



# WHERE DOES THE FEDERAL GOVERNMENT GET ALL THAT MONEY?

## INFORMATION STATION

Every year the U.S. federal government collects more than \$3 trillion in taxes, and almost half of that comes from you and me, the individual income taxpayers. These are the taxes that come out of your paycheck or maybe you pay quarterly. Either way—it's a lot of money, so it's worth learning more about! So here are five things you didn't know about the individual income tax:

Number one: The individual income tax has been the largest source of federal government revenue since 1950—accounting for 47.3 percent of revenue in 2016.

Number two: While the name “individual income tax” implies that only individual Americans pay the tax, many small businesses are subject to it as well. A majority of small businesses are set up as “pass-through” entities, which means that business profits are included on the owner's individual tax sheet and is thus taxed at the individual rate which is higher than the rates big corporations pay.

Number three: According to 2016 data from the Tax Policy Center, 44 percent of Americans—or roughly 77 million people— don't pay any federal income taxes at all.

Number four: A combined 2.6 billion man hours is spent every year filling out tax returns. That's an average of 17 hours per American tax filer. If time really does equal money, we're paying even more than we thought to Uncle Sam.

And lastly number five: According to the most recent data from the Tax Foundation, the top one percent of taxpayers contribute roughly 40 percent of all federal income taxes collected. And the bottom 50 percent of taxpayers were responsible for less than three percent. That's a lot of taxes paid by very few people.

The individual income tax is what makes many of the benefits and programs provided by the federal government possible, but having the rate set too high can have serious consequences on the financial situation of individuals and their families, as well as overall economic growth.

Small business tax cuts is not a partisan issue, it's an American issue. Both Republicans and Democrats should be able to get behind legislation that accelerates job creation, raises wages, and strengthens communities. It's a win-win policy.