

## Background

What are the sources of revenue for the federal government?

FEDERAL BUDGET  
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### Q. What are the sources of revenue for the federal government?

**A. About 48 percent of federal revenue comes from individual income taxes, 9 percent from corporate income taxes, and another 35 percent from payroll taxes that fund social insurance programs (figure 1). The rest comes from a mix of sources.**

### TOTAL REVENUES

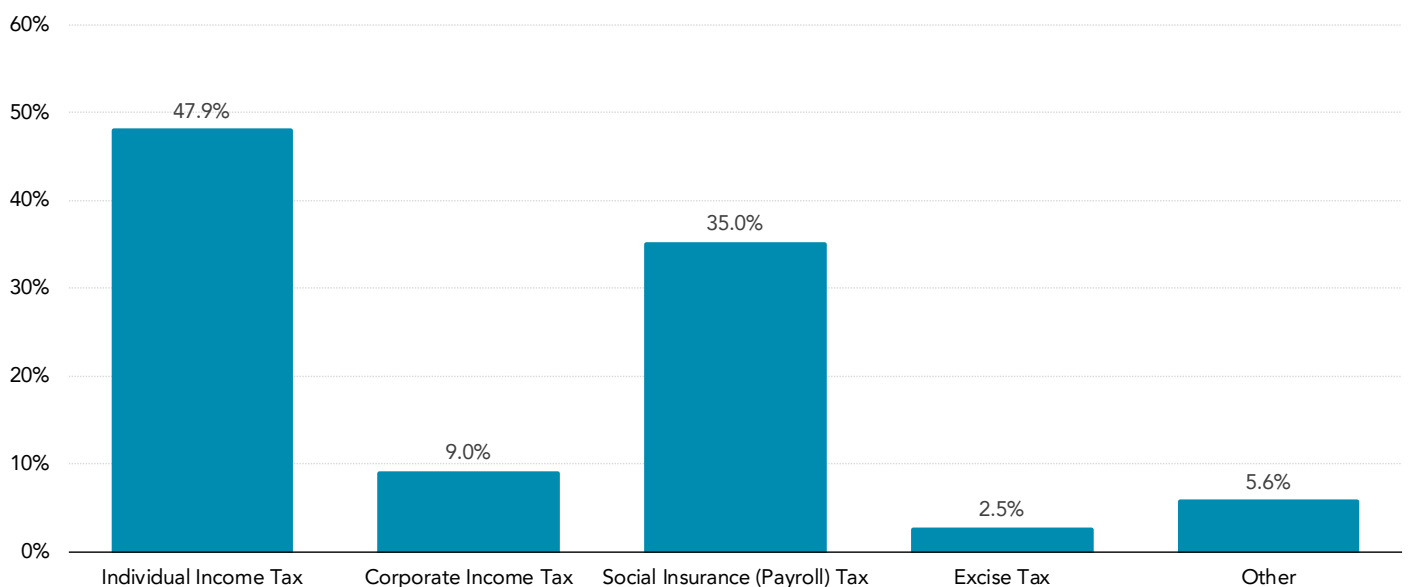
The federal government collected revenues of \$3.3 trillion in 2017—equal to about 17.3 percent of gross domestic product (GDP) (figure 2). Over the past 50 years, federal revenue has averaged 17.3 percent of GDP, ranging from 20.0 percent (in 2000) to 14.6 percent (most recently in 2009 and 2010).

FIGURE 1

### Sources of Federal Revenue Fiscal year 2017



Share of total federal revenue



Source: Office of Management and Budget. Historical Tables. Table 2.1, "Receipts by Source: 1934–2023."

