OVERVIEW OF THE FEDERAL TAX SYSTEM AS IN EFFECT FOR 2018

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of the
JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This document,[1] prepared by the staff of the Joint Committee on Taxation ("Joint Committee staff"), provides a summary of the present-law Federal tax system as in effect for 2018.

The current Federal tax system has four main elements: (1) an income tax on individuals and corporations (which consists of both a "regular" income tax and, in the case of individuals, an alternative minimum tax);[2] (2) payroll taxes on wages (and corresponding taxes on self-employment income) to finance certain social insurance programs; (3) estate, gift, and generation-skipping transfer taxes; and (4) excise taxes on selected goods and services. This document provides a broad overview of each of these elements.

A number of aspects of the Internal Revenue Code of 1986 (the "Code"), are subject to change over time. For example, some dollar amounts and income thresholds are indexed for inflation, including the standard deduction, tax rate brackets, and the annual gift tax exclusion. In general, the Internal Revenue Service ("IRS") adjusts these numbers annually and publishes the inflation-adjusted amounts in effect for tax years beginning in a calendar year before the beginning of that year. However the IRS publication for 2018 (Rev. Proc. 2017-58) is out of date[3] due to the December 2017 passage of Public Law No. 115-97, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, often referred to as the Tax Cuts and Jobs Act ("TCJA").[4] Where applicable, this document generally includes actual or estimated[5] dollar amounts in effect for 2018 and notes whether dollar amounts are indexed for inflation.[6]

[1] This document may be cited as follows: Joint Committee on Taxation, *Overview of the Federal Tax System as in Effect for 2018* (JCX-3-18), February 7, 2018. This document can be found on the Joint Committee on Taxation website at www.jct.gov.

[2] If certain requirements are met, certain entities or organizations are exempt from Federal income tax. A description of such organizations is beyond the scope of this document. For a recent description, see Joint Committee on Taxation, *Report to the House Committee on Ways and Means on Present Law and Suggestions for Reform Submitted to the Tax Reform Working Groups* (JCS-3-13), May 6, 2013, pp. 19-58.

[3] 2017-45 I.R.B. 489.

[4] The amounts in Rev. Proc. 2017-58 were calculated solely using the Consumer Price Index for All Urban Consumers ("CPI-U") and the TCJA requires that the Chained Consumer Price Index for All Urban Consumers ("C-CPI-U") generally be used for 2018 amounts and going forward. See article "Inflation Figures Being Recalculated, Treasury Official Confirms" dated January 29, 2018, in Tax Notes Today (Doc 2018-4576, 2018 TNT 19-9), wherein a representative from Treasury confirmed that the amounts listed in Rev. Proc. 2017-58 will be recalculated as a result of provisions in TCJA.

[5] Joint Committee staff calculations of 2018 values are labeled as such.

[6] Generally, parameters in the Code are indexed for inflation by applying the CPI-U up to 2017 values and the C-CPI-U for years thereafter. For example, the 2016 value for a statutory amount written into the Code in 2015 and indexed for inflation starting in 2016 is calculated using one year of CPI-U growth (from 2014 to 2015), the

In addition, a number of the provisions in the Federal tax laws have parameters that vary by statute from year to year or have been enacted on a temporary basis, including many from the TCJA. For simplicity, this document describes the Federal tax laws in effect for 2018 and generally does not include references to provisions as they may be in effect for future years or to termination dates for expiring provisions.[7]

2017 value is calculated using two years of CPI-U growth (from 2014 to 2016), and the 2018 value is calculated by using two years of CPI-U growth (from 2014 to 2016) and one year of C-CPI-U growth (from 2016 to 2017).

[7] See Joint Committee on Taxation, *List of Expiring Federal Tax Provisions 2016-2027* (JCX-1-18), January 9, 2018.

I. SUMMARY OF PRESENT-LAW FEDERAL TAX SYSTEM

A. Individual Income Tax

In general

A United States citizen or resident alien generally is subject to the U.S. individual income tax on his or her worldwide taxable income.[8] Taxable income equals the taxpayer's total gross income less certain exclusions, exemptions, and deductions. Graduated tax rates are then applied to a taxpayer's taxable income to determine his or her individual income tax liability. A taxpayer may face additional liability if the alternative minimum tax applies. A taxpayer may reduce his or her income tax liability by any applicable tax credits.

Adjusted gross income

Under the Code, gross income means "income from whatever source derived" except for certain items specifically exempt or excluded by statute.[9] Sources of income include compensation for services, interest, dividends, capital gains, rents, royalties, alimony and separate maintenance payments, annuities, income from life insurance and endowment contracts (other than certain death benefits), pensions, gross profits from a trade or business, income in respect of a decedent, and income from S corporations, partnerships,[10] estates or trusts.[11] Statutory exclusions from gross income include death benefits payable under a life insurance contract, interest on certain State and local bonds, the receipt of property by gift or inheritance, as well as employer-provided health insurance, pension contributions, and certain other benefits.

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[8] Foreign tax credits generally are available against U.S. income tax imposed on foreign source income to the extent of foreign income taxes paid on that income. A nonresident alien generally is subject to the U.S. individual income tax only on income with a sufficient nexus to the United States. A U.S. citizen or resident who satisfies certain requirements for presence in a foreign country also is allowed a limited exclusion ($103,900 in 2018, Joint Committee staff calculation) for foreign earned income and a limited exclusion of employer-provided housing costs. Sec. 911.

[9] Sec. 61.

[10] In general, partnerships and S corporations (*i.e.*, corporations subject to the provisions of subchapter S of the Code) are treated as pass-through entities for Federal income tax purposes. Thus, no Federal income tax is imposed at the entity level. Rather, income of such entities is passed through and taxed to the owners at the individual level. A business entity organized as a limited liability company ("LLC") under applicable State law generally is treated as a partnership for Federal income tax purposes if it has two or more members; a single-member LLC generally is disregarded as an entity separate from its owner for Federal income tax purposes.

[11] In general, estates and most trusts pay tax on income at the entity level, unless the income is distributed or required to be distributed under governing law or under the terms of the governing instrument. Such entities determine their tax liability using a special tax rate schedule and are subject to the alternative minimum tax. Certain trusts, however, do not pay Federal income tax at the trust level. For example, certain trusts that distribute all income currently to beneficiaries are treated as pass-through or conduit entities (similar to a partnership). Other trusts are treated as being owned by grantors in whole or in part for tax purposes; in such cases, the grantors are taxed on the income of the trust.

An individual's adjusted gross income ("AGI") is determined by subtracting certain "above-the-line" deductions from gross income. These deductions include trade or business expenses, capital losses, contributions to a qualified retirement plan by a self-employed individual, contributions to certain individual retirement accounts ("IRAs"), certain moving expenses for members of the armed forces, certain education-related expenses, and alimony payments.[12]

Taxable income

In general

To determine taxable income, an individual reduces AGI by the applicable standard deduction or his or her itemized deductions,[13] and by the deduction for qualified business income.

A taxpayer may reduce AGI by the amount of the applicable standard deduction to arrive at taxable income. The basic standard deduction varies depending on a taxpayer's filing status. For 2018, the amount of the standard deduction is $12,000 for a single individual and for a married individual filing separately, $18,000 for a head of household, and $24,000 for a married individual filing jointly and for a surviving spouse. An additional standard deduction is allowed with respect to any individual who is elderly (*i.e.*, above age 64) or blind.[14] The amounts of the basic standard deduction and the additional standard deductions are indexed annually for inflation.

In lieu of taking the applicable standard deductions, an individual may elect to itemize deductions. The deductions that may be itemized include State and local taxes (up to $10,000 annually ($5,000 for married taxpayers filing separately), in aggregate of income or sales taxes, real property taxes, and certain personal property taxes), home mortgage interest, charitable contributions, certain investment interest, medical expenses (in excess of 7.5 percent of AGI), and casualty and theft losses attributable to Federally declared disasters (in excess of 10 percent of AGI and in excess of $100 per loss).[15]

The Joint Committee staff estimates that for the 2018 tax year approximately 135.2 million taxpayers will claim the standard deduction while 20.4 million taxpayers will elect to itemize deductions.

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[12] Sec. 62.

[13] Sec. 63.

[14] For 2018, by Joint Committee staff calculations, the additional amount is $1,300 for married taxpayers (for each spouse meeting the applicable criterion) and surviving spouses. The additional amount for single individuals and heads of households is $1,600. If an individual is both elderly and blind, the individual is entitled to two additional standard deductions, for a total additional amount (for 2018) of $2,600 or $3,200, as applicable.

[15] Sec 165(h).

Deduction for qualified business income

In addition to standard or itemized deductions, an individual taxpayer generally may deduct 20 percent of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20 percent of aggregate qualified Real Estate Investment Trust ("REIT") dividends, qualified publicly traded partnership income, and qualified cooperative dividends in computing taxable income.[16] For taxpayers with taxable income[17] in excess of the threshold amount ($315,000 for married taxpayers filing joint returns and $157,500 for all other taxpayers), the deduction with respect to qualified business income is limited based on (1) the taxpayer's allocable share of W-2 wages paid by the trade or business and the taxpayer's allocable share of capital investment with respect to the trade or business[18] and (2) the type of trade or business in which the income is earned.[19] These limitations begin to phase in above the threshold amount of taxable income.[20] In addition, the deduction calculated with respect to qualified business income, qualified REIT dividends, and qualified publicly traded partnership income may not exceed 20 percent of the taxpayer's taxable income for the taxpayer year (reduced by net capital gain and qualified cooperative dividends). The 20 percent deduction with respect to qualified cooperative dividends is limited to taxable income (reduced by net capital gain) for the taxable year.

Tax liability

In general

A taxpayer's net income tax liability is the greater of (1) regular individual income tax liability reduced by credits allowed against the regular tax, or (2) tentative minimum tax reduced by credits allowed against the minimum tax. The amount of income subject to tax is determined differently under the regular tax and the alternative minimum tax, and separate rate schedules

[16] Sec. 199A. The total of these amounts may not exceed the taxpayer's taxable income for the taxable year (reduced by net capital gain). Additionally, special rules apply to specified agricultural or horticultural cooperatives and trusts and estates.

[17] Taxable income is computed without regard to the deduction allowable under section 199A with respect to the threshold amount.

[18] The deduction is limited to the greater of (a) 50 percent of the W-2 wages paid with respect to the qualified trade or business, or (b) the sum of 25 percent of the W-2 wages with respect to the qualified trade or business plus 2.5 percent of the unadjusted basis, immediately after acquisition, of all qualified property. Sec. 199A(b)(2)(B).

[19] Qualified business income excludes income from a specified service trade or business or from the trade or business of performing services as an employee. Sec. 199A(d)(1). A specified service trade or business means any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or which involves the performance of services that consist of investing and investment management, trading, or dealing in securities, partnership interests, or commodities. Sec. 199A(d)(2).

[20] Taxable income is computed without regard to the deduction allowable under section 199A with respect to the threshold amount.

apply. Lower rates apply for long-term capital gains and certain dividends; those rates apply for both the regular tax and the alternative minimum tax.

