Some Background

How do US taxes compare internationally?

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A. Total US tax revenue equaled 24 percent of gross domestic product, well below the 34 percent weighted average for other OECD countries.

TOTAL TAX REVENUE

US taxes are low relative to those in other high-income countries (figure 1). In 2018, taxes at all levels of US government represented 24 percent of gross domestic product (GDP), compared with an average of 34 percent for the other 35 member countries of the Organisation for Economic Co-operation and Development (OECD).

Among OECD countries, only Chile, Ireland, and Mexico collected less tax revenue than the United States as a percentage of GDP. Taxes exceeded 40 percent of GDP in seven European countries, including France, where taxes were 46 percent of GDP. But those countries generally provide more extensive government services than the United States does.

Some Background

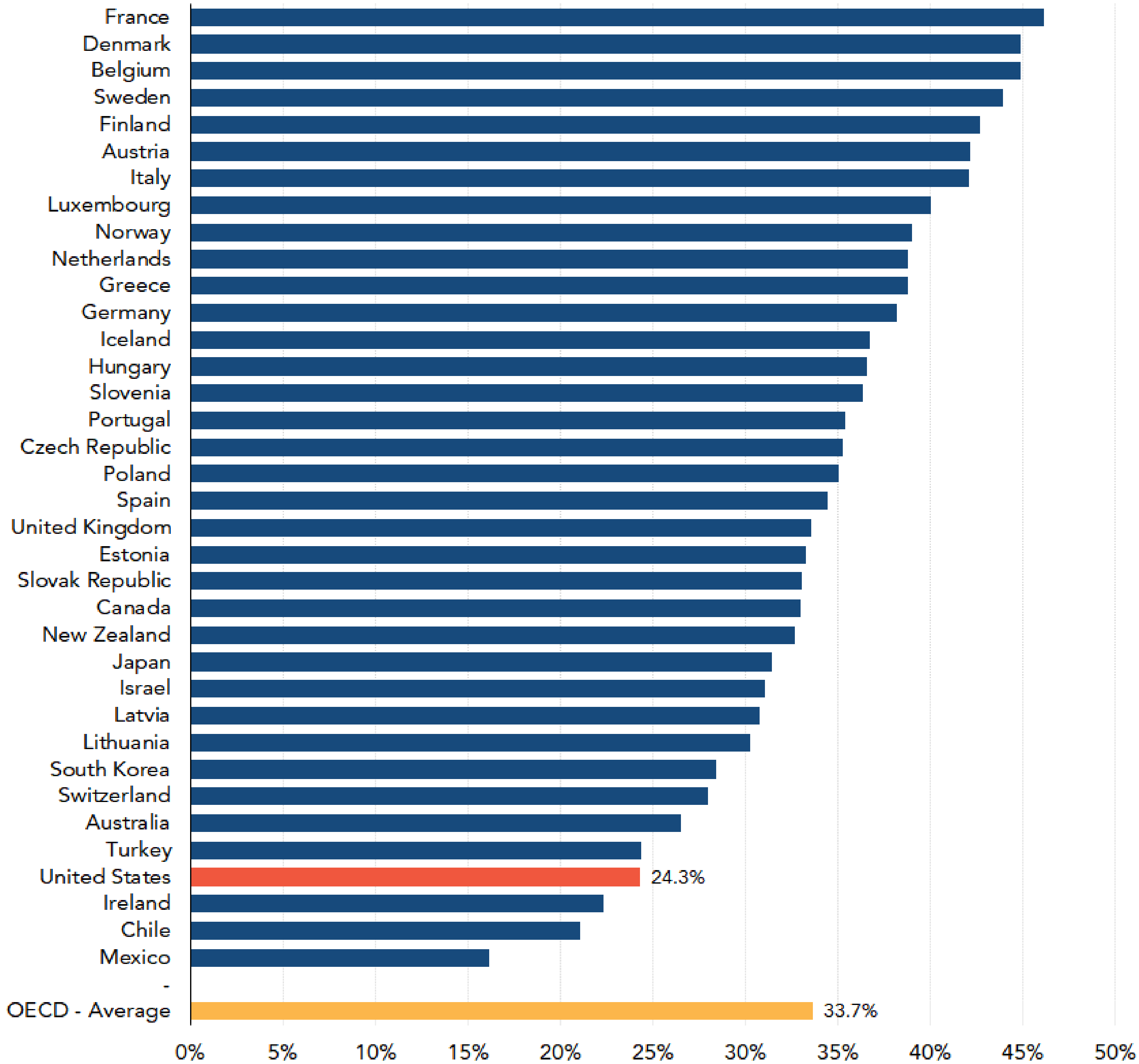
FEDERAL BUDGET

How do US taxes compare internationally?

FIGURE 1

Total Tax Revenue as a Share of GDP

Organisation for Economic Co-operation and Development (OECD) countries, 2018



Source: OECD Revenue Statistics, Comparative Tables (retrieved 12.05.2019).
Notes: (a) Includes tax revenues from both federal and sub-national governments; b) The "OECD - Average" is weighted by GDP for all countries excluding the United States; (c) Data for Australia and Japan are for 2017.

How do US taxes compare internationally?

COMPOSITION OF TAX REVENUE

Income and Profits Taxes: Taxes on personal income and business profits made up 45 percent of total US tax revenue in 2018, a higher share than in most other OECD countries, where such taxes averaged 34 percent of the total (figure 2). Australia, Denmark, and New Zealand topped the United States in this category, generating over half of their total revenue from such taxes. In the United States, taxes on income and profits of individuals alone generated 41 percent of total tax revenue, compared with 24 percent on average within the OECD.

