



Congressional Budget Office

Issues in Tax Policy

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Director

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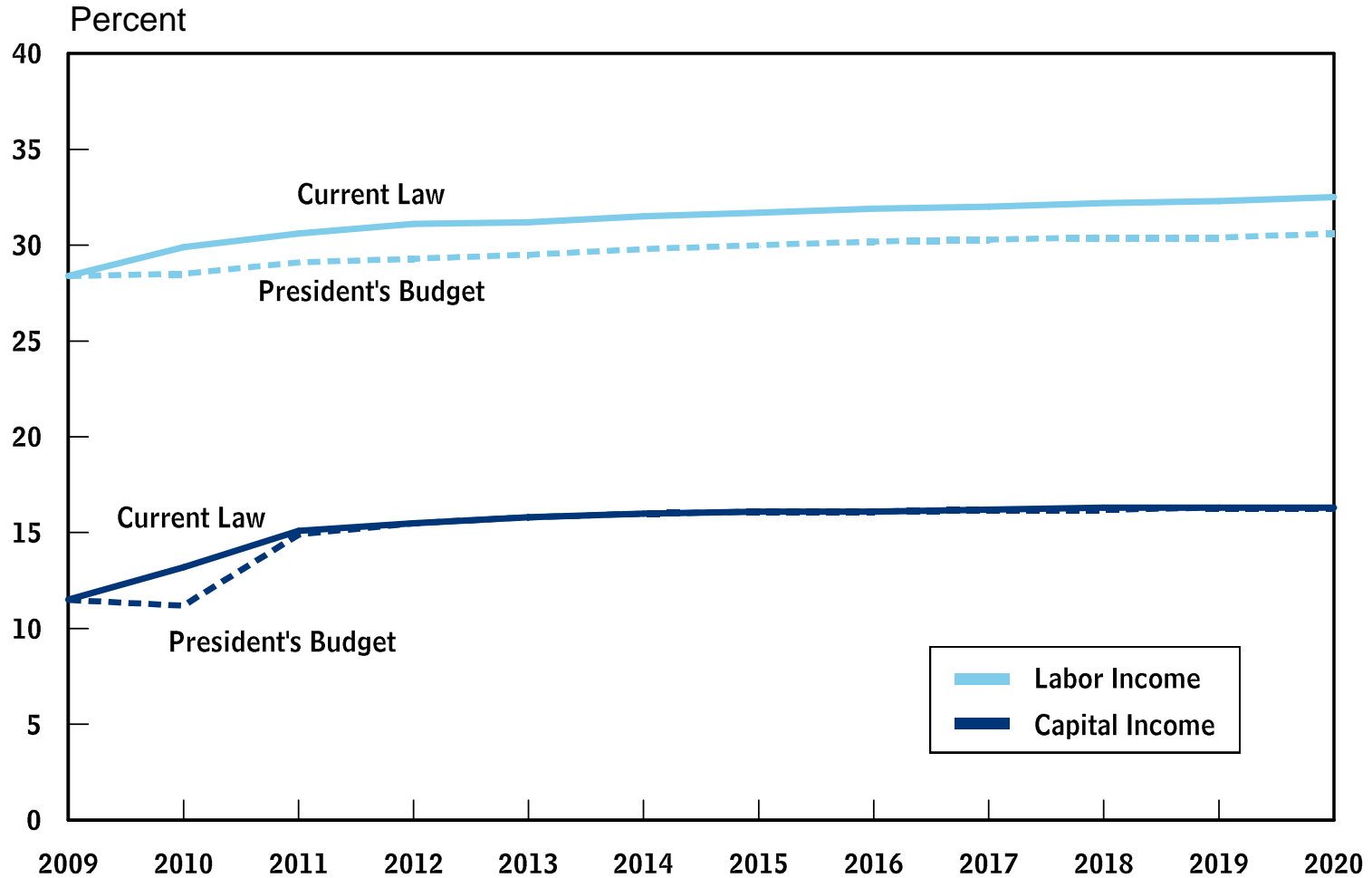


Three Key Aspects of Tax Policy

- Effect of taxes on economic activity through effects on labor supply, saving, the allocation of capital, the composition of household spending, and other decisions.
- Burden of taxation and who bears that burden.
- Revenue collected through taxes.



