per capita personal income* allows for an equalized comparison of personal income among states of different sizes. Simply put, *per capita personal income* (PCPI) is the result of dividing a state's total personal income by the number of residents, including all persons, in the state. New Hampshire's preliminary 2012 *per capita personal income* was \$47,058. This was an increase of 2.6 percent over-the-year, ranking ninth highest among the states (not including District of Columbia) and higher than the national average of \$42,693. As a matter of fact, five of the six New England states (excepting Maine) had a PCPI higher than the national average.

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Per Capita Personal Income, Preliminary 2012



Vital Signs Readings discuss topics relevant to one of the 18 sections of *Vital Signs*, a compilation of social and economic indicators for New Hampshire. *Vital Signs* may be accessed at www.nhes.nh.gov/elmi/products/vs.htm.