



## **Booming Revenues and Tax Relief**

### **The Largest One Day Collection of Receipts in U.S. History**

On September 15<sup>th</sup>, 2006, the U.S. Treasury collected more in receipts than on any other single day in U.S. history - \$85.8 billion. This represents a 20 percent increase from the previous year's total.

How much is \$85.8 billion? It is more than the total amount the federal government collected in taxes for the one-hundred and forty-two years from 1789 to 1930.

### **Growth in Federal Receipts Since 2003**

The dramatic increase in federal revenues on September 15, 2006 is part of a larger trend: federal revenues are soaring. Since the end of 2003, revenues have increased by \$620 billion or 35 percent. In the last two years, revenues have experienced double-digit growth rates (nearly 15 percent in 2005 and nearly 12 percent in 2006).

### **Revenue Picture Beyond 2006**

Over the 2007 to 2016 period, presuming the 2001 and 2003 tax cuts are not allowed to expire, the Congressional Budget Office (CBO) projects federal revenue to increase by \$1.4 trillion or 59 percent. By 2050, CBO projects federal revenue, under current law, will be 23.7 percent of GDP. CBO notes that by 2050, making the 2001 and 2003 tax cuts permanent would reduce this figure by less than a percentage point, which would put federal taxes at approximately 23 percent of GDP if the tax cuts are extended.

### **Tax Cuts and the Revenue Picture**

In 2000, the tax burden on the American people was 20.9 percent of GDP, a figure without precedent in American history except during the height of World War II. Tax cuts have been enacted by the Republican Congress in every year since 2000 in order to promote economic growth and to reduce the tax burden on the American people to a more reasonable level. This policy of lower taxes has worked. Since the bulk of the tax cuts were implemented in 2003, the economy has added 5.7 million jobs with GDP growth averaging 4 percent on an annual basis.

The impressive growth in federal revenues, both over the last three years and also what is projected to occur under current law, should be kept in mind when opponents of tax relief argue that the tax cuts of the last six years should be repealed or allowed to expire. These tax cuts returned the tax burden to a level closer to the recent average (a projected 18.3 percent of GDP in 2006 compared to the recent average of 18.2 percent of GDP). Six years of tax cuts reduced the tax burden on the American people; they did not cause the American people to become under-taxed.