CTJ Citizens for Tax Justice

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What You Need to Know about America's Tax System

America is NOT overtaxed.

■ Of the world's developed countries, only two (Chile and Mexico) collect less tax revenue as a share of their economy than does the U.S.[1]
■ The countries collecting more in taxes, as a share of their economy, than the U.S. include our trade partners and competitors, like France, Germany, the United Kingdom, Canada, South Korea and others.

Virtually all Americans, including the poorest Americans, are paying some type of tax.

■ When someone says almost half of Americans are not paying taxes, that refers to just one tax, the federal personal income tax, and ignores the many other taxes Americans at all income levels pay.
■ Most of the other taxes (like federal payroll taxes and state and local sales and property taxes, for example) take a larger share of income from a poor family than they take from a higher-income family.[2]

Wealthy Americans are NOT overtaxed.

■ When you add up all the different federal, state and local taxes that Americans pay, you find that our overall tax system is just barely progressive.
■ The richest one percent of Americans pay 21.6 percent of the total taxes in America, but they also take in 21.0 percent of the total income in America.[3]

Some millionaires who live off their investments are paying a smaller share of their income in taxes than many middle-income people pay.

■ While it's true that most millionaires pay a larger percentage of their income in taxes than the rest of us, some millionaires do pay less because they live on investment income, which is taxed at lower rates than income from work.
■ About a third of the Americans who have incomes of $10 million or more get the majority of their income from investments and therefore pay a lower effective tax rate than many working people.[4]

U.S. corporations are NOT overtaxed.

■ CTJ's study of 280 Fortune 500 corporations that were profitable for three years in a row (2008 through 2010) found that they paid just 18.5 percent of their profits in taxes, on average, during those three years. That's about half the official corporate tax rate of 35 percent.[5]
■ Thirty corporations, including GE, Boeing, Wells Fargo and others, paid nothing during that time.

Tax cuts have not helped our economy.

■ The American economy was booming at the end of the Clinton years after taxes were raised. The economy collapsed at the end of the George W. Bush years, after taxes were slashed.[6]

[1] Citizens for Tax Justice, "U.S. Is One of the Least Taxed Developed Countries," June 30, 2011. http://www.ctj.org/pdf/oecd201106.pdf

[2] Citizens for Tax Justice, "Who Pays Taxes in America?" April 4, 2012. http://www.ctj.org/pdf/taxday2012.pdf

[3] Citizens for Tax Justice, "Who Pays Taxes in America?" April 4, 2012. http://www.ctj.org/pdf/taxday2012.pdf

[4] Citizens for Tax Justice, "How to Implement the Buffett Rule," October 19, 2011. http://www.ctj.org/pdf/buffettruleremedies.pdf

[5] Citizens for Tax Justice, "Corporate Taxpayers & Corporate Tax Dodgers, 2008-2010," November 3, 2011. http://ctj.org/corporatetaxdodgers/

[6] It's possible that any two-term president will face an economic downturn and an economic upturn during his or her eight-year administration, but the economic upturns following the tax cuts of Ronald Reagan and George W. Bush were actually weaker than the economic upturn following the tax hike enacted by Bill Clinton. This suggests, at very least, that tax cuts do not help economies to improve. See Michael Ettlinger and John Irons, "Take a Walk on the Supply Side: Tax Cuts on Profits, Savings, and the Wealthy Fail to Spur Economic Growth," September 2008, Center for American Progress and Economic Policy Institute. http://www.americanprogress.org/issues/2008/09/pdf/supply_side.pdf