

LECTURE XI, PART A:  
Stylized Facts of Taxation

# Types of Taxation

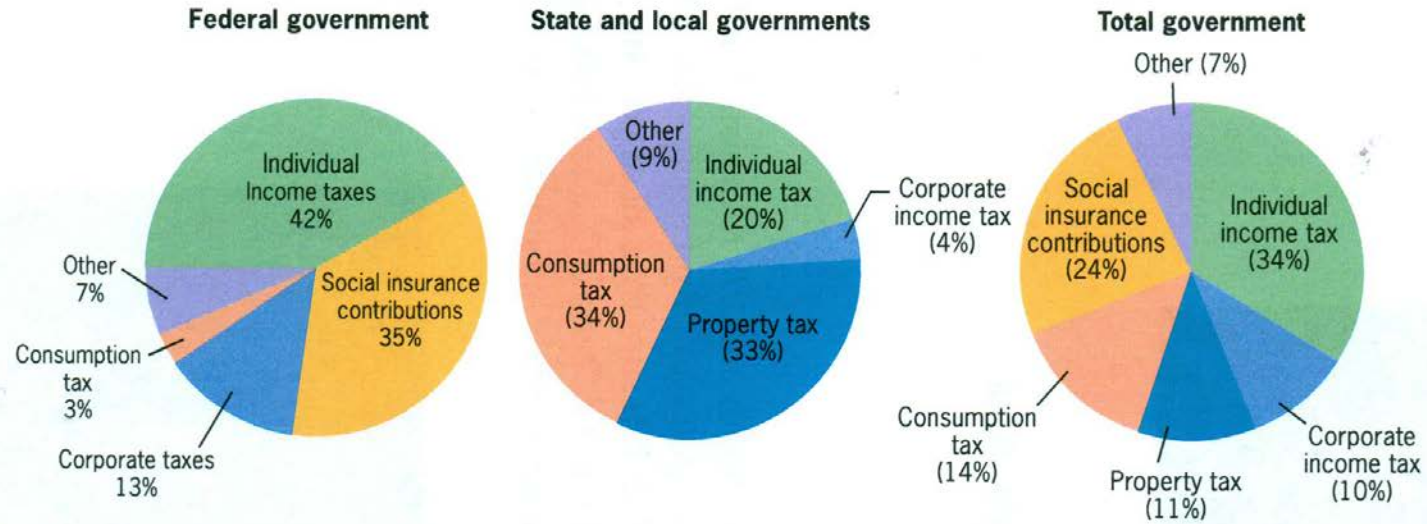
- 1) Taxes on Earnings (payroll tax)
- 2) Taxes on Individual Income (individual income tax, capital gains tax)
- 3) Taxes on Corporate Income (corporate income tax)
- 4) Taxes on Wealth (property taxes, estate taxes)
- 5) Taxes on Consumption (sales taxes, excise taxes, value added tax)

# Tax Categories

- Direct Taxes: payroll tax, individual income tax, wealth taxes)
- Indirect Taxes: Consumption taxes