Estimates (as of March 2010) of Effective Federal Marginal Tax Rates on Labor and Capital Income

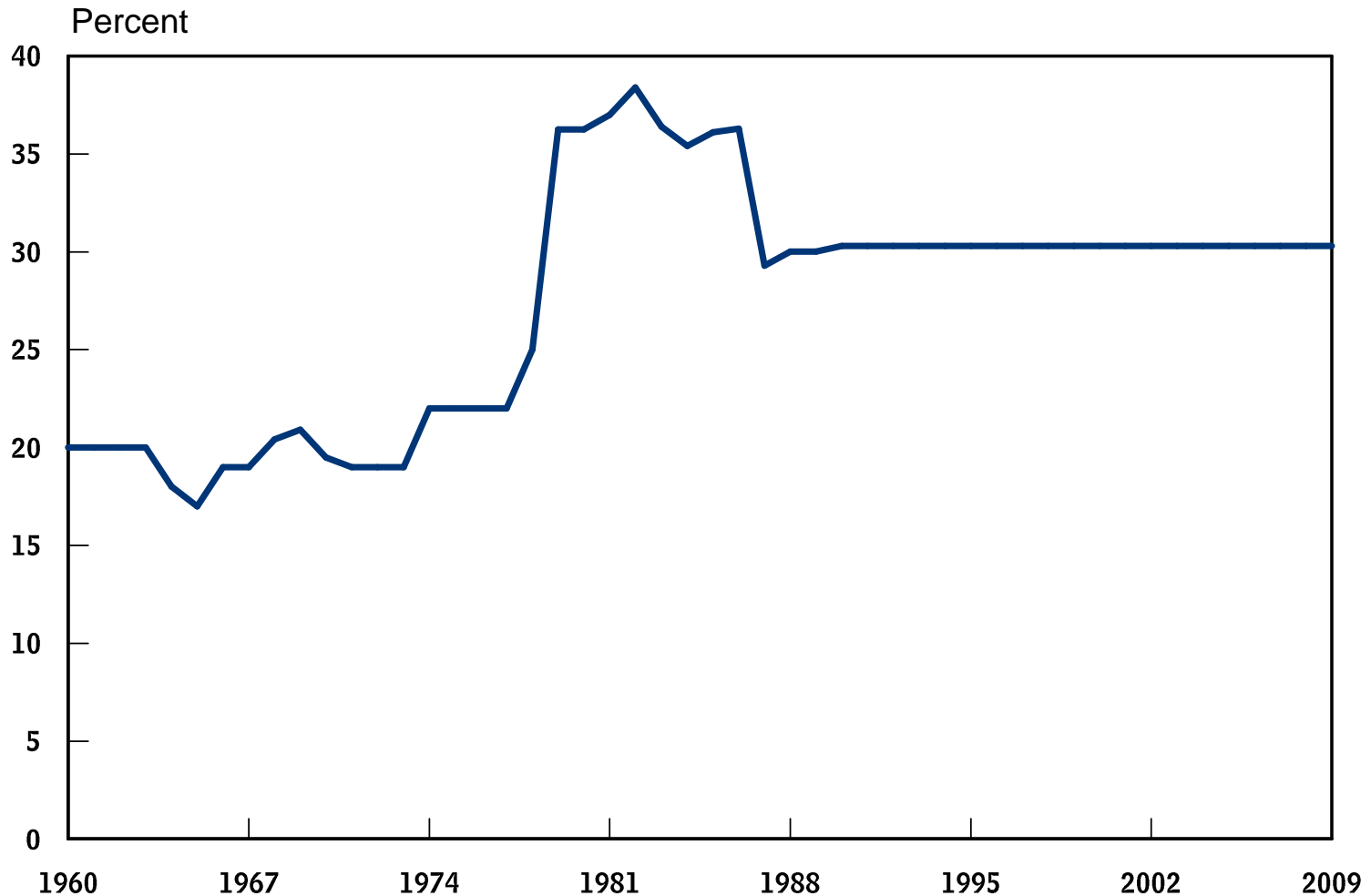


Source: CBO.

Note: These estimates do not reflect the effects of the Patient Protection and Affordable Care Act (Public Law 111-148) and the Reconciliation Act of 2010 (Public Law 111-152) on marginal tax rates.



