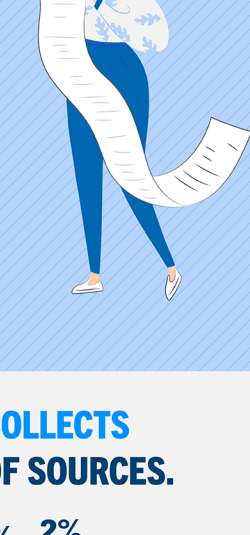


# HOW THE U.S. TAX SYSTEM WORKS

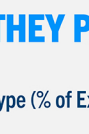


Most Americans agree that our tax system is **COMPLEX, CONFUSING, and INEFFICIENT.**



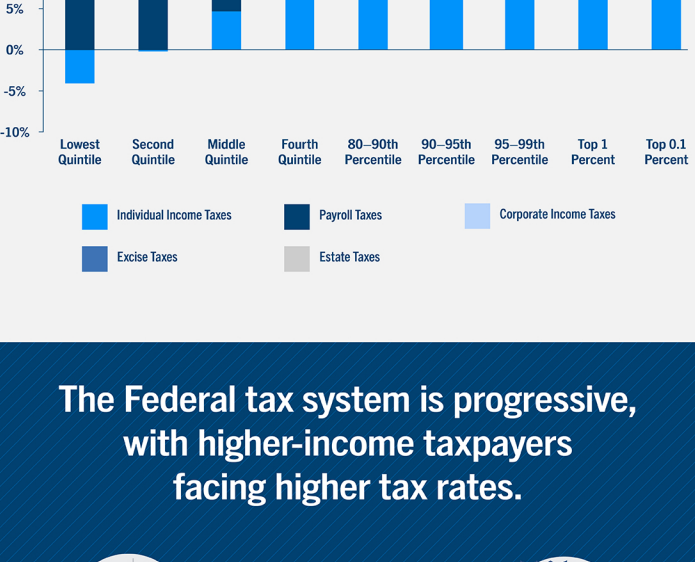
## THE FEDERAL GOVERNMENT COLLECTS REVENUES FROM A VARIETY OF SOURCES.

2024 Total Revenues: \$4,918 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.



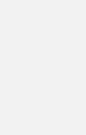
## THE U.S. TAX BURDEN IS LOWER THAN THAT OF MOST ADVANCED ECONOMIES



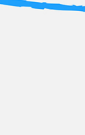
Total Tax Revenue (% of GDP)	28%	33%	35%	46%	39%	43%	34%
	USA	CANADA	UNITED KINGDOM	FRANCE	GERMANY	ITALY	JAPAN

## Tax Expenditures

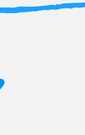
(also know as tax breaks) include



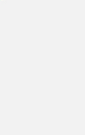
Exemptions



Deductions



Credits



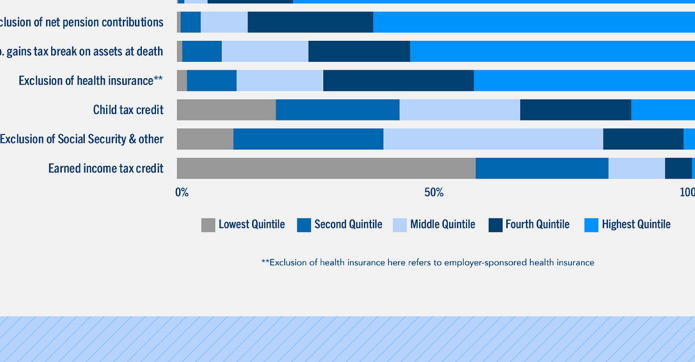
Preferential Rates

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



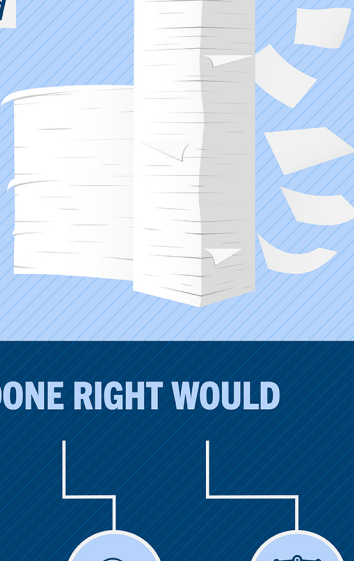
## TAX EXPENDITURES TEND TO BENEFIT HIGH-INCOME TAXPAYERS.

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