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Surprise! Your Tax Burden Is Lighter than You Think

By [Selena Maranjian, The Motley Fool](#)

Posted 6:30AM 01/25/12

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With all the talk about taxes and whether we should lower them, you'd think that the citizens and corporations of the United States face steep tax rates. You'd be wrong, though. When it comes to taxes, things are not as they appear.

There are many ways to evaluate tax rates, and most of them point to our tax burden being rather low. For example, look at our average -- or effective -- tax rate, which you can arrive at by dividing total federal tax revenue by our nation's gross domestic product. For 2011, the average tax rate in the U.S. is an estimated 14.8%, according to the Congressional Budget Office. That's the lowest rate since 1950.



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Here's another comparison point: The folks at Citizens for Tax Justice -- an organization advocating for fair taxation of the lower and middle classes -- determined that our total federal, state, and local taxes in 2009 amounted to 22.6% of our GDP. Among the 28 member nations in the Organization for Economic Cooperation and Development, that puts us in 26th place, with only Chile and Mexico having lower overall taxes.

Tax rates in America haven't always been this low. Per CTJ data, our top marginal income tax rate has fallen from 94% in 1945 to 35% in 2011.

On the corporate side, recent tax rates are also at a record low. According to the Office of Management and Budget, the average corporate tax rate paid was just 1.3% in 2011, down from 7.2% in 1945.

Such low rates, in turn, are reflected in the national budget. According to data from the OECD, corporate taxes contribute much less to national revenue in America than in most other nations. That rate is about 25% lower than the OECD average.

The Problem With Low Taxes

As good as it sounds on paper, a low-tax environment has significant drawbacks. Countries need to take in tax revenue in order to keep governments and societies running. Because we pay less in taxes than most developed nations, we get less in return. Plenty of high-tax-rate countries, for example, cover health care for all citizens.

What we do pay goes to support various government agencies. They pay for roads and courts and police forces and schools and parks -- and much more. Without our Federal Aviation Administration and its regulations and air traffic control system, our skies would be chaotic. Without the Food and Drug Administration, our foods and medications would be far less safe.

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In fact, you may be surprised at [how little you actually pay for various public services](#):

- If you think we spend too much on education, know that it eats up only 4.8% of your tax bill.
- Energy and the environment take up just 2.1%.
- Immigration, law enforcement, and justice: 2%.
- Natural disaster responses? Just 0.4%.
- As you might suspect, the big-ticket items are defense (26.3%) and health care (24.3%).

Support Sensible Changes

It's clear that our tax system isn't perfect. In fact, there are lots of problems. Our tax code is far too complex, at nearly four million words. Various loopholes and tax breaks cost us \$1 trillion each year. Tax cheats cost us close to \$400 billion annually.

As I see it, those who think we pay too much might want to encourage those in power to close more loopholes and chase down cheats. Meanwhile, consider that even slightly higher taxes might -- just might -- mean extra revenue being put to good use, paying down debt, improving our nation's infrastructure, and serving Americans in countless other ways.

Longtime Motley Fool contributor [Selena Maranjian](#) holds no position in any company mentioned.

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The entire premise of this article is really ridiculous. The "suggestion" to accept "even slightly higher taxes" is absolute crap. If Selena and anyone else attempting this could prove that government would treat the extra money ripped from us like most households do, then maybe there would be a discussion. However governments do not live within their means. Period. Historically they are the most inefficient of any organization and so do not deserve any more of our hard-earned money.

November 15 2012 at 6:35 PM

johnny

Check my math but if 47% pay no taxes, that leaves the tax burden per person (on 53% of the population) at much higher than assumed. Only 53% of Americans pay tax to lower the deficit, and pay the interest on the debt. If the low point of being a middle income earner is 250,000, then anyone over that is probably paying about 30%, since we assume that the top 3% pay only 13%. The corporations and small businesses pay as little tax as possible(ask their high powered accountants about the loopholes) and often operate at a loss,to avoid paying any tax, or do so every 3 or 4 years to satisfy the IRS and their shareholders. You figure out how much income tax is needed to lower the deficit, and pay down the debt over ten years and then divide that # by the number of actual taxpaying individuals and corporations, and see that we have already gone over the cliff. And there is no life line, and you can call all the

friends you want.

October 25 2012 at 8:30 PM

wdcarterjr

Another big expense to the taxpayer is interest on the debt.

January 30 2012 at 5:50 PM



veasystreet

Federal Income Tax Stats from the 2009:

Top 1% Made \$318,043+ had 16.9% of America's AGI but paid 36.7% America's federal taxes of taxes to IRS avg tax rate =24%+

Bottom 50%: \$32,396 or less had 13.5% of America's AGI but only paid 2.3% in taxes for an average tax rate of 1.85% paid to the IRS. Just thought you guys would like to know.

January 30 2012 at 3:57 PM



dannydmc

+1

Wow, just imagine if they also included sales tax, and all the other small taxes and fees hidden in everything we buy. Just because our federal tax rate is low, does NOT mean that we pay little in taxes.

