

Committee on Ways and Means

Despite Tax Cuts, Federal Receipts Are Up

According to the latest CBO tabulation of tax collections, FY04 Federal tax receipts through June continue to exceed last year's levels. The strong economy and robust job creation has led to more taxpayers and more taxable income. Tax collections this year are \$48 billion (3.6%) higher than last year at this time. June receipts were \$22 billion (11%) higher than June 2003.

Tax receipt growth is accelerating

For the first nine months of FY04, total tax receipts are 3.6% higher than last year's level. This is a result of: 1) surging corporate tax receipts from the stronger economy; and 2) higher payroll tax revenues due to job creation and higher wages.

- **Corporate tax receipts** increased \$43 billion (44%) in the first three quarters, to \$140 billion.
- **Payroll tax revenues** are up 2.6% from last year. This is mostly due to the increased number of workers and higher wages.
- **Individual income tax receipts** are down slightly, about \$10 billion (-1.7%) year-to-date in June compared to the same 9 months of FY03. This is an improvement from May where individual receipts were down \$17 billion. Thus, for the month of June, individual tax receipts were significantly higher than in the same month last year.

CBO notes: "The increase in receipts from withheld income taxes, despite the tax-rate reductions enacted last year, is consistent with the strengthening of the economy in recent months."

Tax Receipts Through June (Billions of dollars)			
Source	Actual FY03	Preliminary FY04	% Change
Individual Income	\$605	\$594	-1.7%
Corporate Income	98	140	43.8%
Social Insurance	545	559	2.6%
Other	106	107	1.5%
Total	1,353	1,401	3.6%

Source: CBO, Monthly Budget Review, July 8, 2004