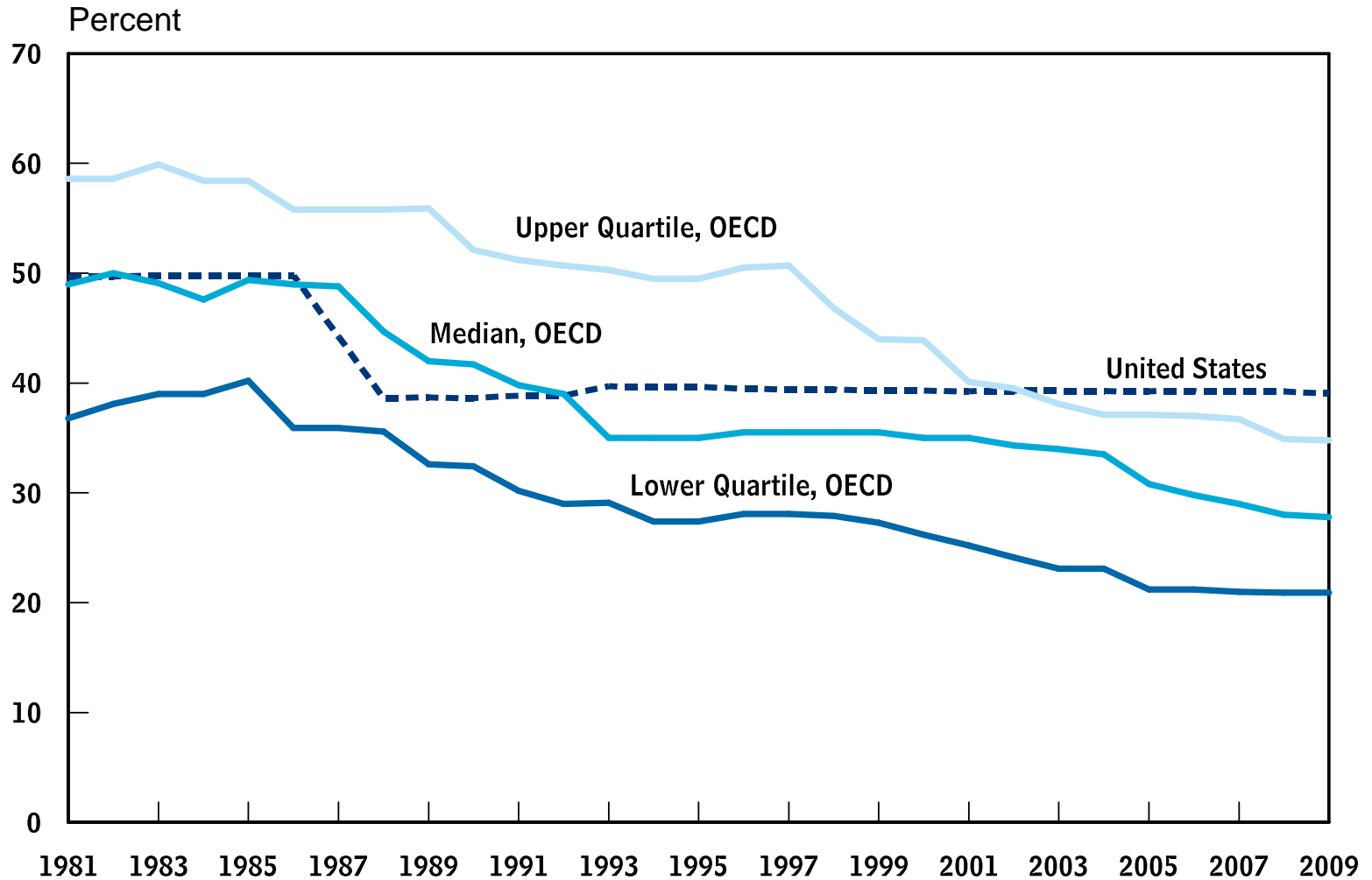
Marginal Tax Rate on Labor Income for a Family of Four at the Median Income Level



Source: U.S. Treasury and the Tax Policy Center.