Perhaps if the 47% of Americans who pay NO income tax at all and the only taxes they pay are the ones when they spend their welfare checks at the local wal-mart

January 30 2012 at 3:42 PM



veasystreet

+1

To wmechaneer: The Federal Reserve does not calculate "inflation." The rate of inflation is calculated by a couple of different groups including "U.S. Bureau of Labor Statistics" and the "Dept of Commerce." The Federal Reserve Bank DOES evaluate changes in the inflation rate and makes adjustments they feel are necessary to curb and keep inflation under control. Be careful when you read posts such as "wmechaneer" they often have no idea what they saying.

January 30 2012 at 3:32 PM

**foxylynx****+3**

Lets not forget all the other taxes we pay; property taxes, just look at your cable and telephone bills - filled with taxes and fees, and then don't forget the sales tax. If you add it all up, it's quite a bit.

January 30 2012 at 2:05 PM

**Jeremy**

I have more money stolen from me by the government than I spend on food and housing.

January 30 2012 at 1:30 PM

[2 replies to Jeremy's comment](#)

**wmechaneer****-2**

One of the strangest things is that when the bureaucrats at the Federal Reserve calculate "inflation," they forget to include necessities such as food and fuel for transportation or heating. Likewise they don't evcer include the increases in local tax burdens, assuming that the local economy adjusts wages for that. When you calculate that food has risen as much as 5% over the past year alone, and gasoline is over 85% more expensive than when Obama became POTUS, a real scary picture emerges for everyone.

With America using corn, (i.e. "food") to make ethanol to satisfy the uberwhacko urges of the so-called "green movement" for a totally failed "renewable energy policy," the poorest are denied a basic necessity of life. Mexico depends upon corn as a staple in their citizens' basic diet, and high corn prices have now caused food riots there.

If government would simply STOP this utopian "central planning" mess of bureaucratic "I'm smarter than you at how you should be living your life," (which has NEVER worked anywhere its ever been tried) everyone in America and elsewhere would be considerably better off than now. Envy of the wealth of others is so misplaced it's silly. It's not like the Fed can't and isn't printing more ca\$h every day. Ours is no longer a "zero sum" game, but a lively economic environment ruined by government interference in picking who gets to "win" and in the end we all lose.

All that increasing tax rates on one group over another has ever produced is that the intended "winners" get to foot the bills of government, while the "smart" play this stacked deck to win. When any cost to a corporation, including

taxation increase, so does the price to the consumer for whatever that corporation delivers to them. When folks who pay no income taxation get to vote themselves more money from their neighbors who do, everything gets skewed out of balance.

No matter how "smart" these fools in Washington believe themselves to be, we're better off taking care of ourselves with whatever we earn. Before LBJ's failed "War on Poverty" spent over TWO \$\$\$TRILLIONS\$\$\$, America's private sector charity pulled "poverty" down from almost 90% in 1900 to just above 10% in 1960. With gummint "help" it's increased to above 16%, and only the bureaucrats have done well. They get to retire on high five figure incomes, even some as millionaires at our continuing expense, while we get to learn to live with less.

Get rid of the IRS, and make everyone pay the same tax rate. IF "taxation without representation" was worthy of a Revolution, shouldn't "representation without taxation" also make us similarly angry at the gummint? Get rid of corporate taxation entirely, and America's goods will cost 27% LESS, making our own cost of living lower and increasing the demand for Made in America, where we'll also employ more people making stuff for ourselves and our neighbors.

January 30 2012 at 2:16 PM

[1 reply to wmechaneer's comment](#)

gmydogbud

Yes, And While Senior Citizens Were Told That The Cost Of Living Had NOT Gone Up, Congress Gave It's Self A Thirty-six Thousand - Dollar Cost Of Living Increase In 2011 & 2012. Also Since The Members Allow Themselves To Engage In Insider Trading - American Citizens Should Follow Their Lead & Be Able To Do The Same. They Work For The American People & Should Not Be Able To Live Under Laws Which Would Put American Citizens In JAIL! Also In The Spirit Of Shared Sacrifice, It Would Help If They Were REQUIRED TO RETURN - ALL - THEIR - ILL - GOTTEN - GAINS - !!

January 30 2012 at 3:44 PM



gkonig2

So does every millionaire:-) I pay much more in health care (lousy HMO) than in mortgage.

January 30 2012 at 3:23 PM

**angalmarketing2****+2**

Sayyy, Citizens for Tax Justice; when you say you are advocating for lower tax rates for the poor and middle class, aren't you forgetting one thing; aren't these the people who fall in the group of 49% of Americans who DON'T PAY ANY TAXES. Sounds like a great gig to make a big salary, got any openings.

January 30 2012 at 1:24 PM

feets07**+5**

This article like so many like them are just flat wrong. Over the last 5 years I have seen my property taxes increase while the value of my home goes down. I have seen sales tax increase at least 2% while my buying power goes down. Yet I hear how we are under taxed give me a break. Im not opposed to the rich being rich but lets be honest they can afford another \$5,000 a year better than I can afford another \$1,000 then there is the poor. I have seen so many times people dont work a day all year and collect \$8,000 tax return how is that fair.

January 30 2012 at 12:46 PM

[1 reply to feets07's comment](#)**Jeremy**

I totally agree. I just sent money to the federal that could have paid for a late model used car in cash. This isn't a low amount as this article claims. And if only the government could run more efficiently, there wouldn't even need to be an income tax.

January 30 2012 at 1:23 PM

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