United States Government Other Information (Unaudited) for the Years Ended September 30, 2022, and 2021

Tax Burden

The IRC provides for progressive tax rates, whereby higher earned income is generally subject to higher tax rates. The following tables present the latest available information on income tax and related income, deductions, and credit for individuals by income level, and for corporations by size of assets.

Individual Income Tax Liability for Tax Year 2020

Adjusted Gross Income	Number of Taxable Returns (In thousands)	Adjusted Gross Income (In millions of dollars)	Total Income Tax (In millions of dollars)	Average Adjusted Gross per Return (In whole dollars)	Average Income Tax per Return (In whole dollars)	Income Tax as a Percentage of Adjusted Gross Income
Under $15,000	31,045	232,112	491	7,477	16	0.2%
$15,000 under $30,000	29,265	655,347	12,849	22,394	439	2.0%
$30,000 under $50,000	29,930	1,173,046	50,346	39,193	1,682	4.3%
$50,000 under $100,000	36,983	2,635,417	192,163	71,260	5,196	7.3%
$100,000 under $200,000	22,415	3,060,066	334,648	136,519	14,930	10.9%
$200,000 under $500,000	7,615	2,187,229	366,794	287,226	48,167	16.8%
$500,000 or more	1,845	2,923,397	753,251	1,584,497	408,266	25.8%
Total	159,098	12,866,614	1,710,542			

Corporate Income Tax Liability for Tax Year 2019

Total Assets (In thousands of dollars)	Income Subject to Tax (In millions of dollars)	Total Income Tax After Credits (In millions of dollars)	Percentage of Income Tax After Credits to Taxable Income
Zero assets	26,676	5,240	19.6%
$1 under $500	8,235	1,669	20.0%
$500 under $1,000	5,279	1,080	20.5%
$1,000 under $5,000	18,004	3,629	20.2%
$5,000 under $10,000	11,642	2,281	19.6%
$10,000 under $25,000	15,884	3,122	19.7%
$25,000 under $50,000	14,549	2,821	19.4%
$50,000 under $100,000	16,588	3,166	19.1%
$100,000 under $250,000	25,381	4,781	18.8%
$250,000 under $500,000	25,573	4,652	18.2%
$500,000 under $2,500,000	111,437	19,156	17.2%
$2,500,000 or more	1,453,939	205,533	14.1%
Total	1,733,187	257,130	

Tax Gap

The gross tax gap is the difference between the amount of tax imposed by law and what taxpayers actually pay on time. The tax gap provides an estimate of the level of overall noncompliance and voluntary compliance during the relevant tax periods. Tax gap estimates provide periodic appraisals about the nature and extent of noncompliance for use in formulating tax administration strategies. Estimating the tax gap is inherently challenging and requires assessing the merits of alternative methods, assumptions, and data sources. There is no single approach that can be used for estimating all the components of the tax gap, so multiple methods are used. The most recent estimates covering the Tax Year 2014-2016 timeframe were released in FY 2022.

The gross tax gap is the amount of a tax liability that is not paid voluntarily and on time. The estimated annual average gross tax gap is $496.0 billion. The gross tax gap is comprised of three components: non-filing, underreporting, and underpayment. The estimated gross tax gap for each of these components is $39.0 billion, $398.0 billion, and $59.0 billion, respectively. The gross tax gap estimates are also segmented by type of tax: individual income tax, corporation income tax, employment tax, and estate and excise tax. The estimated gross tax gap for each of these types of tax is $357.0 billion, $41.0 billion, $93.0 billion, and $5.0 billion, respectively.

The net tax gap is the gross tax gap less tax that subsequently will be paid either late through voluntary payments or collected through IRS administrative and enforcement activities and is the portion of the gross tax gap that will not be paid. It is estimated that $68.0 billion of the gross tax gap will eventually be paid resulting in a net tax gap of $428.0 billion. The net tax gap estimates are also segmented by type of tax: individual income tax, corporation income tax, employment tax, and estate and excise tax. The estimated net tax gap for each of these types of tax is $306.0 billion, $34.0 billion, $87.0 billion, and $2.0 billion, respectively.[1] For additional information on the tax gap, refer to Treasury's financial statements.

[1] Individual amounts may not add to totals due to rounding.

Tax Expenditures

As discussed in greater detail in Note 19—Collections and Refunds of Federal Revenue, 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.

Tax expenditures are estimated using data from previous years and the economic forecast from the FY 2023 Midsession Review. The largest tax expenditures in FY 2022 are the following (and see the table below):

- The exclusion from workers' taxable income of employers' contributions for health care, health insurance premiums, and premiums for long-term care insurance;
- The exclusion of contributions to and the earnings of employer defined benefit and defined contribution pension funds (minus pension benefits that are included in taxable income);
- Imputed rental income forms part of the total value of goods and services produced in a country. But unlike returns from other investments, the return on homeownership "imputed rent" is excluded from taxable income. In contrast, landlords must count as income the rent they receive, and renters may not deduct the rent they pay. A homeowner is effectively both landlord and renter, but the tax code treats homeowners the same as renters while ignoring their simultaneous role as their own landlords and exempting potential rent they would have paid themselves;
- Preferential tax rates on long-term capital gains; and
- Taxpayers who donate capital assets to charitable organizations can deduct the asset's current value without being taxed on any appreciation in value.