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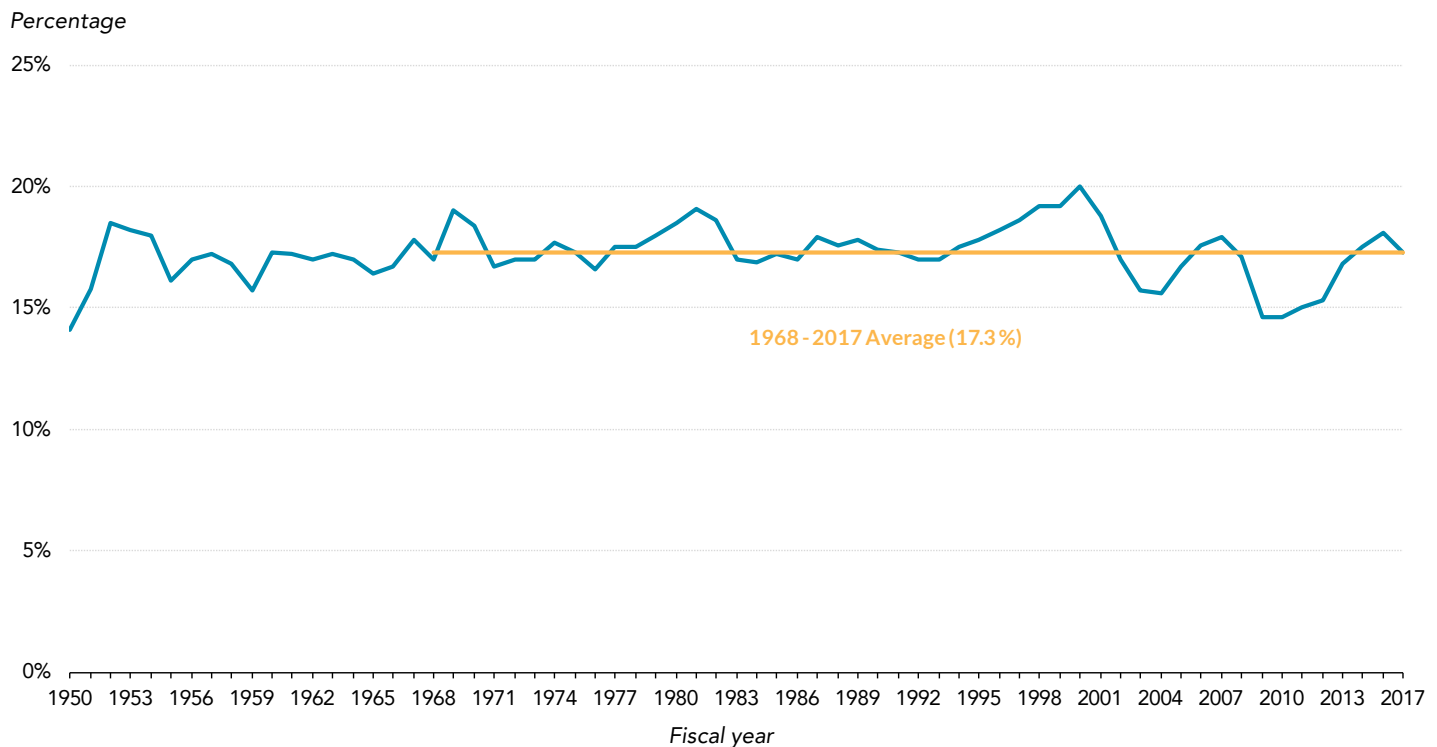
### What are the sources of revenue for the federal government?

#### INDIVIDUAL INCOME TAX

The individual income tax has been the largest single source of federal revenue since 1950, amounting to about 48 percent of the total and 8.3 percent of GDP in 2017 (figure 3). In recent years, individual income tax revenue has climbed as high as 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 2007–09 Great Recession.

FIGURE 2

#### Federal Revenue as a Percentage of GDP Fiscal years 1950–2017



Source: Office of Management and Budget. Historical Tables, Table 2.3, "Receipts by Source as Percentages of GDP: 1934–2023."

#### SOCIAL INSURANCE (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. In total, social insurance levies were 35 percent of federal revenue in 2017.