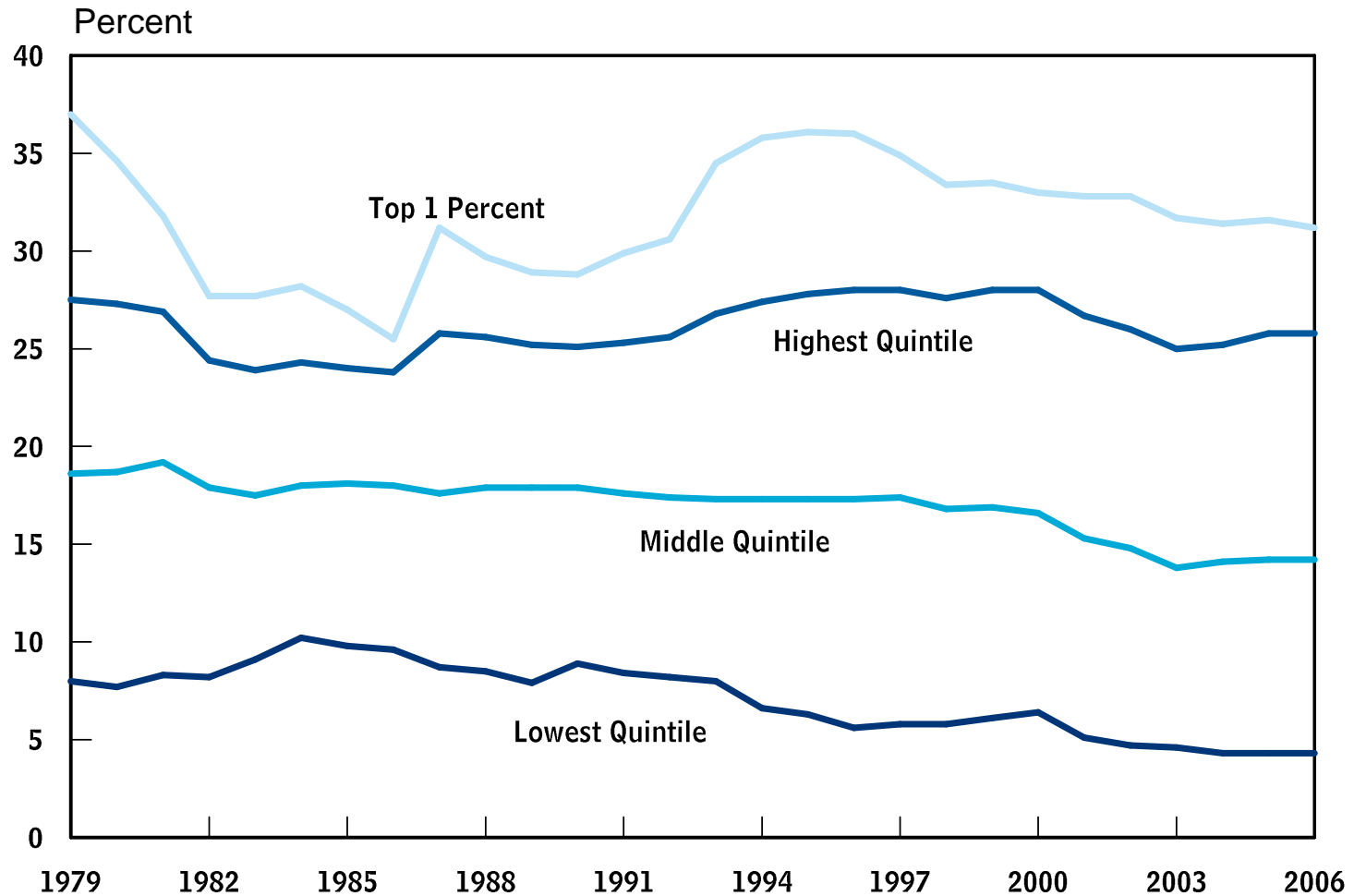
Corporate Income Tax Rates for the United States and Selected OECD Countries



Source: OECD.