Largest Income Tax Expenditures as of September 30, 2022

(In billions of dollars)	2022
Exclusion of employer contributions for medical insurance premiums & health care	224.5
Defined benefit & defined contribution pension funds	176.1
Exclusion of net imputed rental income	129.0
Preferential tax rates on long term capital gains	112.1
Deductibility of charitable contributions, other than education and health	55.5

Generally, identifying and measuring a tax expenditure requires defining a baseline tax system against which identified tax provisions are exceptions. The tax expenditures prepared for the Budget are estimated relative to a simplified comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. Tax expenditure estimates do not necessarily equal the increase in federal revenues (or the change in the budget balance) that would result from repealing these special provisions, for the following reasons:

- Eliminating a tax expenditure may have incentive effects that alter economic behavior, which can affect the resulting magnitudes of the activity or of other tax provisions or government programs. For example, if capital gains were taxed at ordinary rates, capital gain realizations would be expected to decline, resulting in lower tax receipts. Such behavioral effects are not reflected in the estimates.
- Tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the tax revenue effect of other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase revenue costs from other deductions as some taxpayers move into higher tax brackets. Alternatively, an itemized deduction repeal could lower the revenue foregone from other deductions if taxpayers choose to claim the standard deduction over itemizing. Similarly, if two provisions were repealed simultaneously, the tax liability increase could be greater or less than the sum of the two separate tax expenditures, because each is estimated assuming that the other remains in force.
- Repeal effects may depend on concurrent tax rate changes. Lowering or raising tax rates can decrease or increase the estimated revenues from a particular provision. A $10,000 charitable contributions deduction is worth $3,500 in corporate tax revenues at a 35.0 percent tax rate, but only $2,100 at a 21.0 percent tax rate.

A more comprehensive ranking, including rankings over a 10-year period, and descriptions of tax expenditures can be found at the following location from Treasury's Office of Tax Policy: https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures.

Unmatched Transactions and Balances

Unmatched Transactions and Balances as of September 30, 2022, and 2021

(In millions of dollars)	2022	2021
Statement of Operations and Changes in Net Position:		
Custodial transfers non-exchange	-	(532.4)
Benefit program revenue/cost	309.6	651.5
Non-reciprocating	(1,987.2)	(3,761.3)
Custodial and non-entity collections transferred out/in	586.8	629.5
Accrual amounts collected/transferred in	(83.9)	(209.4)
Other	1,000.9	3,057.0
	(173.8)	(165.1)
Balance Sheet:		
Accounts payable/receivable	270.2	556.3
Advances from/to others & deferred credits/prepayments	(778.8)	(898.3)
Non-reciprocating	(205.6)	(320.2)
Fund balance with Treasury	-	(899.2)
Other	(576.4)	(116.1)
	(1,290.6)	(1,677.5)
Unmatched transactions and balances, net	(1,464.4)	(1,842.6)

( ) Parentheses indicate a decrease to Net Position.

The unmatched transactions and balances are needed to balance the accrual-based financial statements. Both the Statement of Operations and Changes in Net Position and the Balance Sheet include a line for the unmatched transactions and balances, while the unmatched transactions and balances are recorded in existing lines in the Statement of Net Cost, and thus, are not reported in the table above. Transactions and balances between federal entities must be eliminated in consolidation to calculate the financial position of the government. The amounts included in the table represent intra-governmental activity and balances that differed between federal entity trading partners and often totaled significantly more in the absolute than the net amounts shown. The table also reflects other consolidating adjustments and other adjustments that contributed to the unmatched transactions and balances amount. A number of lines in the "Unmatched Transactions and Balances" table were adjusted to zero after intra-governmental difference analysis determined they were immaterial at or below $0.1 billion, and thus, are not reported in the table above. The adjustments were added to, or subtracted from, gross cost in the Statement of Net Cost in the year they were recorded. Unresolved intra-governmental differences (i.e., unmatched transactions and balances) result in errors in the consolidated financial statements.

Unmatched transactions and balances between federal entities impact not only in the period in which differences originate but also in the periods where differences are resolved. As a result, it would not be proper to conclude that increases or decreases in the unmatched amounts shown in the "Unmatched Transactions and Balances" table reflect improvements or deteriorations in the government's ability to resolve intra-governmental transactions. The federal community considers the identification and accurate reporting of intra-governmental activity a priority.

The unmatched transactions and balances, net reflects the combined impact that each statement line has on the overall net position of the *Financial Report*.