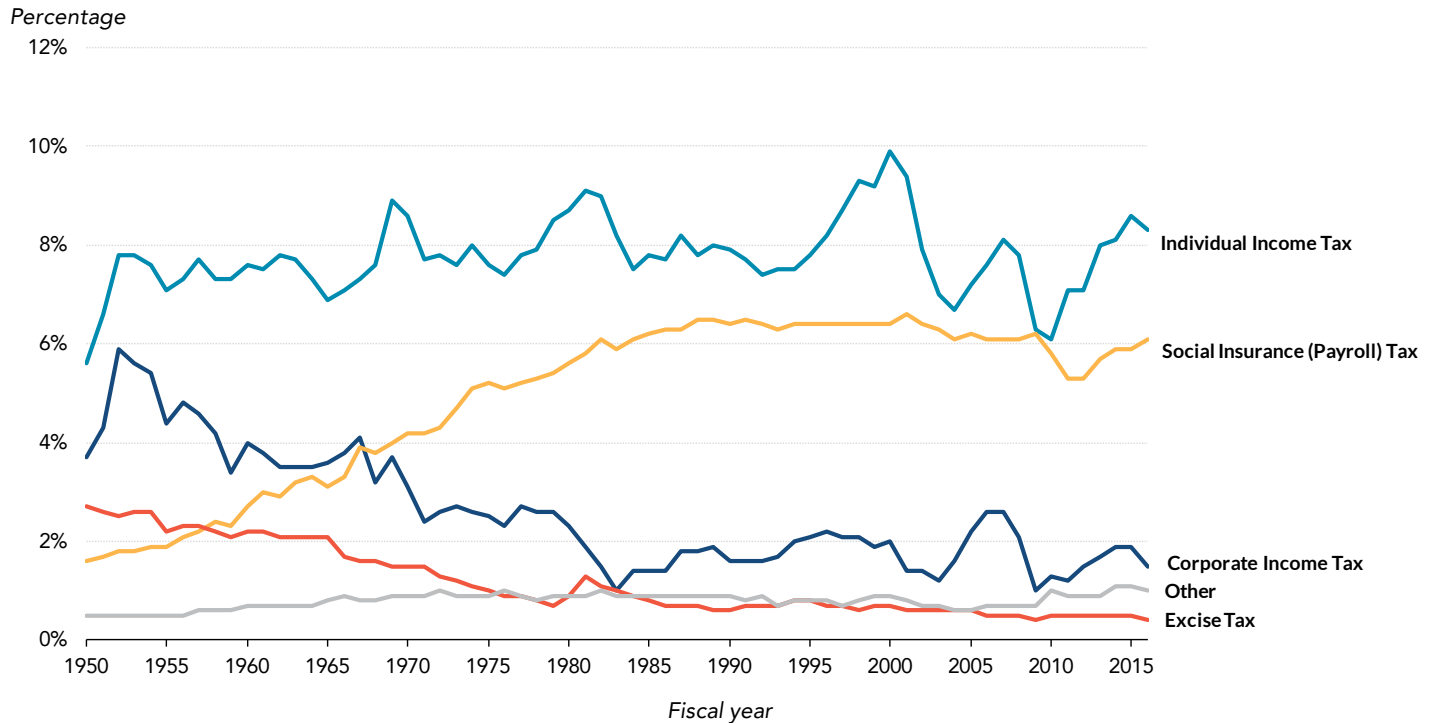
The creation of the Medicare program in 1965, combined with periodic increases in Social Security payroll taxes, caused social insurance receipts to grow from 1.6 percent of GDP in 1950 to 6.2 percent in 2009 (figure 3). A temporary reduction in employees' share of Social Security taxes—part of the stimulus program following the financial meltdown—reduced social insurance receipts to 5.3 percent of GDP in 2011 and 2012. Employees' share has since climbed back to 6.1 percent of GDP in 2017.

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FIGURE 3

### Federal Revenue as a Percentage of GDP Fiscal years 1950–2017



Source: Office of Management and Budget. Historical Tables. Table 2.3, "Receipts by Source as Percentages of GDP: 1934–2023."

### CORPORATE INCOME TAX

The tax on corporate profits yielded 9 percent of government revenue in 2017, 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 1.7 percent of GDP over the past five years, despite ticking up to 1.9 percent of GDP in 2014 and 2015 (figure 3).

### FEDERAL EXCISE TAXES

Taxes on purchases of goods and services, including gasoline, cigarettes, alcoholic beverages, and airline travel, generated 2.5 percent of federal revenue in 2017. 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 2012–17 (figure 3).

### 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. In total, these sources generated 5.6 percent of federal revenue in 2017. They have averaged between 0.6 and 1.1 percent of GDP since 1965 (figure 3). 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.

