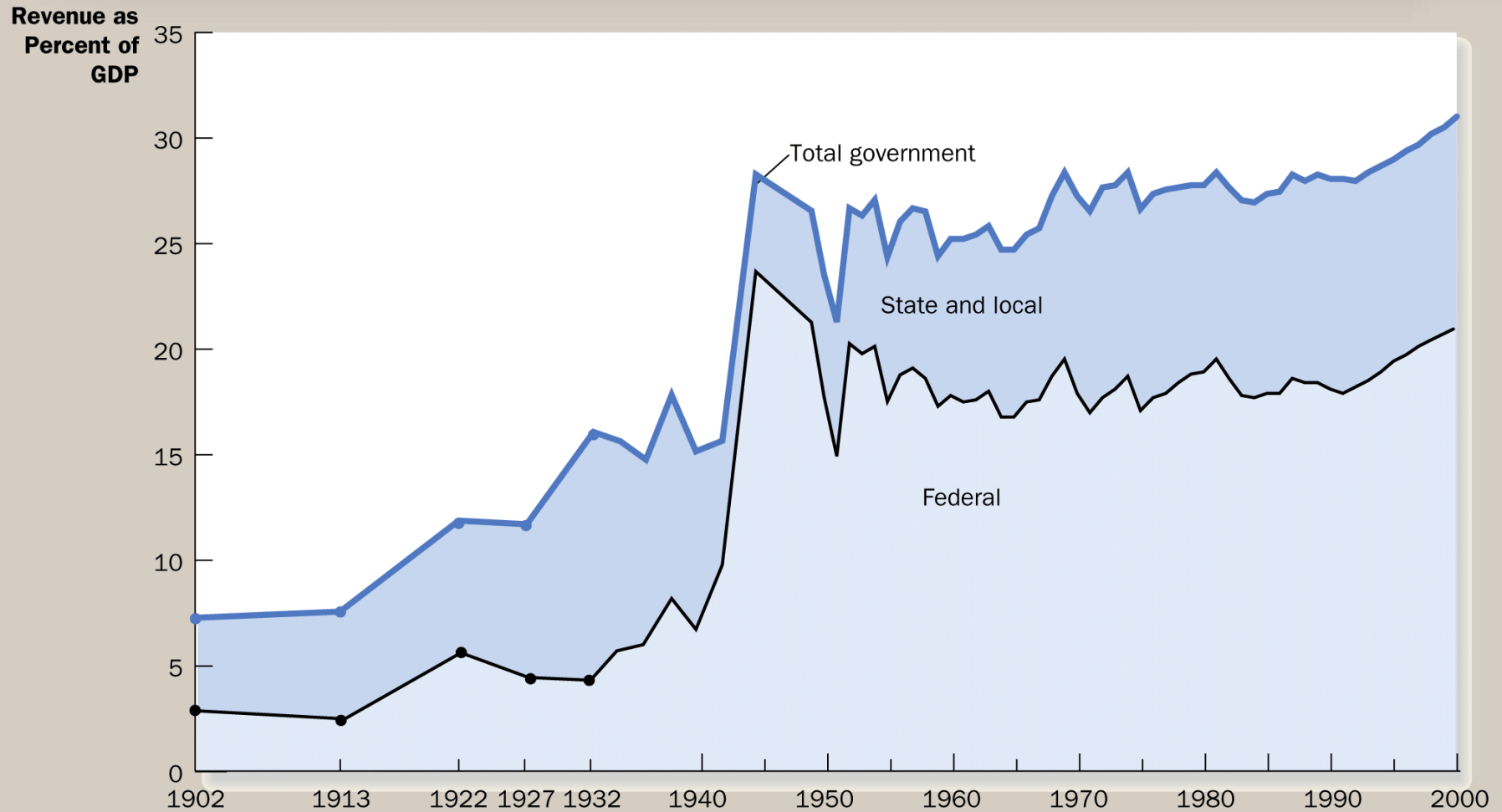




# 12

## The Design of the Tax System

# Figure 1 Government Revenue as a Percentage of GDP



# Table 1 Central Government Tax Revenue as a Percent of GDP

**Source:** *World Development Report 1998/99.*

France	38.8%	Russia	17.4
United Kingdom	33.7	Pakistan	15.3
Germany	29.4	Indonesia	14.7
Brazil	19.7	Mexico	12.8
United States	19.3	India	10.3
Canada	18.5		

# Table 2 Receipts of the Federal Government: 2001

**Source:** *Economic Report of the President*, 2002, table B-81, p. 416.

<b>Tax</b>	<b>Amount (billions)</b>	<b>Amount per Person</b>	<b>Percent of Receipts</b>
Individual income taxes	\$ 994	\$3,488	50%
Social insurance taxes	694	2,435	35
Corporate income taxes	151	530	8
Other	152	533	8
Total	\$1,991	\$6,986	100%

## Table 3 The Federal Income Tax Rates: 2001

**On Taxable Income . . .**

**The Tax Rate Is . . .**

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Up to \$27,050	15.0%
From \$27,050 to \$65,550	27.5
From \$65,550 to \$136,750	30.5
From \$136,750 to \$297,350	35.5
Over \$297,350	39.1

# Table 4 Spending of the Federal Government: 2001

Source: *Economic Report of the President*, 2002, table B-81, p. 416.

Category	Amount (billions)	Amount per Person	Percent of Spending
Social Security	\$ 433	\$1,519	23%
National defense	309	1,084	17
Income security	270	947	14
Net interest	206	723	11
Medicare	217	761	12
Health	173	607	9
Other	256	898	14
Total	\$1,864	\$6,540	100%

# Table 5 Receipts of State and Local Governments: 1999

Source: *Economic Report of the President*, 2002, table B-86, p. 421.

Tax	Amount (billions)	Amount per Person	Percent of Receipts
Sales taxes	\$ 291	\$1,070	20%
Property taxes	240	882	17
Individual income taxes	189	695	13
Corporate income taxes	34	125	2
From federal government	271	996	19
Other	409	1,504	29
Total	\$1,434	\$5,271	100%

## Table 6 Spending of State and Local Governments: 1999

Source: *Economic Report of the President*, 2002, table B-86, p. 421.

Category	Amount (billions)	Amount per Person	Percent of Spending
Education	\$ 483	\$1,776	34%
Public welfare	219	805	16
Highways	93	341	7
Other	607	2,232	43
Total	\$1,402	\$5,154	100%



# Table 7 Three Tax Systems

Income	Proportional Tax		Regressive Tax		Progressive Tax	
	Amount of Tax	Percent of Income	Amount of Tax	Percent of Income	Amount of Tax	Percent of Income
\$ 50,000	\$12,500	25%	\$15,000	30%	\$10,000	20%
100,000	25,000	25	25,000	25	25,000	25
200,000	50,000	25	40,000	20	60,000	30

## Table 8 The Burden of Federal Taxes

Quintile	Average Income	Taxes as a Percent of Income	Percent of All Income	Percent of All Taxes
Lowest	\$11,400	5.3%	4.0%	0.9%
Second	28,600	12.8	9.0	5.2
Middle	45,100	16.7	13.9	10.4
Fourth	65,600	20.0	20.2	18.1
Highest	167,500	27.4	53.2	65.4
Top 1%	1,016,900	32.7	15.8	23.1