Regular tax liability

To determine regular tax liability, a taxpayer generally must apply the tax rate schedules (or the tax tables) to his or her regular taxable income. The rate schedules are broken into several ranges of income, known as income brackets, with the marginal tax rate increasing as a taxpayer's income increases. Separate rate schedules apply based on an individual's filing status. For 2018, the regular individual income tax rate schedules are as follows:

Table 1.–Federal Individual Income Tax Rates for 2018

If taxable income is:	Then income tax equals:
Single Individuals	
Not over $9,525	10% of the taxable income
Over $9,525 but not over $38,700	$952.50 plus 12% of the excess over $9,525
Over $38,700 but not over $82,500	$4,453.50 plus 22% of the excess over $38,700
Over $82,500 but not over $157,500	$14,089.50 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$32,089.50 plus 32% of the excess over $157,500
Over $200,000 but not over $500,000	$45,689.50 plus 35% of the excess over $200,000
Over $500,000	$150,689.50 plus 37% of the excess over $500,000
Heads of Households	
Not over $13,600	10% of the taxable income
Over $13,600 but not over $51,800	$1,360 plus 12% of the excess over $13,600
Over $51,800 but not over $82,500	$5,944 plus 22% of the excess over $51,800
Over $82,500 but not over $157,500	$12,698 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$30,698 plus 32% of the excess over $157,500
Over $200,000 but not over $500,000	$44,298 plus 35% of the excess over $200,000
Over $500,000	$149,298 plus 37% of the excess over $500,000
Married Individuals Filing Joint Returns and Surviving Spouses	
Not over $19,050	10% of the taxable income
Over $19,050 but not over $77,400	$1,905 plus 12% of the excess over $19,050
Over $77,400 but not over $165,000	$8,907 plus 22% of the excess over $77,400
Over $165,000 but not over $315,000	$28,179 plus 24% of the excess over $165,000

If taxable income is:	Then income tax equals:
Over $315,000 but not over $400,000	$64,179 plus 32% of the excess over $315,000
Over $400,000 but not over $600,000	$91,379 plus 35% of the excess over $400,000
Over $600,000	$161,379 plus 37% of the excess over $600,000
Married Individuals Filing Separate Returns	
Not over $9,525	10% of the taxable income
Over $9,525 but not over $38,700	$952.50 plus 12% of the excess over $9,525
Over $38,700 but not over $82,500	$4,453.50 plus 22% of the excess over $38,700
Over $82,500 but not over $157,500	$14,089.50 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$32,089.50 plus 32% of the excess over $157,500
Over $200,000 but not over $300,000	$45,689.50 plus 35% of the excess over $200,000
Over $300,000	$80,689.50 plus 37% of the excess over $300,000
Estates and Trusts	
Not over $2,550	10% of the taxable income
Over $2,550 but not over $9,150	$255 plus 24% of the excess over $2,550
Over $9,150 but not over $12,500	$1,839 plus 35% of the excess over $9,150
Over $12,500	$3,011.50 plus 37% of the excess over $12,500

An individual's effective marginal tax rate may be reduced by the allowance of the deduction for qualified business income.[21] Effective marginal tax rates may also be altered by the phasein and phaseout of certain exemptions or credits.[22]

Special capital gains and dividends rates

In general, gain or loss reflected in the value of an asset is not recognized for income tax purposes until a taxpayer disposes of the asset. On the sale or exchange of a capital asset, any gain generally is included in income. Any net capital gain of an individual is taxed at maximum rates lower than the rates applicable to ordinary income. Net capital gain is the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for the year. Gain

[21] Deductions of income amounts can be viewed as substitutes for exemptions or rate reductions for the affected income.

[22] The Code contains many provisions that may cause effective marginal tax rates to differ from statutory marginal rates. For a complete discussion of provisions that have an effect on effective marginal tax rates as applied to a prior iteration of the Code see Joint Committee on Taxation, *Present Law and Analysis Relating to Individual Effective Marginal Tax Rates* (JCS-3-98), February 3, 1998.

or loss is treated as long-term if the asset is held for more than one year. Qualified dividend income is generally taxed at the same rate as net capital gains.[23]

Capital losses generally are deductible in full against capital gains. In addition, individual taxpayers may deduct capital losses against up to $3,000 of ordinary income in each year. Any remaining unused capital losses may be carried forward indefinitely to another taxable year.

A maximum rate applies to certain capital gains and dividends. The maximum rate of tax on the adjusted net capital gain of an individual depends on the individual's taxable income and filing status. Theses maximum rates apply for purposes of both the regular tax and the alternative minimum tax. For 2018, the adjusted net capital gains rate schedules are as follows:

Table 2.–Adjusted Net Capital Gain Maximum Rates for 2018

Filing Status and Rate Start Amount (Taxable Income)					Rate
Married Individuals Filing Joint Returns and Surviving Spouses	Heads of Households	Single Individuals	Married Individuals Filing Separate Returns	Estates and Trust	
$0	$0	$0	$0	$0	0%
$77,200	$51,700	$38,600	$38,600	$2,600	15%
$479,000	$452,400	$425,800	$239,500	$12,700	20%

Net investment income

An additional tax is imposed on net investment income in the case of an individual, estate, or trust.[24] In the case of an individual, the tax is 3.8 percent of the lesser of net investment income or the excess of modified adjusted gross income[25] over the threshold amount. The threshold amount is $250,000 in the case of a joint return or surviving spouse, $125,000 in the case of a married individual filing a separate return, and $200,000 in any other case.[26] Thus, for taxpayers with modified adjusted gross income in excess of those thresholds, the rate on

[23] Sec. 1(h).

[24] Sec. 1411.

[25] Modified adjusted gross income is adjusted gross income increased by the amount excluded from income as foreign earned income under section 911(a)(1) (net of the deductions and exclusions disallowed with respect to the foreign earned income).

[26] These thresholds are not indexed for inflation.

certain capital gains and dividends is 23.8 percent while the maximum rate on other investment income, including interest, annuities, royalties, and rents, is 40.8 percent.

Net investment income is the excess of (1) the sum of (a) gross income from interest, dividends, annuities, royalties, and rents, other than such income which is derived in the ordinary course of a trade or business that is not a passive activity with respect to the taxpayer or a trade or business of trading in financial instruments or commodities, and (b) net gain (to the extent taken into account in computing taxable income) attributable to the disposition of property other than property held in the active conduct of a trade or business that is not in the trade or business of trading in financial instruments or commodities, over (2) deductions properly allocable to such gross income or net gain.

The Joint Committee staff estimates that for the 2018 tax year, approximately 4.7 million taxpayers will pay the additional tax on net investment income, representing approximately $27.9 billion in tax revenue.

<u>Credits against tax</u>

An individual may reduce his or her tax liability by any available tax credits.[27] In some instances, a permissible credit is "refundable," that is, if the amount of these credits exceeds tax liability (net of other credits), such credits create an overpayment, which may generate a refund. Two major refundable credits are the child tax credit and the earned income credit.[28]

An individual may claim a tax credit for each qualifying child under age 17. The amount of the credit per child is $2,000.[29] The aggregate amount of child credits that may be claimed is phased out for individuals with income over certain threshold amounts. Specifically, the otherwise allowable child tax credit is reduced by $50 for each $1,000, or fraction thereof, of modified AGI over $400,000 for married individuals filing jointly and $200,000 for all other individuals. To the extent the child credit exceeds the taxpayer's tax liability, the taxpayer is eligible for a refundable credit (the additional child tax credit) equal to 15 percent of earned income in excess of $2,500,[30] not to exceed $1,400 per child in 2018. The maximum amount of the refundable portion of the credit is indexed for inflation.

[27] These personal credits include the child tax credit, earned income tax credit, child and dependent care credit, adoption credit, premium tax credit, health coverage tax credit, saver's credit, foreign tax credit, lifetime learning credit, American opportunity tax credit, residential energy efficient property credit (for qualifying solar energy property), and credits for the elderly or disabled.

[28] Other refundable credits include the American opportunity tax credit, the premium tax credit, and the health coverage tax credit.

[29] Sec. 24.

[30] Families with three or more children may determine the additional child tax credit by taking the greater of (1) the earned income formula, or (2) the alternative formula, *i.e.* the amount by which the taxpayer's social security taxes exceed the taxpayer's earned income tax credit.

For taxpayers with dependents other than qualifying children, such as a 17-year-old child living at home, a full-time college student, or other adult member of the household for whom the taxpayer provides financial support, taxpayers are able to claim a $500 non-refundable credit.

A refundable earned income tax credit ("EITC") is available to low-income workers who satisfy certain requirements.[31] The amount of the EITC varies depending on the taxpayer's earned income and whether the taxpayer has more than two, two, one, or no qualifying children. In 2018,[32] the maximum EITC for taxpayers is $6,431 with more than two qualifying children, $5,716 with two qualifying children, $3,461 with one qualifying child, and $519 with no qualifying children. The credit amount begins to phase out at an income level of $24,350 for joint-filers with children, $18,660 for other taxpayers with children, $14,180 for joint-filers with no qualifying children, and $8,490 for other taxpayers with no qualifying children. The phase-out percentages are 21.06 for two or more qualifying children, 15.98 for taxpayers with one qualifying child, and 7.65 for no qualifying children.

Tax credits are also allowed for certain business expenditures, certain foreign income taxes paid or accrued, certain energy conservation expenditures, certain education expenditures, certain child care expenditures, certain health care costs, and for certain elderly or disabled individuals. The personal credits allowed against the regular tax are generally allowed against the alternative minimum tax.

Alternative minimum tax liability

An alternative minimum tax is imposed on an individual, estate, or trust in an amount by which the tentative minimum tax exceeds the regular income tax for the taxable year.[33] For 2018, the tentative minimum tax is the sum of (1) 26 percent of so much of the taxable excess as does not exceed $191,100 ($95,550 in the case of married filing separately) and (2) 28 percent of the remaining taxable excess.[34] The taxable excess is so much of the alternative minimum taxable income ("AMTI") as exceeds the exemption amount.[35] AMTI is the taxpayer's taxable income increased by the taxpayer's tax preferences and adjusted by determining the tax treatment of certain items in a manner that negates the deferral of income resulting from the regular tax treatment of those items.

For tax year 2018, the exemption amount is $109,400 for married individuals filing jointly and surviving spouses, $70,300 for other unmarried individuals, $54,700 for married

[31] Sec. 32.

[32] All 2018 EITC dollar values are Joint Committee staff calculations.

[33] Sec. 55.

[34] Joint Committee staff calculations. The breakpoint between the 26-percent and 28-percent bracket is indexed for inflation.

[35] The maximum tax rates on net capital gain and dividends used in computing the regular tax are used in computing the tentative minimum tax.

individuals filing separately, and $24,600 for estates or trusts.[36] The exemption amount is phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeds $1,000,000 for married individuals filing jointly and surviving spouses, $500,000 for other individuals, and $81,900 for estates or trusts.[37] These amounts are indexed annually for inflation.

Among the tax preferences and adjustments included in AMTI are accelerated depreciation on certain property used in a trade or business, circulation expenditures, research and experimental expenditures, certain expenses and allowances related to oil and gas, certain expenses and allowances related to mining exploration and development, certain tax-exempt interest income, and a portion of the gain excluded with respect to the sale or disposition of certain small business stock. The standard deduction, and certain itemized deductions, such as State and local taxes, are not allowed to reduce AMTI.

The Joint Committee staff estimates that for the 2018 tax year, approximately 0.6 million taxpayers will pay the alternative minimum tax, representing approximately $9.5 billion in tax revenue.

[36] The 2018 value for estates or trusts is a Joint Committee staff calculation. Other AMT exemption amount values for 2018 appear in the Code.

[37] The 2018 value for estates or trusts is a Joint Committee staff calculation. Other AMT phaseout thresholds for 2018 appear in the Code.

B. Corporate Income Tax

Taxable income

In general

Corporations organized under the laws of any of the 50 States (and the District of Columbia) generally are subject to the U.S. corporate income tax[38] on their U.S.-source and certain foreign-source income. Under subchapter S of the Code, a qualified small business corporation may elect not to be subject to the corporate income tax (*i.e.*, may make an "S corporation election"). If an S corporation election is made, the income of the corporation flows through to the shareholders and is taxable directly to them.

The taxable income of a corporation generally is its gross income less allowable deductions. Gross income generally is income derived from any source, including gross profit from the sale of goods and services to customers, rents, royalties, interest (other than interest from certain indebtedness issued by State and local governments), dividends, gains from the sale of business and investment assets, and other income.

