

## What are the sources of revenue for the federal government?

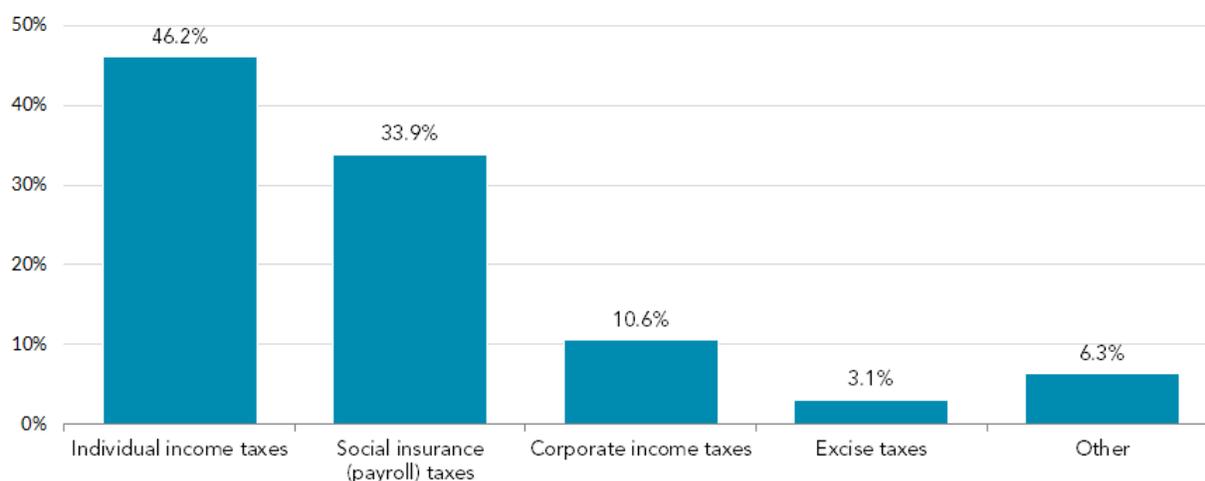
Roughly 80 percent comes from the individual income tax and the payroll taxes that fund social insurance programs (figure 1). Another 11 percent comes from the corporate income tax, and the rest is from a mix of sources.

FIGURE 1

### Sources of Total Federal Tax Revenue FY2014



Share of federal revenue



Source: Office of Management and Budget, Fiscal Year 2016, Historical Tables, Table 2.1.

## TOTAL REVENUES

In fiscal year (FY) 2014<sup>1</sup> the federal government collected revenues of \$3 trillion—about 17.5 percent of GDP. Over the past 50 years, federal revenue has averaged 17.4 percent of GDP, ranging from 20.0 percent (in 2000) to 14.6 percent (most recently in 2008 and 2009).