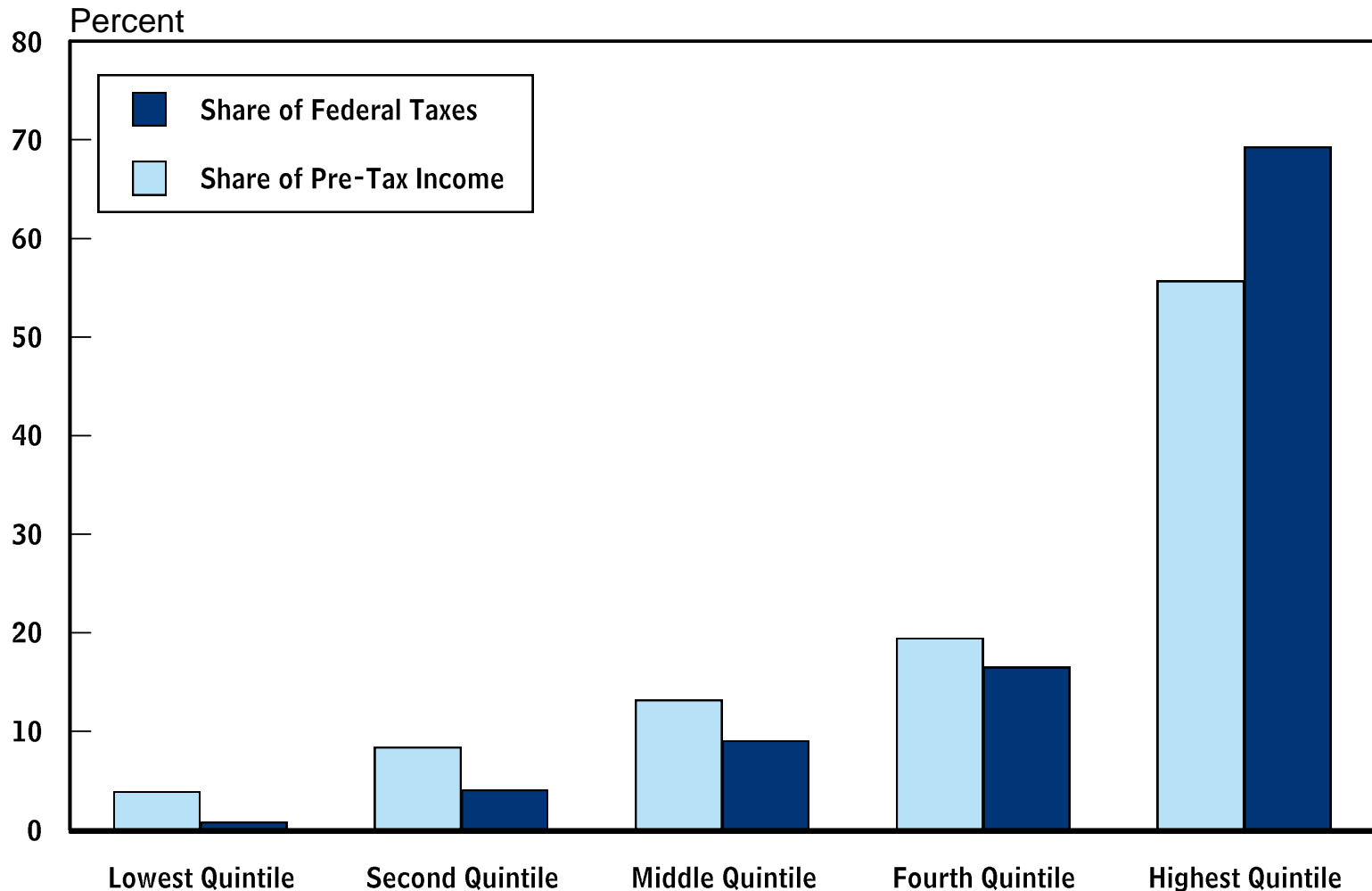
Effective Federal Tax Rates at Different Income Levels



Source: CBO.