Allowable deductions include ordinary and necessary business expenditures, such as salaries, wages, contributions to profit-sharing and pension plans and certain other employee benefit programs, repairs, bad debts, taxes (other than Federal income taxes), contributions to charitable organizations (subject to an income limitation), advertising, interest expense (subject to limitation[39]), certain losses, selling expenses, and other expenses. A net operating loss deduction is allowed.[40]

Expenditures that produce benefits in future taxable years to a taxpayer's business or income-producing activities (such as the purchase of plant and equipment) generally are capitalized and recovered over time through depreciation, amortization, or depletion allowances. In some instances taxpayers can recover their costs more quickly than under the general rules. An additional first-year depreciation deduction is allowed equal to up to 100 percent of the

[38] A foreign corporation generally is subject to the U.S. corporate income tax only on income with a sufficient nexus to the United States.

[39] In the case of any taxpayer for taxable years beginning after 2017, the deduction for business interest is limited to the sum of: (1) business interest income; (2) 30 percent of adjusted taxable income; and (3) floor plan financing interest. Taxpayers with average annual gross receipts for the three-taxable-year period ending with the prior taxable year that do not exceed $25 million and certain regulated public utilities are not subject to this limitation. Taxpayers in real property or farming trades or businesses, as defined in section 163(j)(7)(B) and (C), may elect not to be subject to the limitation.

[40] The TCJA changed the rules governing carrybacks and carryovers of net operating losses, and, for net operating losses arising in taxable years beginning after 2017, the net operating loss deduction is limited to 80 percent of taxable income. Sec. 172.

adjusted basis of qualified property.[41] Also, a taxpayer may elect to deduct (or "expense") up to $1 million of the cost of section 179 property placed in service during the taxable year.[42]

Deductions are also allowed for certain amounts despite the lack of a direct expenditure by the taxpayer. For example, a deduction is allowed for all or a portion of the amount of dividends received by a corporation from another corporation (provided certain ownership requirements are satisfied).

Certain expenditures may not be deducted, such as dividends paid to shareholders, expenses associated with earning tax-exempt income,[43] certain meal and entertainment expenses,[44] certain qualified transportation fringe and commuter benefits,[45] certain executive compensation in excess of $1 million per year,[46] a portion of the interest on certain high-yield debt obligations that resemble equity, as well as fines, penalties, bribes, kickbacks, illegal payments, and settlements subject to nondisclosure agreements paid in connection with sexual harassment or abuse.

U.S. tax rules applicable to foreign activities of U.S. persons

In general, income earned directly or indirectly by a U.S. corporation from the conduct of a foreign business is taxed in the year earned, or not at all. The indirect earnings from a separate foreign legal entity—most commonly, a controlled foreign corporation ("CFC")—operating the foreign business are subject to current U.S. tax by reason of subpart F.[47] Dividends received by

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[41] The portion of basis allowable as additional first-year depreciation depends on both the date the qualified property is acquired and the year the qualified property is placed in service. Used property acquired in arms-length transactions may qualify for the additional first-year depreciation deduction. Generally, property used by businesses not subject to the limitation on interest expense (*e.g.* regulated public utilities and electric cooperatives and taxpayers in a trade or business that has had floor plan financing indebtedness) is excluded from the definition of qualified property. Sec. 168(k)(9).

[42] This amount is reduced (but not below zero) by the amount by which the cost of qualifying property exceeds $2.5 million. Sec. 179.

[43] For example, the carrying costs of tax-exempt State and local obligations and the premiums on certain life insurance policies are not deductible.

[44] The TCJA changed the rules governing the deductibility of meal and entertainment expenses to generally prohibit deductions for entertainment expenses, including meals and other items, activities, and facilities that constitute entertainment. A 50% deduction disallowance applies to expenses associated with providing meals and facilities that qualify as *de minimis* under section 132(e), including meals for the convenience of the employer under section 119. Sec. 274.

[45] The TCJA added rules to disallow deductions to employers for expenses associated with providing qualified transportation fringe benefits unless amounts are reported and properly included in employee compensation, and to disallow deductions for other commuter benefits generally. Sec. 274.

[46] Sec. 162(m). The TCJA substantially expanded the application of this section, including striking the exceptions for performance-based compensation and commissions and changing the definitions of covered employee and publicly held corporation, along with providing a transition rule.

[47] Secs. 951-964. A CFC is generally defined as any foreign corporation where U.S. persons own (directly, indirectly, or constructively) more than 50 percent of the corporation's stock (measured by vote or value),

U.S. corporate shareholders from their CFCs are generally eligible for a 100-percent dividends-received-deduction.[48] However, the United States generally taxes U.S. shareholders of a CFC on their pro rata shares of certain passive or highly mobile income, or global intangible low-taxed income ("GILTI"), without regard to whether the income is distributed to the shareholders.[49] Corporations are generally allowed a 50-percent deduction on their GILTI.[50] A foreign tax credit generally is available to offset, in whole or in part, the U.S. tax owed on foreign-source income.[51]

Tax liability

In general

A corporation's regular income tax liability generally is determined by applying a 21-percent rate to its taxable income.

In contrast to the treatment of capital gains in the individual income tax, no separate rate structure exists for corporate capital gains. A corporation may not deduct the amount of capital losses in excess of capital gains for any taxable year. Disallowed capital losses may be carried back three years or carried forward five years.

Corporations generally are taxed at lower rates on their foreign-derived intangible income ("FDII").[52] The rate reduction is accomplished by the allowance of a 37.5-percent deduction, resulting in an effective tax rate of 13.125 percent on FDII.

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taking into account only those U.S. persons that are within the meaning of the term "United States shareholder," which refers only to those U.S. persons who own at least 10 percent of the stock (measured by vote or value). Secs. 951(b), 957, and 958.

[48] Sec. 245A.

[49] Secs. 951-964. GILTI means, with respect to any U.S. shareholder, the excess of its pro rata share of certain CFC income over a 10-percent return (reduced by certain interest expense incurred by CFCs) on its pro rata share of the aggregate of the average quarterly adjusted bases in certain depreciable tangible property of each CFC with respect to which it is a U.S. shareholder.

[50] The deduction for GILTI is not available for Regulated Investment Companies ("RIC") or REITs.

[51] Foreign income taxes limited in a tax year may be carried back one year or forward ten years. A 20-percent foreign tax credit disallowance applies to GILTI. Sec. 951A. Foreign tax credits are not available for foreign taxes paid or accrued with respect to dividends qualifying for the 100-percent dividends-received-deduction. Sec. 245A.

[52] A corporation's FDII is its deemed intangible income multiplied by the percentage of its income (computed with certain exceptions) derived from serving foreign markets. A corporation's deemed intangible income is the excess of its income (computed with certain exceptions) over a 10-percent return on the aggregate of its average quarterly adjusted bases in certain depreciable tangible property. The deduction for FDII is not available for RICs or REITs. Sec. 250.

Like individuals, corporations may reduce their tax liability by any applicable tax credits.[53] The three largest dollar amount credits are the research credit, the low income housing tax credit, and the renewable electricity production credit, which target intangible investment, real property investment, and electricity production, respectively.[54]

The research credit is generally available with respect to incremental increases in qualified research.[55] A research tax credit is also available with respect to corporate cash expenses paid for basic research conducted by universities (and certain nonprofit scientific research organizations) above a certain floor.[56] Finally, a research credit is available for a taxpayer's expenditures on research undertaken by an energy research consortium.[57]

The low-income housing tax credit may be claimed over a 10-year period by owners of certain residential rental property for the cost of rental housing occupied by tenants having incomes below specified levels.[58] The amount of the credit for any taxable year in the credit period is the applicable percentage of the qualified basis of each qualified low-income building. The qualified basis of any qualified low-income building for any taxable year equals the applicable fraction of the eligible basis of the building.

An income tax credit is allowed for the production of electricity from qualified energy resources at qualified facilities (the "renewable electricity production credit"). Qualified energy resources comprise wind, closed-loop biomass, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy. Qualified facilities are, generally, facilities that generate electricity using qualified energy resources. To be eligible for the credit, electricity

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[53] Business credits also apply to the business income of individuals.

[54] See Joint Committee on Taxation, *Estimates of Federal Tax Expenditures For Fiscal Years 2016-2020* (JCX-3-17), January 30, 2017.

[55] For general research expenditures, a taxpayer may claim a research credit equal to 20 percent of the amount by which the taxpayer's qualified research expenses for a taxable year exceed its base amount for that year. Sec. 41(a)(1). An alternative simplified research credit (with a 14 percent rate and a different base amount) may be claimed in lieu of this credit. Sec. 41(c)(5).

[56] This 20-percent credit is available with respect to the excess of (1) corporate cash expenses (including grants or contributions) paid for basic research conducted by universities (and certain nonprofit scientific research organizations) over (2) the sum of (a) the greater of two minimum basic research floors plus (b) an amount reflecting any decrease in nonresearch giving to universities by the corporation as compared to such giving during a fixed-base period adjusted for inflation. Sec. 41(a)(2) and (e).

[57] This separate credit computation commonly is referred to as the energy research credit. Unlike the other research credits, the energy research credit applies to all qualified expenditures, not just those in excess of a base amount. Sec. 41(1)(3).

[58] Sec. 42.

produced from qualified energy resources at qualified facilities must be sold by the taxpayer to an unrelated person.[59]

In addition there are credits applicable to businesses including investment tax credits (applicable to investment in certain renewable energy property and the rehabilitation of certain real property), the work opportunity credit (applicable to wages paid to individuals from certain targeted groups), the employer-provided child care credit (applicable to certain expenditures to provide child care for employees), the employer credit for paid family and medical leave (applicable to wages paid to employees on family and medical leave), and the disabled access credit (applicable to expenditures by certain small businesses to make the businesses accessible to disabled individuals), among others.[60] Unused credits generally may be carried back one year and carried forward 20 years.

<u>Base erosion minimum tax</u>

Corporations meeting certain requirements are subject to a base erosion minimum tax that is payable in addition to all other tax liabilities.[61] The base erosion minimum tax amount is generally the excess, if any, of 10 percent (five percent in the case of taxable years beginning in calendar year 2018) of its modified taxable income over an amount equal to its regular tax liability reduced by certain credits under chapter 1 of the Code.[62] Special rules for computing the base erosion minimum tax apply to banks and securities dealers.

A corporation's modified taxable income generally is its taxable income determined without regard to a certain portion of NOL carryovers and certain items ("base erosion tax benefits") including (1) certain deductible payments made to foreign related parties, (2) deductions allowed for depreciation (or amortization in lieu of deprecation) with respect to property acquired from foreign related parties, and (3) reinsurance premiums paid to foreign related parties.

The base erosion minimum tax applies to a corporation (1) that is not a Regulated Investment Company ("RIC") or REIT, (2) has average annual gross receipts of at least $500 million in the prior three taxable years, and (3) whose base erosion tax benefits, as a share of certain total outlays made by the corporation, exceed three percent.

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[59] Sec. 45.

[60] Certain of these credits are scheduled to expire in 2019 or later. For more information on expiring provisions of the Code, see Joint Committee on Taxation, *List of Expiring Federal Tax Provisions 2016-2027* (JCX-1-18), January 9, 2018.

[61] Sec. 59A.

[62] Credits that reduce regular tax liability (*i.e.*, increase the base erosion minimum tax amount, if any) are all section 38 credits except for (1) the research credit and (2) applicable section 38 credits. Applicable section 38 credits are the low-income housing credit, the renewable electricity production credit, and the energy investment credit. The exception for applicable section 38 credits generally may not reduce the base erosion minimum tax amount by more than 80 percent (determined without regard to the exception for applicable section 38 credits). Sec. 59A.

Affiliated group

Domestic corporations that are affiliated through 80 percent or more corporate ownership may elect to file a consolidated return in lieu of filing separate returns. Corporations filing a consolidated return generally are treated as a single corporation; thus, the losses of one corporation can offset the income (and thus reduce the otherwise applicable tax) of other affiliated corporations.