■ **FIGURE 18-1**

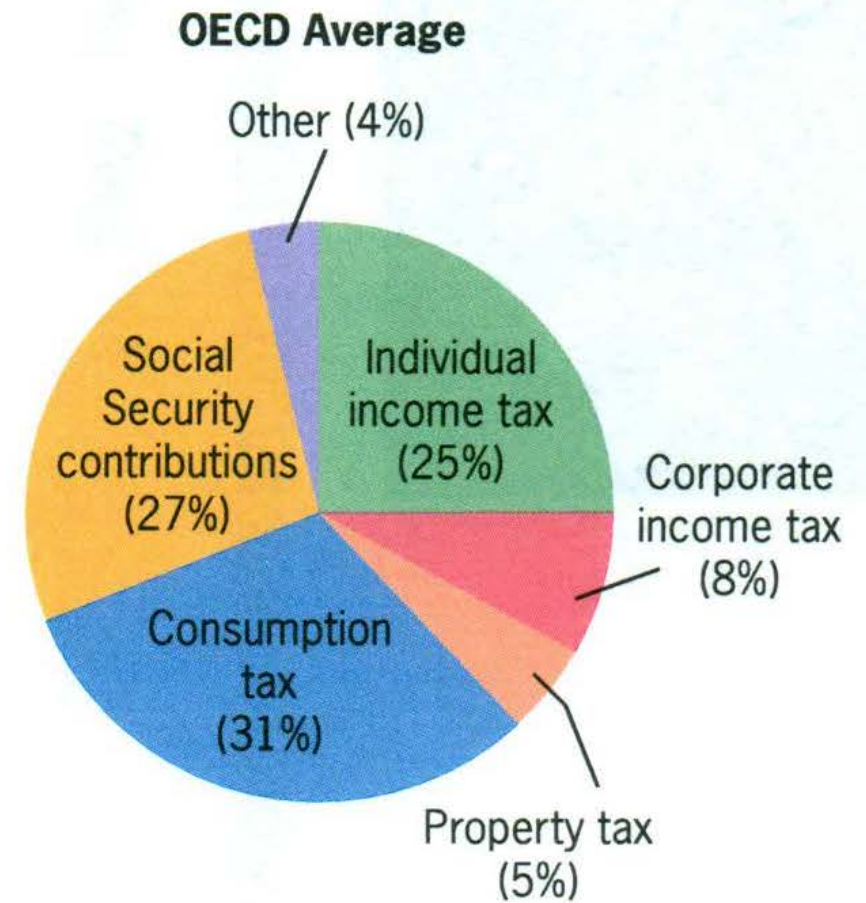
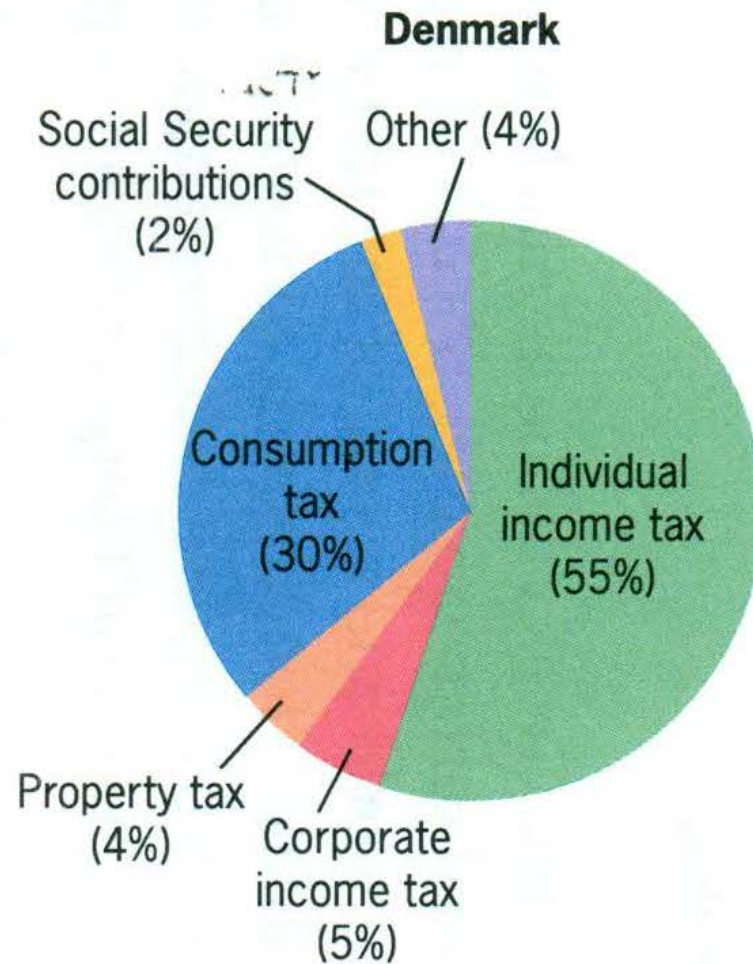
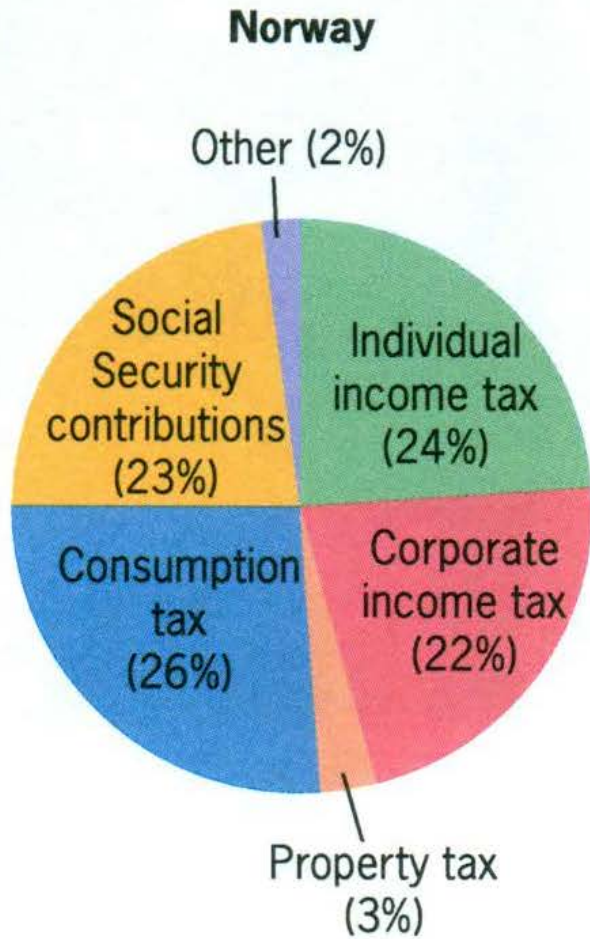
**U.S. Tax Revenue by Type of Tax  
(2010, % of total tax revenue)**



**Tax Revenues by Type of Tax** • Over 80% of the federal government's tax revenue comes from individual income taxation (income and payroll taxes). For state and local governments, revenue is more evenly split among taxes on wealth (property), consumption, and individual income. In total, U.S. governments receive about three-fifths of their revenue from individual income taxes and payroll taxes.

Source: Bureau of Economic Analysis NIPA Tables 3.1–3.3. Accessed July 2, 2012 (data for 2010).

**International Tax Revenues by Type of Tax  
(2010, % of total tax revenue)**



**International Tax Revenues by Type of Tax** • Consumption taxes provide a greater portion of national government revenue in all OECD countries than in the United States.

# Taxes and Fairness

- Vertical Equity (progressive, proportional, and regressive tax systems)
- Horizontal Equity