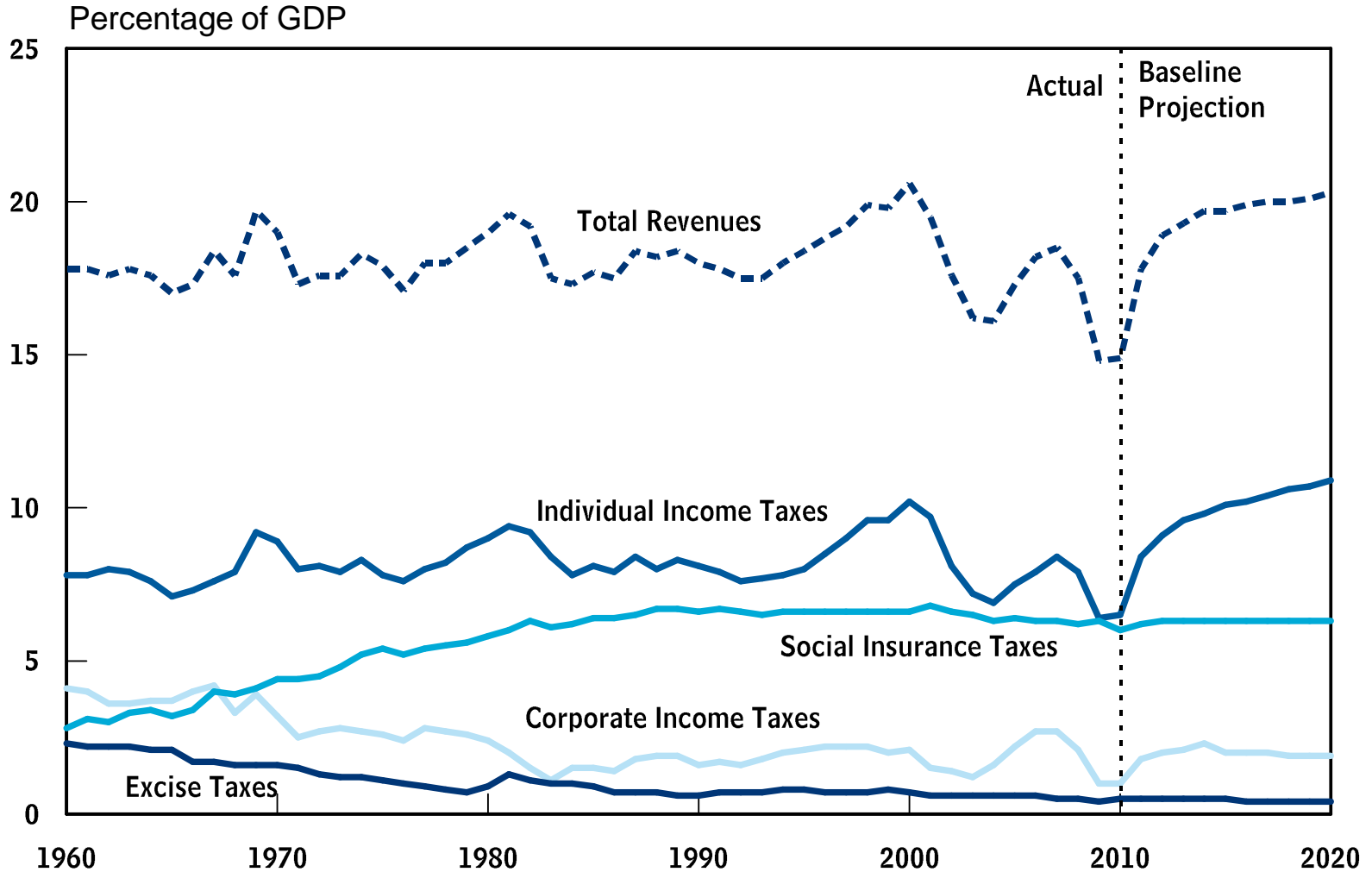
Shares of Pre-Tax Income and Federal Taxes in 2006 for Households at Different Income Levels



Source: CBO.