Treatment of corporate distributions

The taxation of a corporation generally is separate and distinct from the taxation of its shareholders. A distribution by a corporation to one of its shareholders generally is taxable as a dividend to the shareholder to the extent of the corporation's current or accumulated earnings and profits.[63] Thus, the amount of a corporate dividend generally is taxed twice: once when the income is earned by the corporation and again when the dividend is distributed to the shareholder.[64] Conversely, some amounts paid as interest to the debtholders of a corporation may be subject to only one level of tax (at the recipient level) since the corporation is allowed a deduction for part or all of the amount of interest expense paid or accrued.

Amounts received by a shareholder in complete liquidation of a corporation generally are treated as full payment in exchange for the shareholder's stock. A liquidating corporation recognizes gain or loss on the distributed property as if such property were sold to the distributee for its fair market value. However, if a corporation liquidates a subsidiary corporation of which it has 80 percent or more control, no gain or loss generally is recognized by either the parent corporation or the subsidiary corporation.

Accumulated earnings and personal holding company taxes

Taxes at a rate of 20 percent (the top rate generally applicable to dividend income of individuals) may be imposed on the accumulated earnings or personal holding company income of a corporation. The accumulated earnings tax may be imposed if a corporation retains earnings in excess of reasonable business needs. The personal holding company tax may be imposed on the excessive passive income of a closely held corporation. The accumulated earnings tax and the personal holding company tax, when they apply, in effect impose the shareholder-level tax in addition to the corporate-level tax on accumulated earnings or undistributed personal holding company income.

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[63] A distribution in excess of the earnings and profits of a corporation generally is a tax-free return of capital to the shareholder to the extent of the shareholder's adjusted basis (generally, cost) in the stock of the corporation; such distribution is a capital gain if in excess of basis. A distribution of property other than cash generally is treated as a taxable sale of such property by the corporation and is taken into account by the shareholder at the property's fair market value. A distribution of stock of the corporation generally is not a taxable event to either the corporation or the shareholder.

[64] This double taxation is mitigated by a reduced tax rate generally applicable to the qualified dividend income of individuals.

C. Estate, Gift and Generation-Skipping Transfer Taxes

The United States generally imposes a gift tax on any transfer of property by gift made by a U.S. citizen or resident, whether made directly or indirectly and whether made in trust or otherwise. Nonresident aliens are subject to the gift tax with respect to transfers of tangible real or personal property where the property is located in the United States at the time of the gift. The gift tax is imposed on the donor and is based on the fair market value of the property transferred. Deductions are allowed for certain gifts to spouses and to charities. Annual gifts of $15,000 (for 2018) or less per donor and per donee generally are not subject to tax.[65]

An estate tax also is imposed on the taxable estate of any person who was a citizen or resident of the United States at the time of death, and on certain property belonging to a nonresident of the United States that is located in the United States at the time of death. The estate tax is imposed on the estate of the decedent and generally is based on the fair market value of the property passing at death.[66] The taxable estate generally equals the worldwide gross estate less certain allowable deductions, including a marital deduction for certain bequests to the surviving spouse of the decedent and a deduction for certain bequests to charities.

The gift and estate taxes are unified such that a single graduated rate schedule and exemption amount apply to an individual's cumulative taxable gifts and bequests. The unified estate and gift tax rates begin at 18 percent on the first $10,000 in cumulative taxable transfers and reach 40 percent on cumulative taxable transfers over $1,000,000. A unified credit of $4,417,800 (for 2018)[67] is available with respect to taxable transfers by gift or at death. This credit effectively exempts a total of $11.18 million (for 2018)[68] in cumulative taxable transfers from the gift tax or the estate tax. The unified credit thus generally also has the effect of rendering the marginal rates below 40 percent inapplicable. Unused exemption as of the death of a spouse generally is available for use by the surviving spouse; this feature of the law sometimes is referred to as exemption portability.

A separate transfer tax is imposed on generation-skipping transfers in addition to any estate or gift tax that is normally imposed on such transfers. This tax generally is imposed on transfers, either directly or through a trust or similar arrangement, to a beneficiary in more than

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[65] Joint Committee staff calculation. The $10,000 gift tax exclusion amount set forth in section 2503(b)(1) is indexed for inflation for years after 1998. Sec. 2503(b)(2).

[66] In addition to interests in property owned by the decedent at the time of death, the Federal estate tax also is imposed on: (1) life insurance that was either payable to the decedent's estate or in which the decedent had an incident of ownership at death; (2) property over which the decedent had a general power of appointment at death; (3) annuities purchased by the decedent or his employer that were payable to the decedent before death; (4) property held by the decedents as joint tenants; (5) property transferred by the decedent before death in which the decedent retained a life estate or over which the decedent had the power to designate who will possess or enjoy the property; (6) property revocably transferred by the decedent before death; and (7) certain transfers taking effect at the death of the decedent.

[67] Joint Committee staff calculation.

[68] Joint Committee staff calculation. The $10 million exemption amount set forth in section 2010(c)(3)(A) (as amended by the TCJA) is indexed for inflation for years after 2011. Sec. 2010(c)(3)(B).

one generation below that of the transferor. For 2018, the generation-skipping transfer tax is imposed at a flat rate of 40 percent on generation-skipping transfers in excess of $11.18 million.[69]

[69] Joint committee staff calculation.

D. Social Insurance Taxes

In general

Social Security benefits and certain Medicare benefits are financed primarily by payroll taxes on covered wages. The Federal Insurance Contributions Act ("FICA") imposes tax on employers based on the amount of wages paid to an employee during the year. The tax imposed is composed of two parts: (1) the old age, survivors, and disability insurance ("OASDI") tax equal to 6.2 percent of covered wages up to the taxable wage base ($128,400 in 2018); and (2) the Medicare hospital insurance ("HI") tax amount equal to 1.45 percent of covered wages with no wage cap. In addition to the tax on employers, each employee is subject to FICA taxes equal to the amount of tax imposed on the employer. The employee FICA taxes generally must be withheld and, along with employer FICA taxes, remitted to the Federal government by the employer.[70]

As a parallel to FICA taxes, the Self-Employment Contributions Act ("SECA") imposes taxes on the net income from self-employment of self-employed individuals. The rate of the OASDI portion of SECA taxes is equal to the combined employee and employer OASDI tax rates and applies to self-employment income up to the FICA taxable wage base. Similarly, the rate of the HI portion is the sum of the combined employer and employee HI rates and there is no cap on the amount of self-employment income to which the rate applies.[71]

In addition to FICA taxes, employers are subject to a Federal unemployment insurance payroll tax equal to six percent of the total wages of each employee (up to $7,000) on covered employment. Employers are eligible for a Federal credit equal to 5.4 percent for State unemployment taxes, yielding a 0.6 percent effective tax rate. Federal unemployment insurance payroll taxes are used to fund programs maintained by the States for the benefit of unemployed workers.

Additional hospital insurance tax on certain high-income individuals

The employee portion of the HI tax is increased by an additional tax of 0.9 percent on wages received in excess of a specific threshold amount.[72] However, unlike the general 1.45 percent HI tax on wages, this additional tax is on the combined wages of the employee and the

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[70] Instead of FICA taxes, railroad employers and employees are subject, under the Railroad Retirement Tax Act ("RRTA"), to taxes equivalent to the OASDI and HI taxes under FICA. Under RRTA, employers and employees are also subject to an additional tax, referred to as the "tier 2" tax, on compensation up to a certain amount.

[71] For purposes of computing net earnings from self-employment, taxpayers are permitted a deduction equal to the product of the taxpayer's earnings (determined without regard to this deduction) and one-half of the sum of the rates for OASDI (12.4 percent) and HI (2.9 percent), *i.e.*, 7.65 percent of net earnings. This deduction reflects the fact that the FICA rates apply to an employee's wages, which do not include FICA taxes paid by the employer, whereas a self-employed individual's net earnings are economically equivalent to an employee's wages plus the employer share of FICA taxes.

[72] Sec. 3101(b), as amended by the Patient Protection and Affordable Care Act ("PPACA"), Pub. L. No. 111-148.

employee's spouse, in the case of a joint return. The threshold amount is $250,000 in the case of married filing jointly, $125,000 in the case of married filing separately, and $200,000 in any other case (unmarried individual, head of household or surviving spouse).[73]

The same additional HI tax applies to the HI portion of SECA tax on self-employment income in excess of the threshold amount. Thus, an additional tax of 0.9 percent is imposed on every self-employed individual on self-employment income in excess of the applicable threshold amount.[74]

[73] These threshold amounts are not indexed for inflation.

[74] Sec. 1402(b).

E. Major Excise Taxes

The Federal tax system imposes excise taxes on selected goods and services. Generally, excise taxes are taxes imposed on a per unit or *ad valorem* (*i.e.*, percentage of price) basis on the production, importation, or sale of a specific good or service. Among the goods and services subject to U.S. excise taxes are motor fuels, alcoholic beverages, tobacco products, firearms, air and ship transportation, certain environmentally hazardous products (*e.g.*, the tax on ozone depleting chemicals, and a tax on crude oil and certain petroleum products to fund the Oil Spill Liability Trust Fund), coal, certain telephone communications (*e.g.* local service), certain wagers, indoor tanning services, and vehicles lacking in fuel efficiency.[75] Additionally, an annual fee is imposed on health insurers and on certain manufacturers and importers of branded prescription drugs.

Large excise taxes in terms of revenue for fiscal year 2017 are those for gasoline motor fuel ($26.6 billion),[76] diesel motor fuel ($10.7 billion),[77] and domestic air tickets ($10.1 billion).[78] In fiscal year 2016, the latest fiscal year for which data is publicly available, the Federal government collected $14.1 billion in excise taxes on domestic and imported tobacco products, $11.3 billion from the annual fee on health insurers, and $10.7 billion in excise taxes on domestic and imported alcohol beverages.[79]

Revenues from certain Federal excise taxes are dedicated to trust funds (*e.g.*, the Highway Trust Fund) for designated expenditure programs, and revenues from other excise taxes (*e.g.*, alcoholic beverages) go to the General Fund for general purpose expenditures.

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[75] For a historical description of the various Federal excise taxes, see Joint Committee on Taxation, *Present Law and Background Information on Federal Excise Taxes* (JCX-99-15), July 13, 2015. The TCJA has lowered tax rates on certain alcoholic beverages.

[76] U.S. Department of Treasury, "FY 2017 Highway Consolidated Reports," September 2017, pp. 12, available at ftp://ftp.publicdebt.treas.gov/dfi/tfmb/dfihw0917.pdf.

[77] *Ibid*.

[78] U.S. Department of Treasury, "FY 2017 Airport and Airways Reports," September 2017, pp. 6, available at ftp://ftp.publicdebt.treas.gov/dfi/tfmb/dfiaa0917.pdf.

[79] Internal Revenue Service, *Statistics of Income Bulletin*, Historical Table 20, "Federal Excise Taxes Reported to or Collected By the Internal Revenue Service, Alcohol and Tobacco Tax and Trade Bureau, and Customs Service, By Type of Excise Tax, Fiscal Years 1999-2016," http://www.irs.gov/pub/irs-soi/histab20.xls (2017).

Table 3.–2018 Federal Excise Tax Rates for Selected Taxed Products or Services

Gasoline Motor Fuel	18.3 cents per gallon[80]
Diesel Motor Fuel	24.3 cents per gallon[81]
Domestic Air Tickets	7.5 percent of fare, plus $4.10 (2018) per domestic flight segment generally.[82]
Cigarettes[83]	$50.33 per thousand small cigarettes; $105.69 per thousand large cigarettes.
Alcoholic Beverages[84]	$3.50 to $18.00 per barrel of beer; $0.07 to $3.15 per gallon of still wine; $2.70 to $13.50 per proof gallon of distilled spirits;

[80] This rate does not include the additional 0.1 cent per gallon to fund the Leaking Underground Storage Tank Trust Fund.

