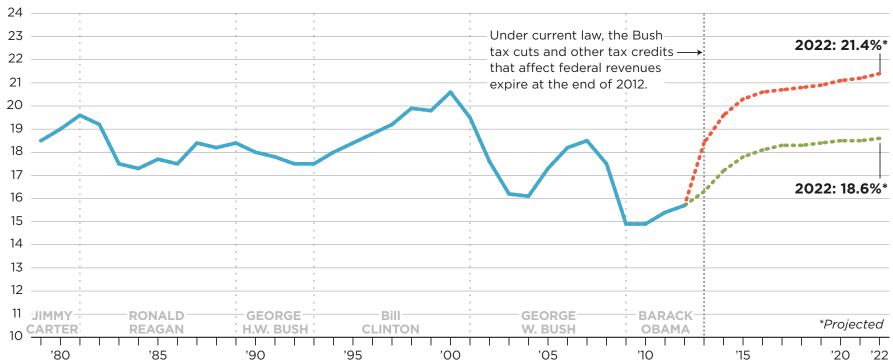
A lesser burden

By DAVE MICHAELS
Washington correspondent
dmichaels@dallasnews.com

With the Bush tax cuts set to expire this year, a divided Congress is grappling with the future of tax rates. Democrats and Republicans are divided over raising taxes on high earners, but the fight obscures the fact that the U.S. tax burden has steadily decreased over the past 30 years. Compared with other countries, the U.S. is a low-tax nation, which makes it all the more difficult to compromise on how much anyone should pay.

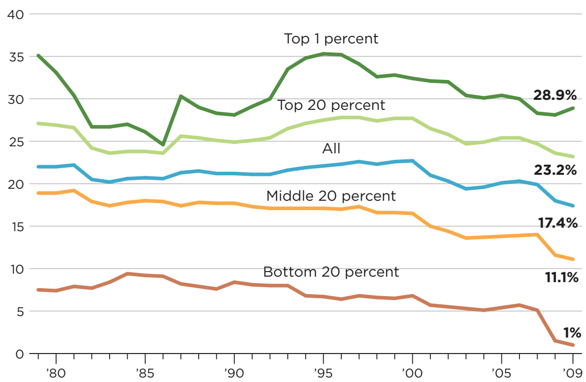
Extend the Bush tax cuts — or not?

Federal tax revenue has averaged 18 percent of GDP over the past 40 years. Revenue fell precipitously because of the recession and tax stimulus programs passed in 2008 and 2009. If the Bush tax cuts and other tax credits are allowed to expire this year, revenue would rise enough to reduce the federal debt considerably. If Congress extends the tax cuts, revenue would still recover by 2016, but debt would remain high unless accompanied by steep cuts to federal spending.



People are paying less

Average tax rates by income, which reflect the impact of deductions and tax credits on tax bills, have fallen to a 30-year low for the average taxpayer. The change reflects the impact of the Bush tax cuts as well as tax credits, including those expanded under the 2009 stimulus law.

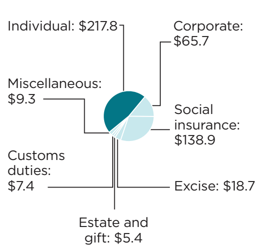


Which taxes fund the federal government?

The federal government largely relies on the individual income tax and payroll taxes, which fund Social Security and Medicare, for revenue. The amount of money raised by the corporate tax rate has fallen as fewer businesses organize themselves as corporations.

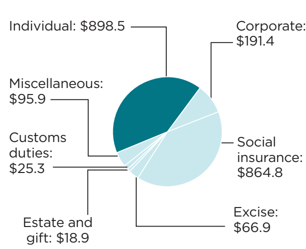
FEDERAL REVENUES, 1979

$463.3 billion



FEDERAL REVENUES, 2010

$2.2 trillion



Tax burden comparison

The U.S. enjoys a much lower total tax burden than other advanced countries. In 2010, only Chile and Mexico had lower taxes as a percentage of GDP.

COUNTRY	TAXES AS % OF GDP, 2010
Denmark	47.6%
Sweden	45.5%
Belgium	43.5%
Italy	42.9%
Norway	42.9%
France	42.9%
Finland	42.5%
Austria	42.0%
Netherlands	38.7%
Hungary	37.9%
Slovenia	37.5%
Luxembourg	37.1%
Germany	36.1%
Iceland	35.2%
United Kingdom	34.9%
Czech Republic	34.2%
Estonia	34.2%
Average	***33.8%***
Israel	32.4%
Spain	32.3%
Poland	31.7%
New Zealand	31.5%
Portugal	31.3%
Canada	31.0%
Greece	30.9%
Slovak Republic	28.3%
Switzerland	28.1%
Ireland	27.6%
Japan	27.6%
Turkey	25.7%
Australia	25.6%
Korea	25.1%
United States	**24.8%**
Chile	19.6%
Mexico	18.8%

SOURCES: Congressional Budget Office; Organization for Economic Cooperation and Development

The bottom line

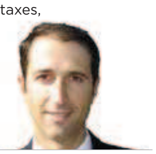
"If we go over the fiscal cliff, revenues will rise, even though the economy will likely fall back into recession. If President Obama and Congress reach a compromise, taxes will likely rise less. In either case, the government will need more revenue to balance its budget."

Roberton Williams, senior fellow, Tax Policy Center

"Even with the Bush tax cuts, revenues rise to their normal historical level of 18 percent of GDP. The solution here is not higher taxes. The solution is limiting spending, which is above normal levels."

Chris Edwards, director of tax policy studies, Cato Institute

"Taxes support the government you want. As health costs rise and more Americans age into Medicare and Social Security, Americans face a choice: pay more taxes, or accept cuts to benefit programs that our parents and grandparents enjoyed."



Dave Michaels, Washington correspondent, *The Dallas Morning News*