Social Security Contributions: The United States collected slightly less revenue from retirement, disability, and other social security programs—25 percent of total tax revenue—than the 26 percent OECD average. Some countries were well above that average: the Czech Republic, Japan, Slovak Republic, and Slovenia each collected 40 percent or more of their revenue from social security contributions.

Property Taxes: Property taxes provided almost twice as large a share of US tax revenue—12 percent in 2018—than the OECD average of 6 percent. Almost all revenue from taxes on property in the United States is collected by state and local governments.

Goods and Services Taxes: The United States relies less on taxes on goods and services (including both general consumption taxes and taxes on specific goods and services) than any other OECD country, collecting 18 percent of tax revenue this way compared with 32 percent for the OECD. The value-added tax (VAT)—a type of general consumption tax collected in stages—is the main source of consumption tax revenue within the OECD. The VAT is employed worldwide in 160 countries, including in all 35 OECD member countries except the United States. Most consumption tax revenue in the United States is collected by state and local governments.

Some Background

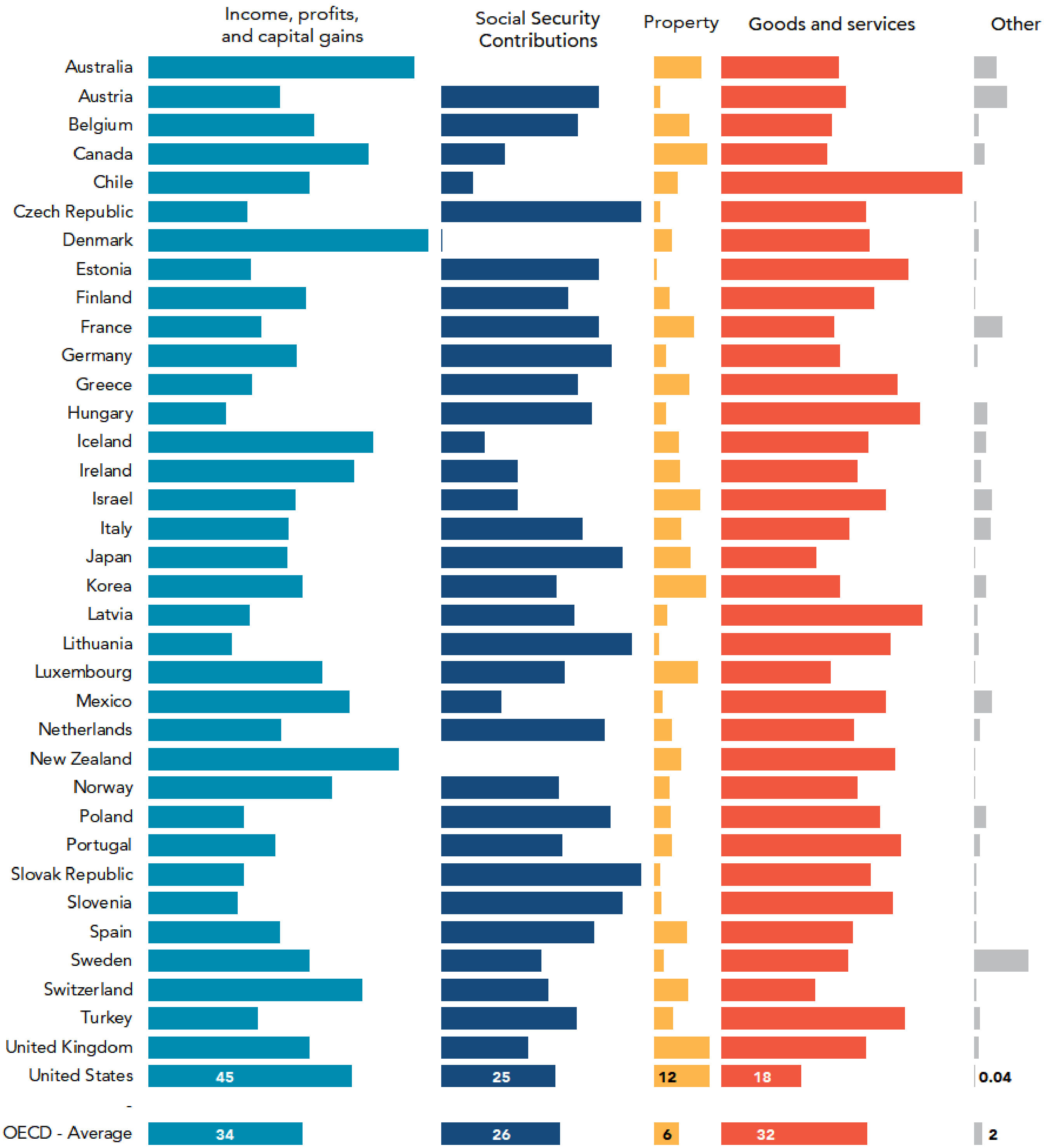
FEDERAL BUDGET

How do US taxes compare internationally?

FIGURE 2

Tax Sources as a Share of Total Tax Revenue

Organisation for Economic Co-operation and Development (OECD) countries, 2018



Source: OECD Revenue Statistics, Comparative Tables (retrieved 02.12.2020).
Notes: (a) Includes tax revenues from both federal and sub-national governments; b) The "OECD - Average" is an unweighted average for all OECD countries; (c) Data for Australia, Japan, and Mexico are for 2017.

Some Background

How do US taxes compare internationally?

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Further Reading

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