[81] This rate does not include the additional 0.1 cent per gallon to fund the Leaking Underground Storage Tank Trust Fund.

[82] Joint committee staff calculation.

[83] Cigars, pipe tobacco, chewing tobacco, snuff, and roll-your-own tobacco are also subject to excise tax at various rates. Sec. 5701.

[84] The rate of excise tax on alcoholic beverages may depend on volume produced, location of production, and alcoholic content. Artificially carbonated wine, sparkling wine, and hard cider are also subject to excise tax at various rates. Secs. 5001, 5041, and 5051.

APPENDIX: FIGURES AND TABLES

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Table A-1.−Federal Receipts by Source, 1968-2017
(millions of dollars)

Fiscal Year	Individual Income Tax	Corporate Taxes	Social Insurance Taxes [1]	Excise Taxes	Estate and Gift Taxes	Other Receipts [2]	Total
1968	68,726	28,665	33,923	14,079	3,051	4,529	152,973
1969	87,249	36,678	39,015	15,222	3,491	5,227	186,882
1970	90,412	32,829	44,362	15,705	3,644	5,855	192,807
1971	86,230	26,785	47,325	16,614	3,735	6,450	187,139
1972	94,737	32,166	52,574	15,477	5,436	6,919	207,309
1973	103,246	36,153	63,115	16,260	4,917	7,109	230,800
1974	118,952	38,620	75,071	16,844	5,035	8,702	263,224
1975	122,386	40,621	84,534	16,551	4,611	10,387	279,090
1976	131,603	41,409	90,769	16,963	5,216	12,101	298,061
1977	157,626	54,892	106,485	17,548	7,327	11,681	355,559
1978	180,988	59,952	120,967	18,376	5,285	13,993	399,561
1979	217,841	65,677	138,939	18,745	5,411	16,690	463,303
1980	244,069	64,600	157,803	24,329	6,389	19,922	517,112
1981	285,917	61,137	182,720	40,839	6,787	21,872	599,272
1982	297,744	49,207	201,498	36,311	7,991	25,015	617,766
1983	288,938	37,022	208,994	35,300	6,053	24,256	600,563
1984	298,415	56,893	239,376	37,361	6,010	28,382	666,437
1985	334,531	61,331	265,163	35,992	6,422	30,598	734,037
1986	348,959	63,143	283,901	32,919	6,958	33,275	769,155
1987	392,557	83,926	303,318	32,457	7,493	34,536	854,287
1988	401,181	94,508	334,335	35,227	7,594	36,393	909,238
1989	445,690	103,291	359,416	34,386	8,745	39,576	991,104
1990	466,884	93,507	380,047	35,345	11,500	44,674	1,031,957
1991	467,827	98,086	396,015	42,402	11,138	39,519	1,054,987
1992	475,964	100,270	413,688	45,569	11,143	44,574	1,091,208
1993	509,680	117,520	428,299	48,057	12,577	38,201	1,154,334
1994	543,055	140,385	461,475	55,225	15,225	43,202	1,258,567
1995	590,244	157,004	484,473	57,484	14,763	47,822	1,351,790
1996	656,417	171,824	509,414	54,014	17,189	44,195	1,453,053
1997	737,466	182,293	539,371	56,924	19,845	43,333	1,579,232
1998	828,586	188,677	571,831	57,673	24,076	50,885	1,721,728
1999	879,480	184,680	611,833	70,414	27,782	53,263	1,827,452
2000	1,004,462	207,289	652,852	68,865	29,010	62,713	2,025,191
2001	994,339	151,075	693,967	66,232	28,400	57,069	1,991,082
2002	858,345	148,044	700,760	66,989	26,507	52,491	1,853,136
2003	793,699	131,778	712,978	67,524	21,959	54,376	1,782,314
2004	808,959	189,371	733,407	69,855	24,831	53,691	1,880,114
2005	927,222	278,282	794,125	73,094	24,764	56,124	2,153,611
2006	1,043,908	353,915	837,821	73,961	27,877	69,387	2,406,869
2007	1,163,472	370,243	869,607	65,069	26,044	73,550	2,567,985
2008	1,145,747	304,346	900,155	67,334	28,844	77,565	2,523,991
2009	915,308	138,229	890,917	62,483	23,482	74,570	2,104,989
2010	898,549	191,437	864,814	66,909	18,885	122,112	2,162,706
2011	1,091,473	181,085	818,792	72,381	7,399	132,336	2,303,466
2012	1,132,206	242,289	845,314	79,061	13,973	137,145	2,449,988
2013	1,316,405	273,506	947,820	84,007	18,912	134,453	2,775,103
2014	1,394,568	320,731	1,023,458	93,368	19,300	170,062	3,021,487
2015	1,540,802	343,797	1,065,257	98,279	19,232	182,519	3,249,886
2016	1,546,075	299,571	1,115,065	95,026	21,354	190,870	3,267,961
2017 [3]	1,587,119	297,048	1,161,896	83,822	22,768	162,241	3,314,894

[1] Social insurance taxes comprise old-age and survivors insurance, disability insurance, hospital insurance, railroad retirement, railroad social security equivalent account, employment insurance, employee share of Federal employees retirement, and certain non-Federal employees retirement.

[2] Other receipts are primarily composed of (1) customs duties and fees, and (2) deposits of earnings by the Federal Reserve system

[3] Data for FY1968-2016 comes from OMB historical tables (not yet updated with data for FY2017); FY2017 data comes from Monthly Treasury Statement of Receipts and Outlays.

Sources: Office of Management and Budget, Historical Tables, Budget of the U.S. Government, Fiscal Year 2018; Department of the Treasury, Bureau of the Fiscal Service, Final Monthly Treasury Statement of Receipts and Outlays Fiscal Year 2017 through September 30, 2017; Joint Committee on Taxation staff calculations.

Table A-2.−Federal Receipts by Source, as a Percentage of GDP, 1968-2017

Fiscal Year	Individual Income Tax	Corporate Taxes	Social Insurance Taxes [1]	Excise Taxes	Estate and Gift Taxes	Other Receipts [2]	Total
1968	7.6	3.2	3.8	1.6	0.3	0.5	17.0
1969	8.9	3.7	4.0	1.5	0.4	0.5	19.0
1970	8.6	3.1	4.2	1.5	0.3	0.6	18.4
1971	7.7	2.4	4.2	1.5	0.3	0.6	16.7
1972	7.8	2.6	4.3	1.3	0.4	0.6	17.0
1973	7.6	2.7	4.7	1.2	0.4	0.5	17.0
1974	8.0	2.6	5.1	1.1	0.3	0.6	17.7
1975	7.6	2.5	5.2	1.0	0.3	0.6	17.3
1976	7.4	2.3	5.1	0.9	0.3	0.7	16.6
1977	7.8	2.7	5.2	0.9	0.4	0.6	17.5
1978	7.9	2.6	5.3	0.8	0.2	0.6	17.5
1979	8.5	2.6	5.4	0.7	0.2	0.6	18.0
1980	8.7	2.3	5.6	0.9	0.2	0.7	18.5
1981	9.1	1.9	5.8	1.3	0.2	0.7	19.1
1982	9.0	1.5	6.1	1.1	0.2	0.8	18.6
1983	8.2	1.0	5.9	1.0	0.2	0.7	17.0
1984	7.5	1.4	6.1	0.9	0.2	0.7	16.9
1985	7.8	1.4	6.2	0.8	0.2	0.7	17.2
1986	7.7	1.4	6.3	0.7	0.2	0.7	17.0
1987	8.2	1.8	6.3	0.7	0.2	0.7	17.9
1988	7.8	1.8	6.5	0.7	0.1	0.7	17.6
1989	8.0	1.9	6.5	0.6	0.2	0.7	17.8
1990	7.9	1.6	6.4	0.6	0.2	0.8	17.4
1991	7.7	1.6	6.5	0.7	0.2	0.6	17.3
1992	7.4	1.6	6.4	0.7	0.2	0.7	17.0
1993	7.5	1.7	6.3	0.7	0.2	0.6	17.0
1994	7.5	2.0	6.4	0.8	0.2	0.6	17.5
1995	7.8	2.1	6.4	0.8	0.2	0.6	17.8
1996	8.2	2.2	6.4	0.7	0.2	0.6	18.2
1997	8.7	2.1	6.4	0.7	0.2	0.5	18.6
1998	9.3	2.1	6.4	0.6	0.3	0.6	19.2
1999	9.2	1.9	6.4	0.7	0.3	0.6	19.2
2000	9.9	2.0	6.4	0.7	0.3	0.6	20.0
2001	9.4	1.4	6.6	0.6	0.3	0.5	18.8
2002	7.9	1.4	6.4	0.6	0.2	0.5	17.0
2003	7.0	1.2	6.3	0.6	0.2	0.5	15.7
2004	6.7	1.6	6.1	0.6	0.2	0.4	15.6
2005	7.2	2.2	6.2	0.6	0.2	0.4	16.7
2006	7.6	2.6	6.1	0.5	0.2	0.5	17.6
2007	8.1	2.6	6.1	0.5	0.2	0.5	17.9
2008	7.8	2.1	6.1	0.5	0.2	0.5	17.1
2009	6.3	1.0	6.2	0.4	0.2	0.5	14.6
2010	6.1	1.3	5.8	0.5	0.1	0.8	14.6
2011	7.1	1.2	5.3	0.5	0.0	0.9	15.0
2012	7.1	1.5	5.3	0.5	0.1	0.9	15.3
2013	8.0	1.7	5.7	0.5	0.1	0.8	16.8
2014	8.1	1.9	5.9	0.5	0.1	1.0	17.5
2015	8.6	1.9	5.9	0.5	0.1	1.0	18.2
2016	8.4	1.6	6.1	0.5	0.1	1.0	17.8
2017 [3]	8.3	1.5	6.1	0.4	0.1	0.8	17.3
1950-2017 Avg	7.8	2.6	4.9	1.2	0.2	0.6	17.3

[1] Social insurance taxes comprise old-age and survivors insurance, disability insurance, hospital insurance, railroad retirement, railroad social security equivalent account, employment insurance, employee share of Federal employees retirement, and certain non-Federal employees retirement.

[2] Other receipts are primarily composed of (1) customs duties and fees, and (2) deposits of earnings by the Federal Reserve system.

[3] Data for FY1968-2016 comes from OMB historical tables (not yet updated with data for FY2017); FY2017 data comes from Monthly Treasury Statement of Receipts and Outlays and BEA quarterly GDP releases.

Sources: Office of Management and Budget, Historical Tables, Budget of the U.S. Government, Fiscal Year 2018; Department of the Treasury, Bureau of the Fiscal Service, Final Monthly Treasury Statement of Receipts and Outlays, Fiscal Year 2017 through September 30, 2017; Bureau of Economic Analysis Gross Domestic Product, Seasonally adjusted at annual rates; Joint Committee on Taxation staff calculations.

