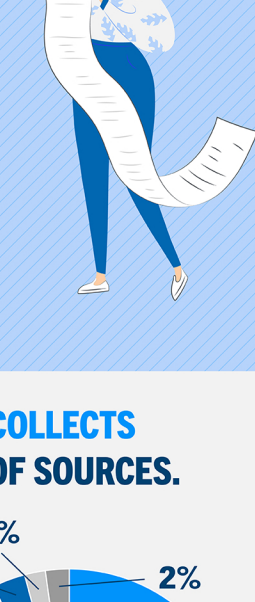


HOW THE U.S. TAX SYSTEM WORKS



Most Americans agree that our tax system is **COMPLEX, CONFUSING, and INEFFICIENT.**



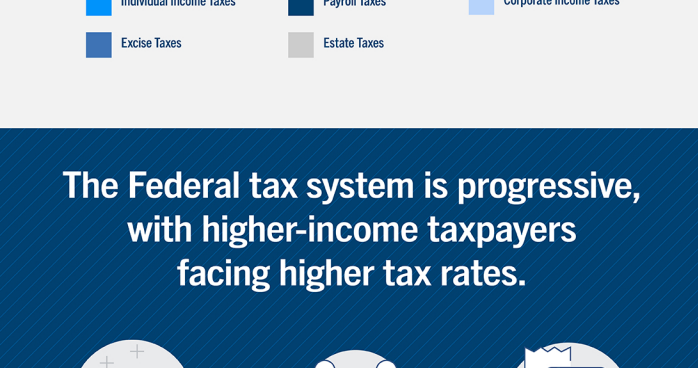
THE FEDERAL GOVERNMENT COLLECTS REVENUES FROM A VARIETY OF SOURCES.

2022 Total Revenues: \$4,897 Billion

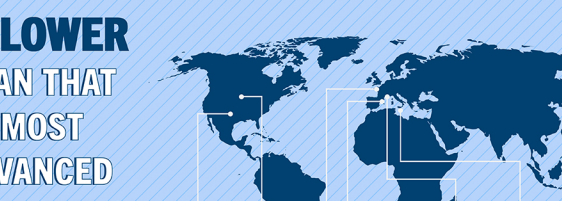


ALL INCOME GROUPS PAY TAXES BUT THE RATES AND TYPES THEY PAY ARE DIFFERENT.

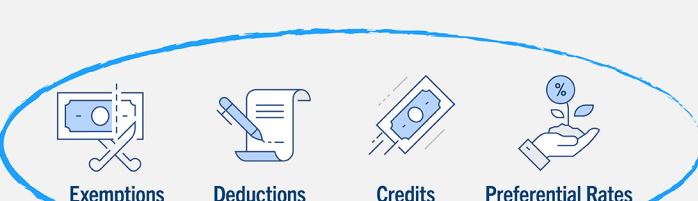
Effective Federal Tax Rates by Type (% of Expanded Cash Income in 2022)



The Federal tax system is progressive, with higher-income taxpayers facing higher tax rates.

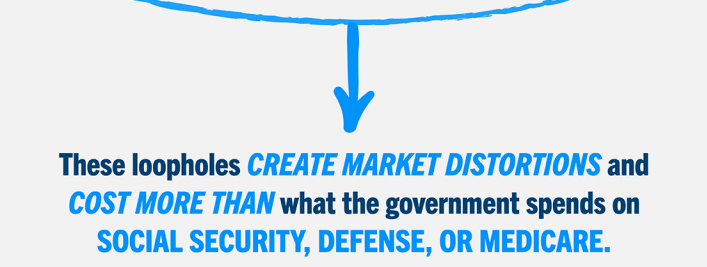


THE U.S. TAX BURDEN IS LOWER THAN THAT OF MOST ADVANCED ECONOMIES



Tax Expenditures

(also known as tax breaks) include



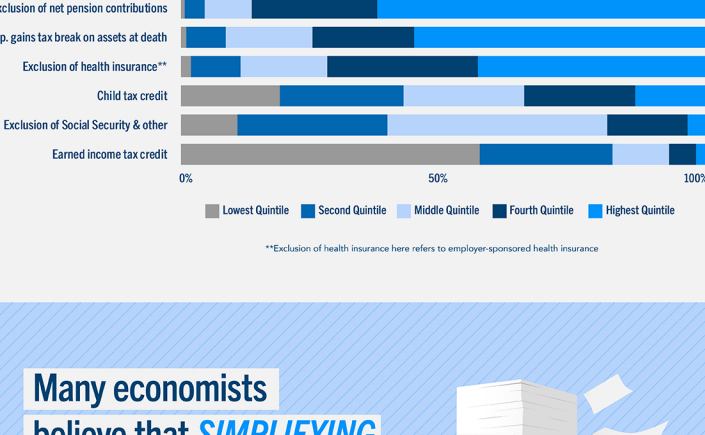
These loopholes **CREATE MARKET DISTORTIONS** and **COST MORE THAN** what the government spends on **SOCIAL SECURITY, DEFENSE, OR MEDICARE.**

Budgetary Cost in 2022 (Dollars)



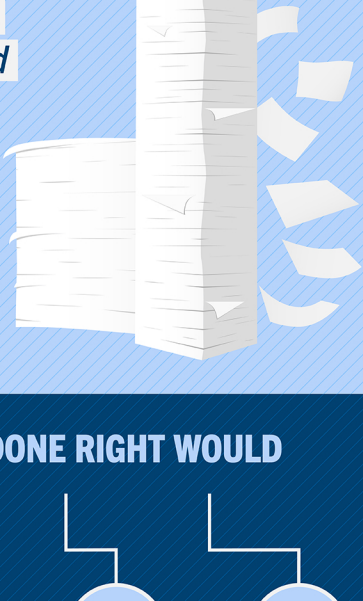
TAX EXPENDITURES TEND TO BENEFIT HIGH-INCOME TAXPAYERS.

Share of Total Benefit From Tax Expenditures (%) by Income Quintiles

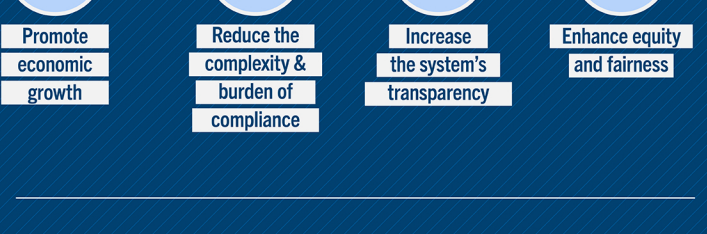


**Exclusion of health insurance here refers to employer-sponsored health insurance

Many economists believe that **SIMPLIFYING THE TAX CODE** would help the economy and reduce the deficit



TAX REFORM DONE RIGHT WOULD



Promote economic growth | Reduce the complexity & burden of compliance | Increase the system's transparency | Enhance equity and fairness