

United States Government Other Information (Unaudited) for the Years Ended September 30, 2024, and 2023

Tax Burden

The IRC provides for progressive tax rates, whereby higher earned income is generally subject to higher tax rates. The following tables present the latest available information on income tax and related income, deductions, and credit for individuals by income level, and for corporations by size of assets.

Individual Income Tax Liability for Tax Year 2022						
Adjusted Gross Income	Number of Taxable Returns (In thousands)	Adjusted Gross Income (In millions of dollars)	Total Income Tax (In millions of dollars)	Average Adjusted Gross Income per Return (In whole dollars)	Average Income Tax per Return (In whole dollars)	Income Tax as a Percentage of Adjusted Gross Income
Under \$15,000	29,840	41,952	377	1,406	13	0.9%
\$15,000 under \$30,000	25,099	558,008	11,917	22,232	475	2.1%
\$30,000 under \$50,000	29,027	1,144,446	51,632	39,427	1,779	4.5%
\$50,000 under \$100,000	38,987	2,782,106	213,183	71,360	5,468	7.7%
\$100,000 under \$200,000	25,887	3,567,048	397,758	137,793	15,365	11.2%
\$200,000 under \$500,000	10,018	2,891,065	483,057	288,587	48,219	16.7%
\$500,000 or more	2,479	3,849,333	981,999	1,552,777	396,127	25.5%
Total	161,337	14,833,958	2,139,923			

Corporate Income Tax Liability for Tax Year 2021			
Total Assets (In thousands of dollars)	Income Subject to Tax (In millions of dollars)	Total Income Tax After Credits (In millions of dollars)	Percentage of Income Tax After Credits to Taxable Income
Zero assets	36,888	8,286	22.5%
\$1 under \$500	8,903	1,814	20.4%
\$500 under \$1,000	6,161	1,264	20.5%
\$1,000 under \$5,000	25,182	5,120	20.3%
\$5,000 under \$10,000	16,461	3,333	20.2%
\$10,000 under \$25,000	27,838	5,577	20.0%
\$25,000 under \$50,000	24,753	4,973	20.1%
\$50,000 under \$100,000	27,941	5,497	19.7%
\$100,000 under \$250,000	43,788	8,280	18.9%
\$250,000 under \$500,000	40,240	7,633	19.0%
\$500,000 under \$2,500,000	176,908	32,255	18.2%
\$2,500,000 or more	1,986,987	287,371	14.5%
Total	2,422,050	371,403	

Tax Gap

The gross tax gap is the difference between the amount of tax imposed by law and what taxpayers actually pay on time and/or timely. The tax gap provides an estimate of the level of overall noncompliance compliance during the relevant tax periods. Tax gap estimates provide periodic appraisals about the nature and extent of noncompliance for use in formulating tax administration strategies. Given the complexity of the tax system and available data, a single approach cannot be used for estimating all the components of the tax gap. In October 2024, the tax gap projections were issued for tax year 2022 along with revised projections for tax years 2020 and 2021.

The gross tax gap is the amount of a tax liability that is not paid voluntarily and on time. The projected gross tax gap increased to \$696.0 billion in tax year 2022. The gross tax gap is comprised of three components: non-filing, underreporting, and underpayment. The projected gross tax gap for each of these components is \$63.0 billion, \$539.0 billion, and \$94.0 billion, respectively. The gross tax gap projections are also segmented by type of tax: individual income tax, corporation income tax, employment tax, and estate and excise tax. The projected gross tax gap for each of these types of tax is \$514.0 billion, \$50.0 billion, \$127.0 billion, and \$5.0 billion, respectively.

The net tax gap is the gross tax gap less tax that subsequently will be paid either late through voluntary payments or collected through IRS administrative and enforcement activities and is the portion of the gross tax gap that will not be paid. It is projected that \$90.0 billion of the gross tax gap will eventually be paid resulting in a net tax gap of \$606.0 billion. The net tax gap projections are also segmented by type of tax: individual income tax, corporation income tax, employment tax, and estate and excise tax. The projected net tax gap for each of these types of tax is \$447.0 billion, \$40.0 billion, \$119.0 billion, and \$0.4 billion, respectively.¹ For additional information on the tax gap, refer to Treasury's financial statements.

Tax Expenditures

As discussed in greater detail in Note 19—Collections and Refunds of Federal Revenue, tax and other revenues reported reflect the effects of tax expenditures, which are special exclusions, exemptions, deductions, tax credits, preferential tax rates, and tax deferrals that allow individuals and businesses to reduce taxes they may otherwise owe.

¹ Individual amounts may not add to totals due to rounding.

Tax expenditures are estimated using data from previous years and the economic forecast from the FY 2025 Midsession Review. The largest tax expenditures in FY 2024 are the following (and see the table below):

- The exclusion from workers’ taxable income of employers’ contributions for health care, health insurance premiums, and premiums for long-term care insurance;
- The exclusion of contributions to and the earnings of employer defined benefit and defined contribution pension funds (minus pension benefits that are included in taxable income);
- Imputed rental income forms part of the total value of goods and services produced in a country. But unlike returns from other investments, the return on homeownership “imputed rent” is excluded from taxable income. In contrast, landlords must count as income the rent they receive, and renters may not deduct the rent they pay. A homeowner is effectively both landlord and renter, but the tax code treats homeowners the same as renters while ignoring their simultaneous role as their own landlords and exempting potential rent they would have paid themselves;
- Preferential tax rates on long-term capital gains; and
- Capital gains exclusion on home sales of a principal residence of up to \$250,000 (\$500,000 in the case of a married couple filing a joint return).

Largest Income Tax Expenditures	
(In billions of dollars)	2024
Exclusion of employer contributions for medical insurance premiums & health care	247.3
Defined benefit & defined contribution pension funds	213.1
Exclusion of net imputed rental income	164.7
Preferential tax rates on long-term capital gains	133.5
Capital gains exclusion on home sales	59.1

Generally, identifying and measuring a tax expenditure requires defining a baseline tax system against which identified tax provisions are exceptions. The tax expenditures prepared for the *Budget* are estimated relative to a simplified comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. Tax expenditure estimates do not necessarily equal the increase in federal revenues (or the change in the *Budget* balance) that would result from repealing these special provisions, for the following reasons:

- Eliminating a tax expenditure may have incentive effects that alter economic behavior, which can affect the resulting magnitudes of the activity or of other tax provisions or government programs. For example, if capital gains were taxed at ordinary rates, capital gain realizations would be expected to decline, resulting in lower tax receipts. Such behavioral effects are not reflected in the estimates.
- Tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the tax revenue effect of other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase revenue costs from other deductions as some taxpayers move into higher tax brackets. Alternatively, an itemized deduction repeal could lower the revenue foregone from other deductions if taxpayers choose to claim the standard deduction over itemizing. Similarly, if two provisions were repealed simultaneously, the tax liability increase could be greater or less than the sum of the two separate tax expenditures, because each is estimated assuming that the other remains in force.
- Repeal effects may depend on concurrent tax rate changes. Lowering or raising tax rates can decrease or increase the estimated revenues from a particular provision. A \$10,000 charitable contributions deduction is worth \$3,500 in corporate tax revenues at a 35.0 percent tax rate, but only \$2,100 at a 21.0 percent tax rate.

A more comprehensive ranking, including rankings over a 10-year period, and descriptions of tax expenditures can be found at the following location from Treasury’s Office of Tax Policy: <https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures>.