Table A-3.−Federal Receipts by Source, as a Percentage of Total Revenues, 1968-2017

Fiscal Year	Individual Income Tax	Corporate Taxes	Social Insurance Taxes [1]	Excise Taxes	Estate and Gift Taxes	Other Receipts [2]
1968	44.9	18.7	22.2	9.2	2.0	3.0
1969	46.7	19.6	20.9	8.1	1.9	2.8
1970	46.9	17.0	23.0	8.1	1.9	3.0
1971	46.1	14.3	25.3	8.9	2.0	3.4
1972	45.7	15.5	25.4	7.5	2.6	3.3
1973	44.7	15.7	27.3	7.0	2.1	3.1
1974	45.2	14.7	28.5	6.4	1.9	3.3
1975	43.9	14.6	30.3	5.9	1.7	3.7
1976	44.2	13.9	30.5	5.7	1.7	4.1
1977	44.3	15.4	29.9	4.9	2.1	3.3
1978	45.3	15.0	30.3	4.6	1.3	3.5
1979	47.0	14.2	30.0	4.0	1.2	3.6
1980	47.2	12.5	30.5	4.7	1.2	3.9
1981	47.7	10.2	30.5	6.8	1.1	3.6
1982	48.2	8.0	32.6	5.9	1.3	4.0
1983	48.1	6.2	34.8	5.9	1.0	4.0
1984	44.8	8.5	35.9	5.6	0.9	4.3
1985	45.6	8.4	36.1	4.9	0.9	4.2
1986	45.4	8.2	36.9	4.3	0.9	4.3
1987	46.0	9.8	35.5	3.8	0.9	4.0
1988	44.1	10.4	36.8	3.9	0.8	4.0
1989	45.0	10.4	36.3	3.5	0.9	4.0
1990	45.2	9.1	36.8	3.4	1.1	4.3
1991	44.3	9.3	37.5	4.0	1.1	3.7
1992	43.6	9.2	37.9	4.2	1.0	4.1
1993	44.2	10.2	37.1	4.2	1.1	3.3
1994	43.1	11.2	36.7	4.4	1.2	3.4
1995	43.7	11.6	35.8	4.3	1.1	3.5
1996	45.2	11.8	35.1	3.7	1.2	3.0
1997	46.7	11.5	34.2	3.6	1.3	2.7
1998	48.1	11.0	33.2	3.3	1.4	3.0
1999	48.1	10.1	33.5	3.9	1.5	2.9
2000	49.6	10.2	32.2	3.4	1.4	3.1
2001	49.9	7.6	34.9	3.3	1.4	2.9
2002	46.3	8.0	37.8	3.6	1.4	2.8
2003	44.5	7.4	40.0	3.8	1.2	3.1
2004	43.0	10.1	39.0	3.7	1.3	2.9
2005	43.1	12.9	36.9	3.4	1.1	2.6
2006	43.4	14.7	34.8	3.1	1.2	2.9
2007	45.3	14.4	33.9	2.5	1.0	2.9
2008	45.4	12.1	35.7	2.7	1.1	3.1
2009	43.5	6.6	42.3	3.0	1.1	3.5
2010	41.5	8.9	40.0	3.1	0.9	5.6
2011	47.4	7.9	35.5	3.1	0.3	5.7
2012	46.2	9.9	34.5	3.2	0.6	5.6
2013	47.4	9.9	34.2	3.0	0.7	4.8
2014	46.2	10.6	33.9	3.1	0.6	5.6
2015	47.4	10.6	32.8	3.0	0.6	5.6
2016	47.3	9.2	34.1	2.9	0.7	5.8
2017 [3]	47.9	9.0	35.1	2.5	0.7	4.9
1950-2017 Avg	45.0	14.9	28.6	6.8	1.4	3.3

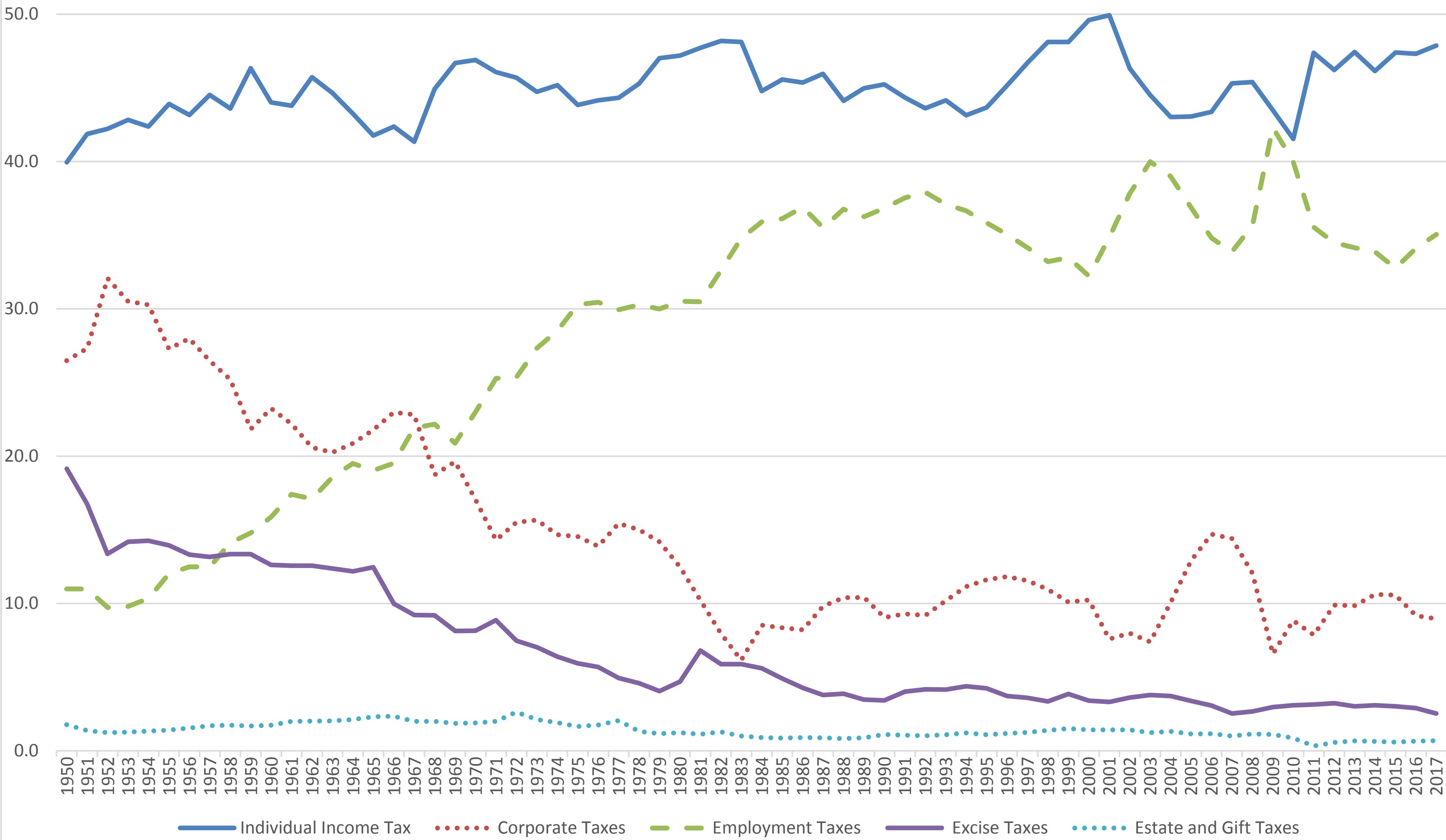
[1] Social insurance taxes comprise old-age and survivors insurance, disability insurance, hospital insurance, railroad retirement, railroad social security equivalent account, employment insurance, employee share of Federal employees retirement, and certain non-Federal employees retirement.

[2] Other receipts are primarily composed of (1) customs duties and fees, and (2) deposits of earnings by the Federal Reserve system.

[3] Data for FY1968-2016 comes from OMB historical tables (not yet updated with data for FY2017); FY2017 data comes from Monthly Treasury Statement of Receipts and Outlays

Sources: Office of Management and Budget, Historical Tables, Budget of the U.S. Government, Fiscal Year 2018; Department of the Treasury, Bureau of the Fiscal Service, Final Monthly Treasury Statement of Receipts and Outlays, Fiscal Year 2017 through September 30, 2017; Joint Committee on Taxation staff calculations.

Figure A-1.–Federal Receipts by Source as Share of Total Receipts, 1950-2017



Sources: Office of Management and Budget, Historical Tables, Fiscal Year 2018; Final Monthly Treasury Statement Fiscal Year 2017; Joint Committee on Taxation calculations.