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#### SHARES OF TOTAL REVENUE

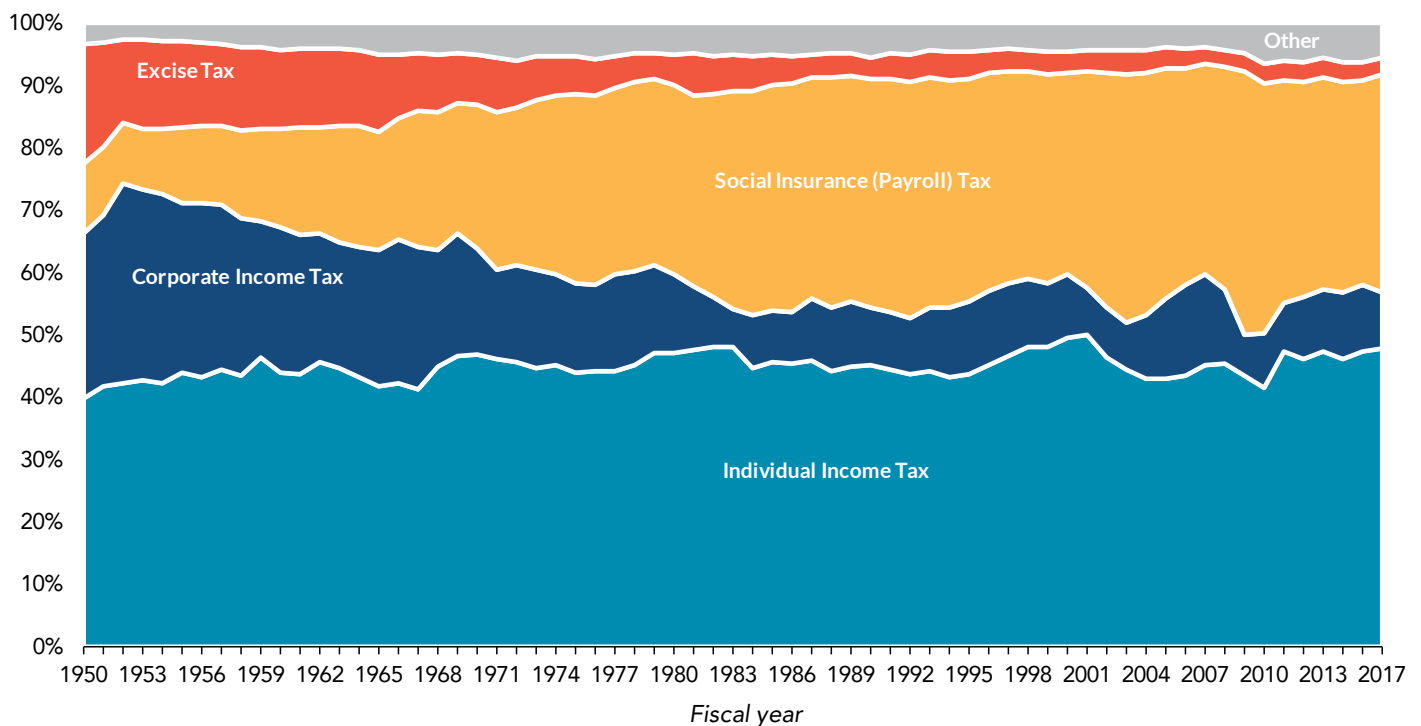
The individual income tax has provided nearly half of total federal revenue since 1950, while other revenue sources have waxed and waned (figure 4). Excise taxes brought in 19 percent of total revenue in 1950, but only about 3 percent in recent years. The share of revenue coming from the corporate income tax dropped from about one-third of the total in the early 1950s to less than one-tenth in 2017. In contrast, payroll taxes provided one-third of revenue in 2017, more than three times the share in the early 1950s.

FIGURE 4

#### Sources of Federal Revenue Fiscal years 1950–2017



Share of total revenue



Source: Office of Management and Budget. Historical Tables. Table 2.1, "Receipts by Source: 1934–2023."

#### Data Source

Office of Management and Budget. [Historical Tables](#). Table 2.1, "Receipts by Source: 1934–2023," and Table 2.3, "Receipts by Source as Percentages of GDP: 1934–2023."

#### Further Reading

Joint Committee on Taxation. 2018. "[Overview of the Federal Tax System as in Effect for 2018](#)." JCX-3-18. Washington, DC: Joint Committee on Taxation.