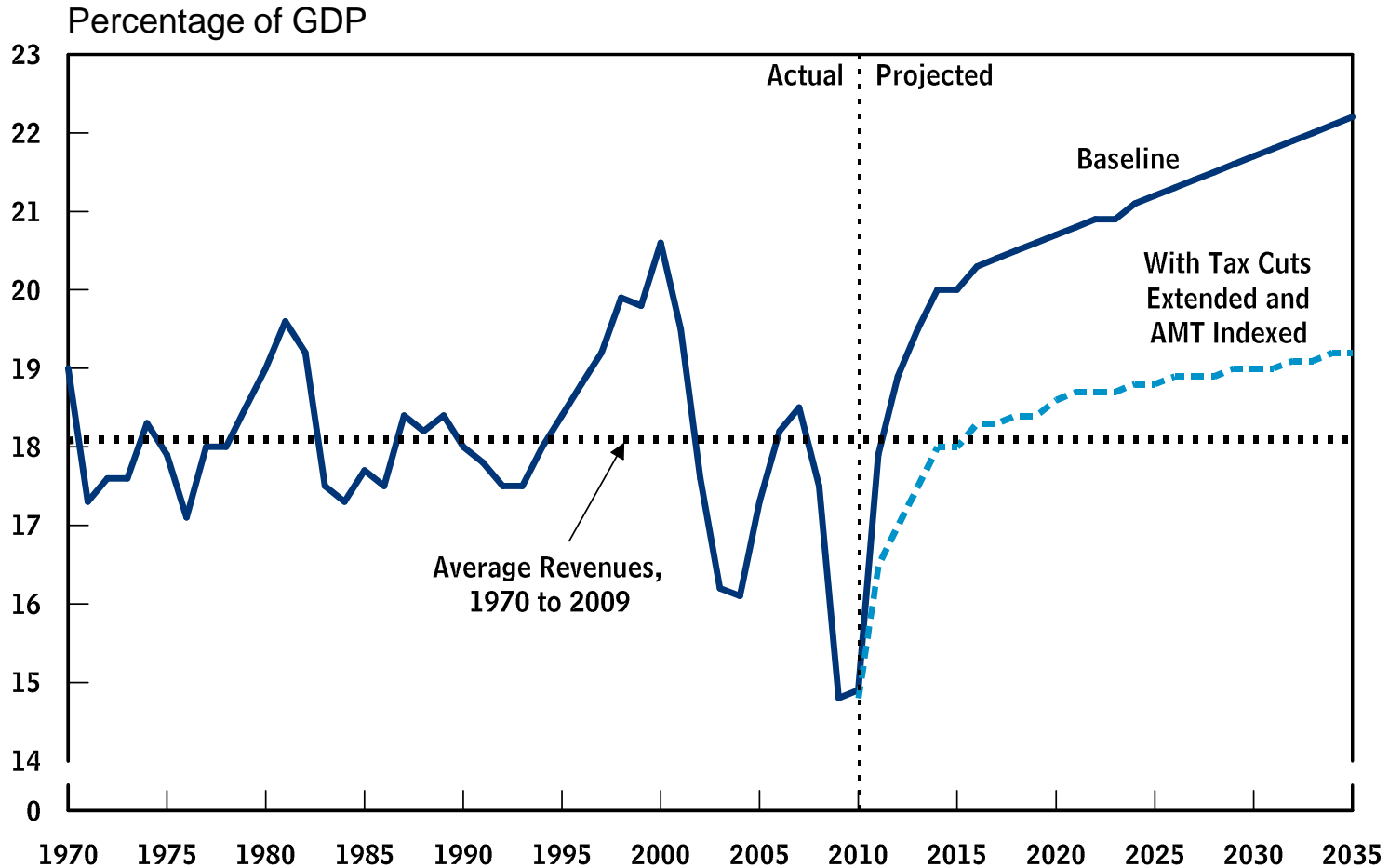
Major Sources of Federal Revenues (as of March 2010)



Source: CBO.



