

Obj. 2.08 Taxation and revenue sources at the national level Quick Facts

Tax sources

- In order from most revenue to least:
 - Individual Income tax
 - 2005 = \$927 billion 56% of federal revenue
 - Corporate income tax
 - 2005 = \$278 billion
 - Social insurance tax (Social Security = FICA) \$794 Bil.
 - Excise taxes
 - Estate & gift taxes
 - Customs duties
 - miscellaneous

Issues with tax collection

- Many people feel that Social Insurance payments should be considered as part of the general fund
- Reality –since WWII Social Insurance payments have been used for this purpose
- Income taxes are in theory progressive whereas excise and estate taxes are regressive

Purpose of taxes

- Social Insurance: support retired, workers who are disabled and minors who lose parent
 - The vast majority of workers pay this
 - Capped at \$98,000
- Excise: to tax items that are not necessities, but wanted by consumers, including luxury goods
 - Includes airport, highway, telephone, alcohol & tobacco
 - Per unit or per transaction

Purpose continued-

- Tariffs (customs duties): collected on imported items, often to discourage purchase of foreign competitors' goods
 - About 3% of total federal budget

- Estate & gift taxes: Fluctuate by amount
 - In 2006 only those above \$2 mil. In 2010, no tax
 - Only about 1% of federal budget receipts

What is taxed?

- **Individual incomes**, subtracting deductions
- **Corporate income**, subtracting expenses
- Goods & services that are used by the vast majority of consumers regardless income (**excise taxes**)
- **Transfers of wealth** (except in 2010 –poor granny!) In the year 2010, the “death tax was repealed”. No federal estate tax for that year. Estate tax will be collected in 2011.