

Note 18. Collections and Refunds of Federal Revenue

Collections of Federal Tax Revenue for the Year Ended September 30, 2020

(In billions of dollars)	Federal Tax Revenue Collections	Tax Year to Which Collections Relate			
		2020	2019	2018	Prior Years
Individual income tax and tax withholdings	3,127.6	1,947.9	1,118.5	33.7	27.5
Corporate income taxes	263.6	152.0	89.0	10.0	12.6
Excise taxes	96.4	72.2	23.9	0.1	0.2
Unemployment taxes	40.8	34.5	6.2	-	0.1
Customs duties	74.4	67.2	7.2	-	-
Estate and gift taxes	18.2	2.6	11.8	2.1	1.7
Railroad retirement taxes	5.2	3.8	1.4	-	-
Fines, penalties, interest, and other revenue	3.2	3.1	0.1	-	-
Subtotal	<u>3,629.4</u>	<u>2,283.3</u>	<u>1,258.1</u>	<u>45.9</u>	<u>42.1</u>
Less: amounts collected for non-federal entities	(0.5)				
Total	<u><u>3,628.9</u></u>				

Treasury is the government's principal revenue-collecting entity. Collections of individual income and tax withholdings include FICA/SECA and individual income taxes. These taxes are characterized as non-exchange revenue.

Excise taxes, also characterized as non-exchange revenue, consist of taxes collected for various items, such as airline tickets, gasoline products, distilled spirits and imported liquor, tobacco, firearms, and others.

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. The *Congressional Budget Act of 1974* (P.L. 93-344 or Budget Act) requires that a list of tax expenditures be included in the annual Budget. Tax expenditures may be viewed as alternatives to other policy instruments, such as spending or regulatory programs. For example, the government supports college attendance through both spending programs and tax expenditures. The government uses Pell Grants to help low- and moderate-income students afford college and allows certain funds used to meet college expenses to grow tax free in special college savings accounts.

Tax expenditures include deductions and exclusions, which reduce the amount of income subject to tax. Examples are the deduction for mortgage interest on personal residences and the exclusion of interest on state and local bonds. Tax expenditures also include tax credits, which reduce tax liability dollar for dollar for the amount of credit. For example, the child tax credit reduces liability by \$2,000 per child for taxpayers eligible to use it fully. Other credits are targeted at business activity, such as credits for producing electricity from renewable energy or the research and experimentation credit, which encourages businesses in the U.S. to increase investment in research activities. In addition, tax expenditures include some provisions that allow taxpayers to defer tax liability. Examples include provisions that allow immediate expensing or accelerated depreciation of certain capital investments, and others that allow taxpayers to defer their tax liability, such as the deferral of recognition of income on contributions to and income accrued within qualified retirement plans.

The Total Revenues reported in the Statement of Operations and Changes in Net Position and the related information reported in this note, do not include explicit line items for tax expenditures, but the total revenue amounts and budget results reflect the effect of these expenditures. Tax expenditures are discussed in this note, the unaudited MD&A, and in the unaudited Other Information section of the *Financial Report*.

Federal Tax Refunds Disbursed for the Year Ended September 30, 2020

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2020	2019	2018	Prior Years
Individual income tax and tax withholdings	673.4	335.6	299.3	31.0	7.5
Corporate income taxes	59.5	4.0	14.0	20.2	21.3
Other taxes, fines, and penalties	11.2	3.3	5.6	1.3	1.0
Total	<u>744.1</u>	<u>342.9</u>	<u>318.9</u>	<u>52.5</u>	<u>29.8</u>

Reconciliation of Revenue to Tax Collections for the Year Ended September 30, 2020, and 2019

(In billions of dollars)	2020	2019
Consolidated revenue per the Statement of Operations and Changes in Net Position	3,571.6	3,621.0
Refunds of federal taxes and other payments	744.1	455.2
Individual and other tax credits	(436.8)	(154.3)
Federal Insurance Contributions Act - Tax	15.4	15.8
Federal Reserve earnings	(81.9)	(52.8)
Change in taxes receivable	(91.7)	(85.9)
Nontax-related fines and penalties reported by entities	(75.4)	(80.0)
Nontax-related earned revenue	(16.4)	(15.4)
Total collections of federal tax revenue	<u>3,628.9</u>	<u>3,703.6</u>

Consolidated revenue in the Statement of Operations and Changes in Net Position is presented on a modified cash basis, net of tax refunds, and includes other non-tax related revenue. The increases in lines Refunds of federal taxes and other payments and Individual and other tax credits in FY 2020 relate to the CARES Act stimulus disbursements of \$274.7 billion to eligible taxpayers. Individual and other tax credits amounts are included in gross cost in the Statements of Net Cost. Refer to Note 3—Accounts Receivable, Net for additional information of line Changes in taxes receivable. The FICA – Tax paid by federal entities is included in the Individual income and tax withholdings line in the Collections of federal tax revenue; however, it is not reported on the Statement of Operations and Changes in Net Position as these collections are intra-governmental revenue and eliminated in consolidation. The table above reconciles total revenue to federal tax collections.

Collections of Federal Revenue for the Year Ended September 30, 2019

(In billions of dollars)	Federal Tax Revenue Collections	Tax Year to Which Collections Relate			
		2019	2018	2017	Prior Years
Individual income tax and tax withholdings	3,176.4	2,023.0	1,087.9	37.3	28.2
Corporate income taxes	277.1	181.6	85.3	4.1	6.1
Excise taxes	105.0	69.6	35.0	0.1	0.3
Unemployment taxes	39.6	33.0	6.5	-	0.1
Customs duties	74.8	74.8	-	-	-
Estate and gift taxes	17.6	0.8	13.7	1.5	1.6
Railroad retirement taxes	6.2	4.8	1.4	-	-
Fines, penalties, interest and other revenue	7.4	7.4	-	-	-
Subtotal	<u>3,704.1</u>	<u>2,395.0</u>	<u>1,229.8</u>	<u>43.0</u>	<u>36.3</u>
Less: amounts collected for non- federal entities	<u>(0.5)</u>				
Total	<u>3,703.6</u>				

Federal Tax Refunds Disbursed for the Year Ended September 30, 2019

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2019	2018	2017	Prior Years
Individual income tax and tax withholdings	397.8	58.1	301.0	30.1	8.6
Corporate income taxes	51.3	3.9	14.8	10.7	21.9
Other taxes, fines, and penalties	6.1	2.2	2.1	0.8	1.0
Total	<u>455.2</u>	<u>64.2</u>	<u>317.9</u>	<u>41.6</u>	<u>31.5</u>