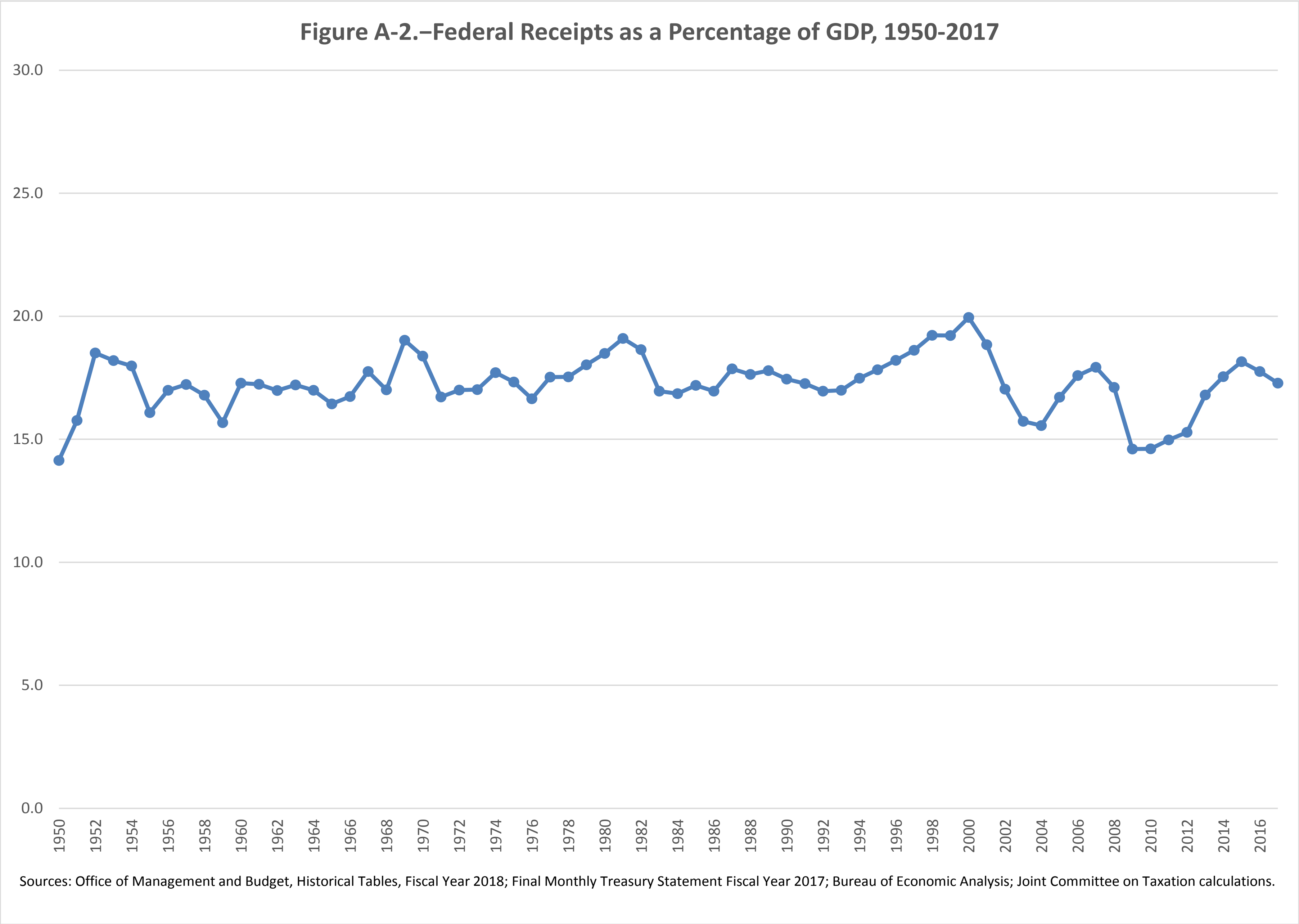


Figure A-2.–Federal Receipts as a Percentage of GDP, 1950-2017
30.0
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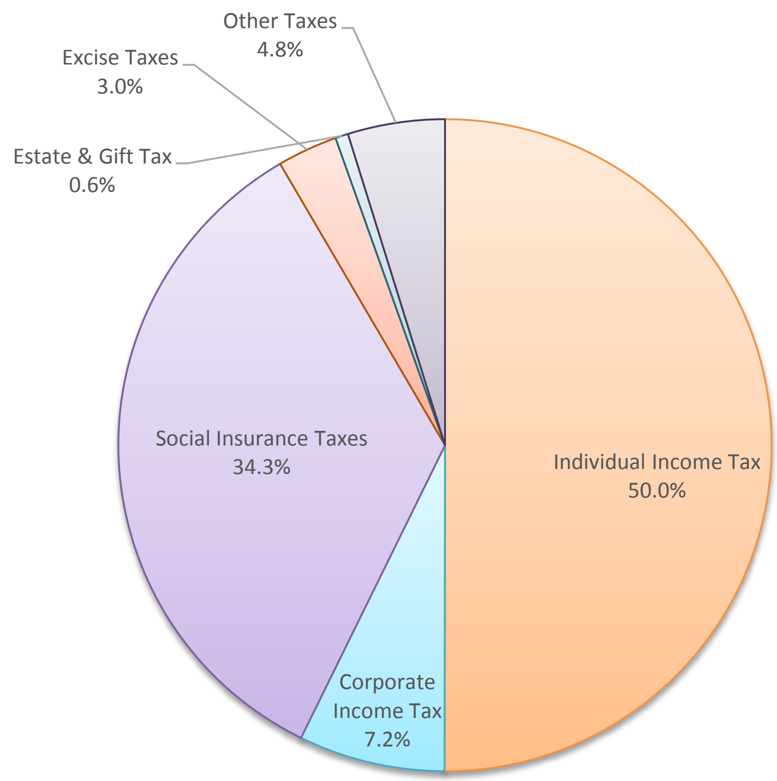
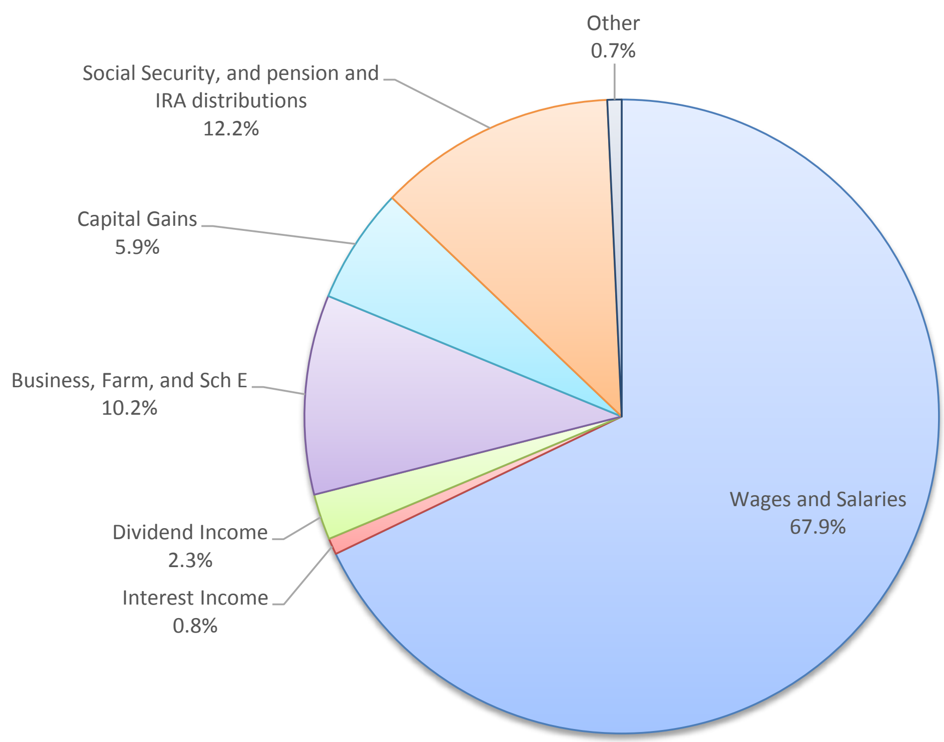
2016
Sources: Office of Management and Budget, Historical Tables, Fiscal Year 2018; Final Monthly Treasury Statement Fiscal Year 2017; Bureau of Economic Analysis; Joint Committee on Taxation calculations.

Figure A-3.–Federal Receipts by Source, 2018 (Projected)



Source: Congressional Budget Office, January 2017 Baseline and Joint Committee on Taxation calculations.

Figure A-4.–Sources of Gross Income for Individual Taxpayers, 2018 (Projected)



Source: Joint Committe on Taxation staff estimates.

Table A-4.−Number of Business Returns by Type, 1978-2015

Year	Non-Farm Sole Props	C Corporations	S Corporations	Partnerships	Farms	Total
1978	8,908,289	1,898,100	478,679	1,234,157	2,704,794	15,224,019
1979	9,343,603	2,041,887	514,907	1,299,593	2,605,684	15,805,674
1980	9,730,019	2,165,149	545,389	1,379,654	2,608,430	16,428,641
1981	9,584,790	2,270,931	541,489	1,460,502	2,641,254	16,498,966
1982	10,105,515	2,361,714	564,219	1,514,212	2,689,237	17,234,897
1983	10,703,921	2,350,804	648,267	1,541,539	2,710,044	17,954,575
1984	11,262,390	2,469,404	701,339	1,643,581	2,694,420	18,771,134
1985	11,928,573	2,552,470	724,749	1,713,603	2,620,861	19,540,256
1986	12,393,700	2,602,301	826,214	1,702,952	2,524,331	20,049,498
1987	13,091,132	2,484,228	1,127,905	1,648,035	2,420,186	20,771,486
1988	13,679,302	2,305,598	1,257,191	1,654,245	2,367,527	21,263,863
1989	14,297,558	2,204,896	1,422,967	1,635,164	2,359,718	21,920,303
1990	14,782,738	2,141,558	1,575,092	1,553,529	2,321,153	22,374,070
1991	15,180,722	2,105,200	1,696,927	1,515,345	2,290,908	22,789,102
1992	15,495,419	2,083,652	1,785,371	1,484,752	2,288,218	23,137,412
1993	15,848,119	2,063,124	1,901,505	1,467,567	2,272,407	23,552,722
1994	16,153,871	2,318,614	2,023,754	1,493,963	2,242,324	24,232,526
1995	16,423,872	2,321,048	2,153,119	1,580,900	2,219,244	24,698,183
1996	16,955,023	2,326,954	2,304,416	1,654,256	2,188,025	25,428,674
1997	17,176,486	2,257,829	2,452,254	1,758,627	2,160,954	25,806,150
1998	17,398,440	2,260,757	2,588,081	1,855,348	2,091,845	26,194,471
1999	17,575,643	2,210,129	2,725,775	1,936,919	2,067,883	26,516,349
2000	17,902,791	2,184,795	2,860,478	2,057,500	2,083,217	27,088,781
2001	18,338,190	2,149,105	2,986,486	2,132,117	2,027,643	27,633,541
2002	18,925,517	2,112,230	3,154,377	2,242,169	2,019,647	28,453,940
2003	19,710,079	2,059,631	3,341,606	2,375,375	2,017,879	29,504,570
2004	20,590,691	2,039,631	3,518,334	2,546,877	2,022,298	30,717,831
2005	21,467,566	1,987,171	3,684,086	2,763,625	2,002,088	31,904,536
2006	22,074,953	1,968,032	3,872,766	2,947,116	1,980,032	32,842,899
2007	23,122,698	1,878,956	3,989,893	3,096,334	2,013,681	34,101,562
2008	22,614,483	1,797,278	4,049,943	3,146,006	1,966,656	33,574,366
2009	22,659,976	1,729,984	4,094,562	3,168,728	1,947,670	33,600,920
2010	23,003,656	1,686,171	4,127,554	3,248,481	1,934,731	34,000,593
2011	23,426,940	1,664,553	4,158,572	3,285,177	1,894,910	34,430,152
2012	23,553,850	1,635,369	4,205,452	3,388,561	1,862,280	34,645,512
2013	24,031,243	1,629,895	4,257,909	3,460,699	1,848,973	35,228,719
2014	24,631,831	1,621,366	4,380,125	3,611,255	1,823,136	36,067,713
2015	25,226,245	1,632,229	4,487,336	3,715,187	1,841,542	36,902,539

Source: Internal Revenue Service, Statistics of Income, published and unpublished data.

Table A-5.−Social Security Taxable Wage Base and Rates of Tax, 1975-2018

Year	Annual Maximum Taxable Wage Base for OASDI	Contribution Rate for Both Employers and Employees (Percent of Covered Earnings)			Contribution Rate for Self-Employed Persons		
		Total	OASDI	HI	Total	OASDI	HI
1975	$14,100	5.85	4.95	0.9	7.9	7.0	0.9
1976	$15,300	5.85	4.95	0.9	7.9	7.0	0.9
1977	$16,500	5.85	4.95	0.9	7.9	7.0	0.9
1978	$17,700	6.05	5.05	1.0	8.1	7.1	1.0
1979	$22,900	6.13	5.08	1.05	8.1	7.05	1.05
1980	$25,900	6.13	5.08	1.05	8.1	7.05	1.05
1981	$29,700	6.65	5.35	1.3	9.3	8	1.3
1982	$32,400	6.7	5.4	1.3	9.35	8.05	1.3
1983	$35,700	6.7	5.4	1.3	9.35	8.05	1.3
1984 [1]	$37,800	7.0	5.7	1.3	14.0	11.4	2.6
1985	$39,600	7.05	5.7	1.35	14.1	11.4	2.7
1986	$42,000	7.15	5.7	1.45	14.3	11.4	2.9
1987	$43,800	7.15	5.7	1.45	14.3	11.4	2.9
1988	$45,000	7.51	6.06	1.45	15.02	12.12	2.9
1989	$48,000	7.51	6.06	1.45	15.02	12.12	2.9
1990	$51,300	7.65	6.2	1.45	15.3	12.4	2.9
1991	$53,400	7.65	6.2	1.45	15.3	12.4	2.9
1992	$55,500	7.65	6.2	1.45	15.3	12.4	2.9
1993	$57,600	7.65	6.2	1.45	15.3	12.4	2.9
1994	$60,600	7.65	6.2	1.45	15.3	12.4	2.9
1995	$61,200	7.65	6.2	1.45	15.3	12.4	2.9
1996	$62,700	7.65	6.2	1.45	15.3	12.4	2.9
1997	$65,400	7.65	6.2	1.45	15.3	12.4	2.9
1998	$68,400	7.65	6.2	1.45	15.3	12.4	2.9
1999	$72,600	7.65	6.2	1.45	15.3	12.4	2.9
2000	$76,200	7.65	6.2	1.45	15.3	12.4	2.9
2001	$80,400	7.65	6.2	1.45	15.3	12.4	2.9
2002	$84,900	7.65	6.2	1.45	15.3	12.4	2.9
2003	$87,900	7.65	6.2	1.45	15.3	12.4	2.9
2004	$87,900	7.65	6.2	1.45	15.3	12.4	2.9
2005	$90,000	7.65	6.2	1.45	15.3	12.4	2.9
2006	$94,200	7.65	6.2	1.45	15.3	12.4	2.9
2007	$97,500	7.65	6.2	1.45	15.3	12.4	2.9
2008	$102,000	7.65	6.2	1.45	15.3	12.4	2.9
2009	$106,800	7.65	6.2	1.45	15.3	12.4	2.9
2010	$106,800	7.65	6.2	1.45	15.3	12.4	2.9
2011 [2]	$106,800	7.65/5.65	6.2/4.2	1.45	13.3	10.4	2.9
2012 [2]	$110,100	7.65/5.65	6.2/4.2	1.45	13.3	10.4	2.9
2013 [3]	$113,700	7.65	6.2	1.45	15.3	12.4	2.9
2014 [3]	$117,000	7.65	6.2	1.45	15.3	12.4	2.9
2015 [3]	$118,500	7.65	6.2	1.45	15.3	12.4	2.9
2016 [3]	$118,500	7.65	6.2	1.45	15.3	12.4	2.9
2017 [3]	$127,200	7.65	6.2	1.45	15.3	12.4	2.9
2018 [3]	$128,400	7.65	6.2	1.45	15.3	12.4	2.9

[1] For 1984 only, employees were allowed a credit of 0.3 percent of taxable wages against their FICA tax liability, reducing the effective rate to 6.7 percent.

