

FEDERAL TAX REVENUES

In order to fund its programs and policies, the federal government must levy taxes to collect revenue. In 2016, total federal revenues reached \$3.5 trillion. Over the last fifty years this number has grown dramatically- by more than 384 percent since 1966, after accounting for inflation (3).

In the short term, total revenues are closely linked with tax policy changes and trends in the economy overall; when the economy turns to recession as it did following the financial crisis, for example, total federal revenues tend to fall. Over the long-term, however, continuous revenue growth is primarily the result of a larger tax base (more income, profits, or investment returns for government to tax) created through economic growth.

SOURCE AND COMPOSITION OF FEDERAL REVENUES

The federal government collects revenue from a wide range of taxes, penalties, and fees, but most revenue comes from one of five sources: individual income taxes, corporate income taxes, social insurance taxes (like payroll taxes for Social Security and Medicare), excise taxes (like the gas tax), and other taxes like import duties. Since 1960, individual income taxes have consistently comprised the largest share, averaging 46% of all federal revenues. Additionally, as social insurance and welfare programs continue to expand the taxes that fund those programs continue to grow dramatically - they now make up the second largest share of total revenue. The remaining taxes - excise and other taxes - make up a very small portion (less than 10%) of total federal revenues.

WHO PAYS INDIVIDUAL INCOME TAXES?

Given the federal government's reliance on individual income taxes, it's important to know who bears that burden. Despite the rhetoric that high earners do not "pay their fair share" of taxes, the data shows quite the opposite. According to the Internal Revenue Service, individuals with higher incomes pay a disproportionately large share of total income taxes. For example, individuals in the top 5% of income earners made just under 37% of all income in the United States in 2012, but that year they also paid almost 59% of individual income taxes. The bottom 50% earned 11% of all income but less than 3% of all individual income taxes (4).

QUICK FACTS

- In 2013, the federal government collected more than \$2.7 trillion in revenue" - In 2016, the federal government estimates that it collected more than \$3.5 trillion in revenue (1).
- Individual income taxes produce the largest share of federal revenues averaging 46% of all federal revenue since 1960.
- In 2012 the top 5% of taxpayers made 37% of all income in the United States, but paid 59% of all income taxes (2).

Endnotes:

1. <https://www.gpo.gov/fdsys/pkg/BUDGET-2016-TAB/pdf/BUDGET-2016-TAB.pdf> -- table 2.1
2. <http://taxfoundation.org/article/summary-latest-federal-income-tax-data-0>
3. <https://www.gpo.gov/fdsys/pkg/BUDGET-2016-TAB/pdf/BUDGET-2016-TAB.pdf> -- table 1.3
4. <http://taxfoundation.org/article/summary-latest-federal-income-tax-data-0>

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