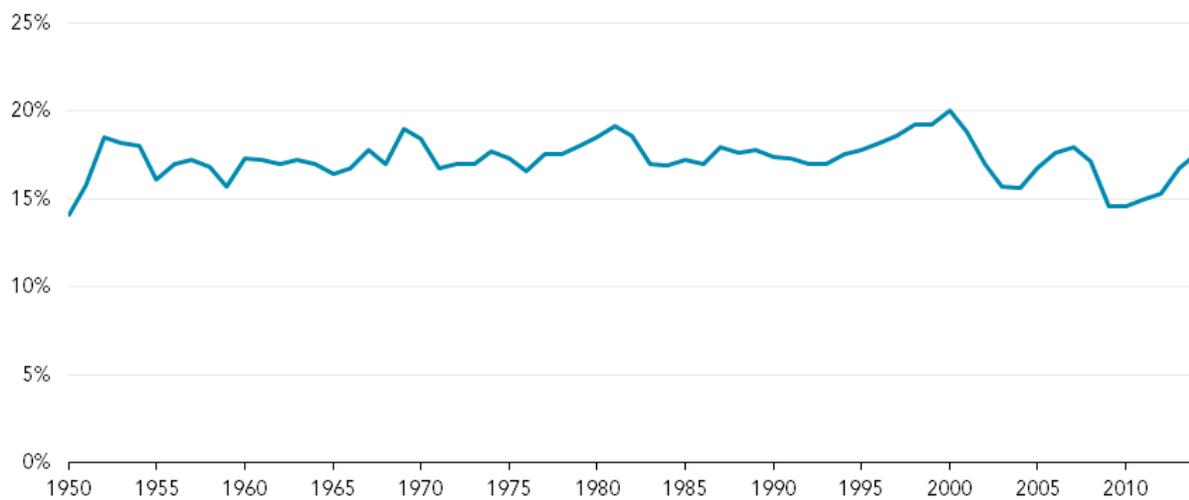
## INDIVIDUAL INCOME TAX

The individual income tax has been the largest single source of federal revenue since 1950, amounting to 46 percent of the total and 8 percent of gross domestic product (GDP) in 2014. In recent years, individual income tax revenue has climbed as high as

<sup>1</sup> All years in entry are fiscal years.

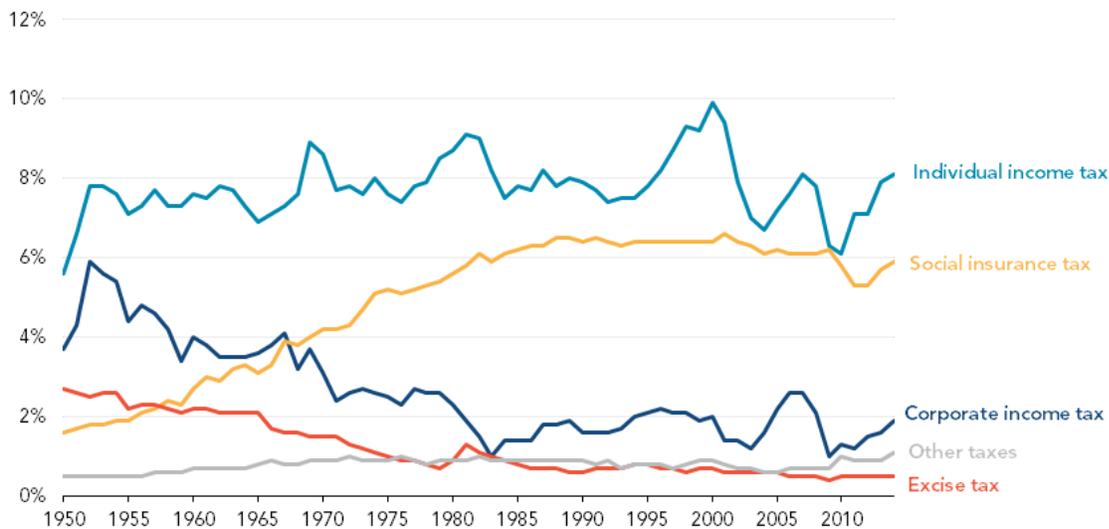
9.9 percent of GDP (in 2000) at the peak of the 1990s economic boom and dropped as low as 6.1 percent (in 2010) following the 2007-2009 Great Recession.

**FIGURE 2**  
Total Federal Receipts as a Share of National GDP  
1950-2014



Source: Office of Management and Budget, Fiscal Year 2016, Historical Tables, Table 2.3.

**FIGURE 3**  
Federal Receipts by Source as a Share of National GDP  
1950-2014



Source: Office of Management and Budget, Fiscal Year 2016, Historical Tables, Table 2.3.

## **PAYROLL TAXES**

The payroll taxes on wages and earnings that fund Social Security and the hospital insurance portion of Medicare make up the largest portion of social insurance receipts. Other sources include payroll taxes for the railroad retirement system and the unemployment insurance program and federal workers' pension contributions. All told, social insurance levies represented 33.9 percent of federal revenue in 2014.

The creation of the Medicare program in 1965, combined with periodic increases in Social Security payroll taxes, caused social insurance receipts to grow from 1.6 percent of GDP in 1950 to 6.2 percent in 2009. A temporary reduction in employees' share of Social Security taxes—part of the stimulus program following the financial meltdown—reduced social insurance receipts to 5.3 percent of GDP in 2011 and 2012. They remained below 6.0 percent of GDP in 2013 and 2014.

## **CORPORATE INCOME TAX**

The tax on corporate profits yielded 10.6 percent of government revenue in 2014, a revenue source that has been trending downward. Revenue from the tax has fallen from an average of 3.7 percent of GDP in the late 1960s to an average of just 1.5 percent of GDP over the past five years.