[2] The Tax Relief, Unemployment Reauthorization, and Job Creation Act of 2010 reduced the FICA tax rate for employees by two percentage points for 2011. Specifically, the employer OASDI rate remains at 6.2 while the employee rate is reduced to 4.2. Equivalent reductions were made to the SECA tax. Subsequent legislation extended that treatment to 2012.

[3] For 2013, and subsequent years, an additional employee HI tax of 0.9 percent applies to wages in excess of $250,000 for married taxpayers filing jointly ($125,000 for married taxpayers filing separately) and $200,000 in all other cases. Equivalent increases were made to the SECA tax. For wages in excess of the threshold in these years, the HI contribution rate is 2.35 percent for employees and 3.8 percent for self-employed persons, and the total HI and OASDI contribution rate is 8.55 percent (not the corresponding rates reflected in the table).

Source: Social Security Administration.

Table A-6.–Distribution of Income and Taxes, and Average Tax Rates in 2018 (Projected)

Income Category [1]	Number of Returns [2] (Thousands)	Share of Returns	Income ($ Millions)	Share of Income	Combined Income, Employment, and Excise Taxes Under Present Law [3]			Individual Income Taxes			Employment Taxes		
					$ Billions	Percent share	Average Tax Rate	$ Billions	Percent share	Average Tax Rate	$ Billions	Percent share	Average Tax Rate
Less than $10,000......................	18,853	10.7%	69,429	0.5%	7.0	0.2%	10.1%	-6.1	-0.4%	-8.8%	7.5	0.6%	10.8%
$10,000 to $20,000.....................	19,484	11.1%	300,494	2.0%	-2.8	-0.1%	-0.9%	-40.8	-3.0%	-13.6%	30.4	2.6%	10.1%
$20,000 to $30,000.....................	21,094	12.0%	524,572	3.5%	16.2	0.6%	3.1%	-36.2	-2.6%	-6.9%	41.9	3.6%	8.0%
$30,000 to $40,000.....................	16,076	9.1%	557,744	3.7%	39.9	1.4%	7.2%	-18.4	-1.3%	-3.3%	46.6	4.0%	8.4%
$40,000 to $50,000.....................	12,475	7.1%	560,185	3.7%	54.0	1.8%	9.6%	-5.0	-0.4%	-0.9%	46.6	4.0%	8.3%
$50,000 to $75,000.....................	27,098	15.4%	1,672,379	11.1%	227.9	7.8%	13.6%	40.4	2.9%	2.4%	149.6	12.9%	8.9%
$75,000 to $100,000...................	17,803	10.1%	1,544,193	10.3%	243.3	8.3%	15.8%	74.6	5.4%	4.8%	132.4	11.4%	8.6%
$100,000 to $200,000.................	31,329	17.8%	4,314,390	28.7%	847.2	28.8%	19.6%	331.5	24.1%	7.7%	404.2	34.9%	9.4%
$200,000 to $500,000.................	9,795	5.6%	2,745,930	18.3%	672.1	22.9%	24.5%	367.5	26.7%	13.4%	223.1	19.2%	8.1%
$500,000 to $1,000,000..............	1,216	0.7%	816,527	5.4%	235.9	8.0%	28.9%	169.3	12.3%	20.7%	39.3	3.4%	4.8%
$1,000,000 and over...................	597	0.3%	1,901,228	12.7%	599.1	20.4%	31.5%	499.7	36.3%	26.3%	37.6	3.2%	2.0%
Total, All Taxpayers................	175,819	100.0%	15,007,072	100.0%	2,939.7	100.0%	19.6%	1,376.3	100.0%	9.2%	1,159.3	100.0%	7.7%

[1] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest,
(2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation,
(5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items,
(8) individual share of business taxes, and (9) excluded income of U.S. citizens living abroad. Categories are measured at 2018 levels.

[2] Includes nonfilers, excludes dependent filers and returns with negative income.

[3] Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees),
excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change.
Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
Does not include indirect effects.

[4] The average tax rate is equal to Federal taxes described in footnote [3] divided by income described in footnote [1].

Source: Joint Committee on Taxation staff estimates.

Table A-7.–Tax Returns with Income or Employment Taxes in 2018 (Projected)

Income Category [1]	Number of Returns [2] (Millions)	Individual Income Taxes	Employment Taxes	Employment Taxes Less than Income Taxes	Employment Taxes Greater than Income Taxes	
		$ Billions	$ Billions	Returns (Millions)	Returns (Millions)	Fraction of Total Returns
Less than $10,000....................	18.9	-6.1	7.5	[3]	11.1	59.0%
$10,000 to $20,000....................	19.5	-40.8	30.4	0.1	14.9	76.4%
$20,000 to $30,000....................	21.1	-36.2	41.9	0.2	13.5	63.9%
$30,000 to $40,000....................	16.1	-18.4	46.6	0.4	11.7	72.9%
$40,000 to $50,000....................	12.5	-5.0	46.6	1.0	9.4	75.0%
$50,000 to $75,000....................	27.1	40.4	149.6	3.6	21.5	79.4%
$75,000 to $100,000..................	17.8	74.6	132.4	4.1	13.2	73.9%
$100,000 to $200,000................	31.3	331.5	404.2	10.3	20.9	66.9%
$200,000 to $500,000................	9.8	367.5	223.1	7.4	2.3	23.8%
$500,000 to $1,000,000.............	1.2	169.3	39.3	1.2	[3]	1.5%
$1,000,000 and over..................	0.6	499.7	37.6	0.6	[3]	1.0%
Total, All Taxpayers..............	175.8	1376.3	1159.3	28.9	118.5	67.4%

[1] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, (8) individual share of business taxes, and (9) excluded income of U.S. citizens living abroad. Categories are measured at 2018 levels.

[2] Includes nonfilers, excludes dependent filers and returns with negative income.

[3] Less than 50,000.

Source: Joint Committee on Taxation staff estimates.

Table A-8.–Marginal Tax Rates on Labor and Long-Term Capital Gains, by Income Category in 2018 (Projected)

Income Category [1]	Labor Income			Long-Term Capital Gains Income
	Average Marginal Income Tax Rate [2]	Average Marginal Employment Tax Rate [2]	Average Combined Marginal Income and Employment Tax Rate [2]	Average Marginal Capital Gains Tax Rate [2]
Less than $10,000....................	-7.2%	14.2%	7.1%	0.8%
$10,000 to $20,000....................	-1.5%	14.2%	12.7%	1.3%
$20,000 to $30,000....................	8.9%	14.2%	23.1%	2.2%
$30,000 to $40,000....................	11.7%	14.2%	25.9%	3.3%
$40,000 to $50,000....................	12.5%	14.2%	26.7%	1.9%
$50,000 to $75,000....................	15.0%	14.2%	29.2%	6.2%
$75,000 to $100,000..................	15.0%	14.2%	29.2%	9.1%
$100,000 to $200,000................	17.9%	13.5%	31.4%	12.9%
$200,000 to $500,000................	23.9%	9.9%	33.7%	18.1%
$500,000 to $1,000,000.............	33.4%	7.2%	40.6%	23.0%
$1,000,000 and over..................	34.4%	6.9%	41.3%	23.9%
Total, All Taxpayers...............	13.0%	13.5%	26.6%	21.4%

[1] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, (8) individual share of business taxes, and (9) excluded income of U.S. citizens living abroad. Categories are measured at 2018 levels.

[2] For individual income and employment taxes, the average marginal tax rate is equal to the change in taxes from an additional $100 of wages to each spouse with positive wages. For long-term capital gain, the average marginal tax rate equals the change in taxes from an additional 1% increase in long-term capital gains to each taxpayer with positive long-term capital gains. Effective marginal rates may be higher or lower than statutory marginal rates due to certain provisions in the Code including the phasein and phaseout of certain exemptions or credits.

Source: Joint Committee on Taxation staff estimates.

Table A-9.–Distribution of Selected Sources of Income in 2018 (Projected)

Income Category [1]	Number of Returns [2] (Millions)	Wages	Long-Term Capital Gains in AGI	Dividend Income	Interest Income	Schedule C Income	Schedule E Income
		$ Billions	$ Billions	$ Billions	$ Billions	$ Billions	$ Billions
Less than $10,000.....................	18.9	41.4	0.1	0.6	0.6	6.8	-0.6
$10,000 to $20,000.....................	19.5	162.6	0.5	0.8	0.5	32.1	0.1
$20,000 to $30,000.....................	21.1	245.2	0.7	1.5	1.2	17.4	0.9
$30,000 to $40,000.....................	16.1	277.3	0.9	1.9	1.7	13.3	1.6
$40,000 to $50,000.....................	12.5	279.0	1.5	3.0	1.9	10.6	1.3
$50,000 to $75,000.....................	27.1	932.6	7.0	10.4	5.1	20.7	5.3
$75,000 to $100,000...................	17.8	830.0	10.5	12.5	5.9	21.0	9.1
$100,000 to $200,000.................	31.3	2,574.1	52.0	47.5	16.3	70.5	54.5
$200,000 to $500,000.................	9.8	1,679.7	95.0	57.9	16.0	87.4	144.0
$500,000 to $1,000,000...............	1.2	428.5	73.1	32.8	8.4	38.9	123.0
$1,000,000 and over....................	0.6	584.1	458.7	107.9	40.5	51.1	501.3
Total, All Taxpayers.................	175.8	8,034.5	700.0	276.9	98.1	369.7	840.6

[1] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, (8) individual share of business taxes, and (9) excluded income of U.S. citizens living abroad. Categories are measured at 2018 levels.

[2] Includes nonfilers, excludes dependent filers and returns with negative income.

Source: Joint Committee on Taxation staff estimates.

Table A-10.–Distribution of Selected Itemized Deductions, 2018 (Projected)

Income Category [1]	State and Local Income, Sales, and Personal Property Tax Deduction		Mortgage Interest Deduction		Charitable Contribution Deduction	
	Returns (Thousands)	$ Millions	Returns (Thousands)	$ Millions	Returns (Thousands)	$ Millions
Less than $10,000.....................	83	332	64	910	34	28
$10,000 to $20,000.....................	145	650	113	1,438	79	141
$20,000 to $30,000.....................	261	1,025	183	2,003	147	303
$30,000 to $40,000.....................	410	1,642	258	2,862	283	780
$40,000 to $50,000.....................	607	2,452	395	3,819	433	1,322
$50,000 to $75,000.....................	2,260	10,996	1,689	16,095	1,760	6,297
$75,000 to $100,000...................	2,643	15,922	2,098	20,644	2,172	8,797
$100,000 to $200,000.................	7,593	60,163	6,471	80,597	6,663	37,559
$200,000 to $500,000.................	4,711	44,795	4,158	71,775	4,393	38,887
$500,000 to $1,000,000..............	852	8,307	702	15,908	816	15,457
$1,000,000 and over...................	478	4,659	335	8,957	465	67,843
Total, All Taxpayers................	20,043	150,943	16,466	225,008	17,245	177,414

[1] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, (8) individual share of business taxes, and (9) excluded income of U.S. citizens living abroad. Categories are measured at 2018 levels.

Source: Joint Committee on Taxation staff estimates.