Federal Revenues Under Alternative Scenarios



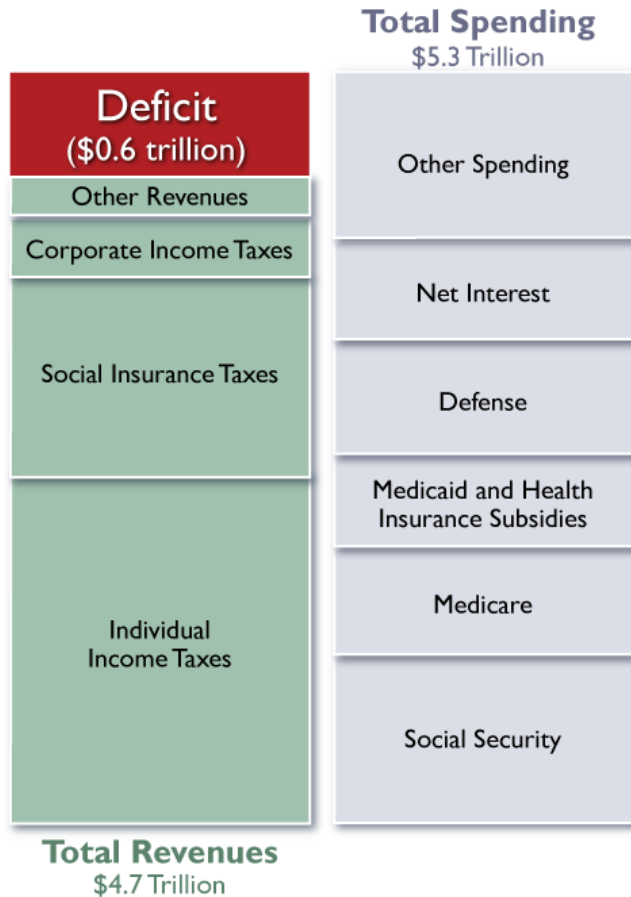
Source: CBO and JCT.

Notes: Extending certain tax provisions enacted in 2001 and 2003 would also increase outlays for refundable tax credits; however, the outlay effect is shown here in the revenue line. Projections are a crude approximation based on the combination of CBO's June 2009 Long-Term Budget Outlook, CBO's March 2010 Analysis of the President's Budget, and CBO's estimate of the effects on federal revenues of the Patient Protection and Affordable Care Act (Public Law 111-148) and the Reconciliation Act of 2010 (Public Law 111-152).

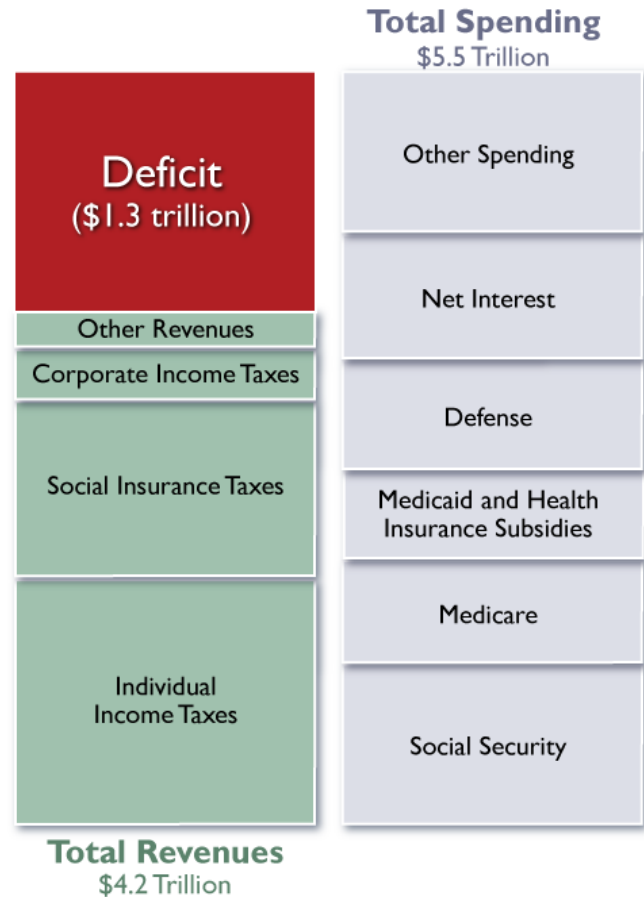


Federal Spending and Revenues in 2020 (Including Effects of Health Care Legislation)

Current Law (Baseline)



With Tax Cuts Extended and AMT Indexed



Source: CBO and JCT.

Note: Includes approximate effects of the Patient Protection and Affordable Care Act (Public Law 111-148) and the Reconciliation Act of 2010 (Public Law 111-152).



Five Key Questions About the Tax System

- How broad should the base be for the personal income tax?
- What should personal income tax rates be?
- What should payroll tax rates be, and how much income should be subject to those taxes?
- How broad should the base be for the corporate income tax?
- Should the government impose taxes on things that are not taxed today—in place of or in addition to other taxes?