## **FEDERAL EXCISE TAXES**

Taxes on purchases of a mélange of goods and services, including gasoline, cigarettes, alcoholic beverages, and airline travel, generated 3.1 percent of federal revenue in 2014. But these taxes, too, are on the wane: excise tax revenues have fallen steadily from an average of 1.7 percent of GDP in the late 1960s to an average of 0.5 percent over 2010–14.

## **OTHER REVENUES**

The federal government also collects revenue from estate and gift taxes, customs duties, earnings from the Federal Reserve System, and various fees and charges. Total, these sources generated 6.3 percent of federal revenue in FY 2014. They have averaged between 0.6 and 1.1 percent of GDP since 1965. In recent years, the figure has been on the high end of that range because of unusually high profits of the Federal Reserve Board related to its efforts to stimulate the economy since 2008.

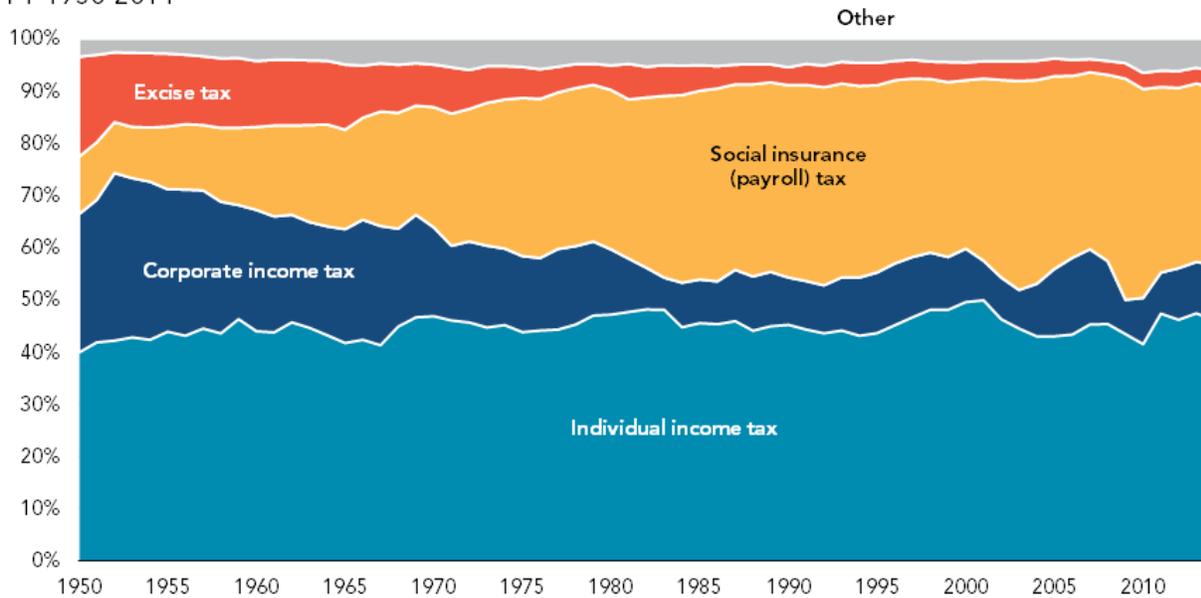
## **CHANGES OVER TIME**

The individual income tax has provided nearly half of total federal revenue since 1950, while other revenue sources have waxed and waned. Excise taxes brought in 19.0 percent of total revenue in 1950, but only about 3.0 percent in recent years. The share of

revenue coming from the corporate income tax dropped from about a third of the total in the early 1950s to just over a tenth in 2014. In contrast, payroll taxes provided a third of revenue in 2014, more than three times the share in the early 1950s.

FIGURE 4

Sources of Federal Revenue  
FY 1950-2014



Source: Office of Management and Budget, Fiscal Year 2016, Historical Table 2.1.

## DATA SOURCES

Office of Management and Budget. *Budget of the United States Government, Fiscal Year 2016, Historical Tables*. [Table 2.1. "Receipts by Source: 1934-2020"](#) and [Table 2.3. "Receipts by Source as Percentages of GDP: 1934-2020."](#)

## FURTHER READING

Joint Committee on Taxation. 2014. [Overview of the Federal Tax System as in Effect for 2014](#). JCX-25-14. Washington, DC: Joint Committee on Taxation.