

Federal Revenue Outlook

Presented by Mark Booth at the FTA Revenue
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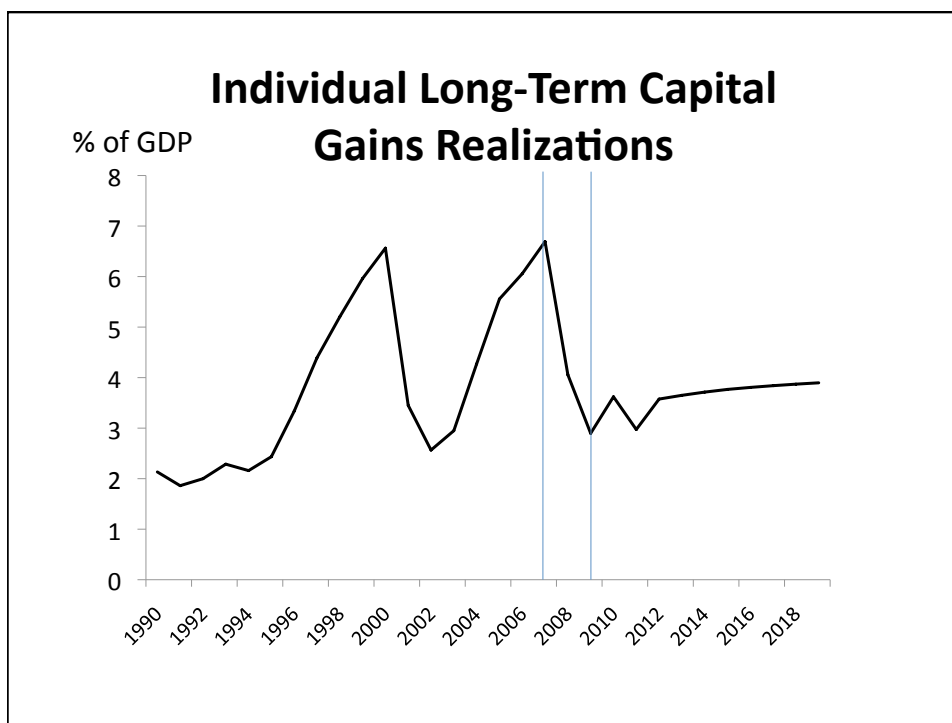
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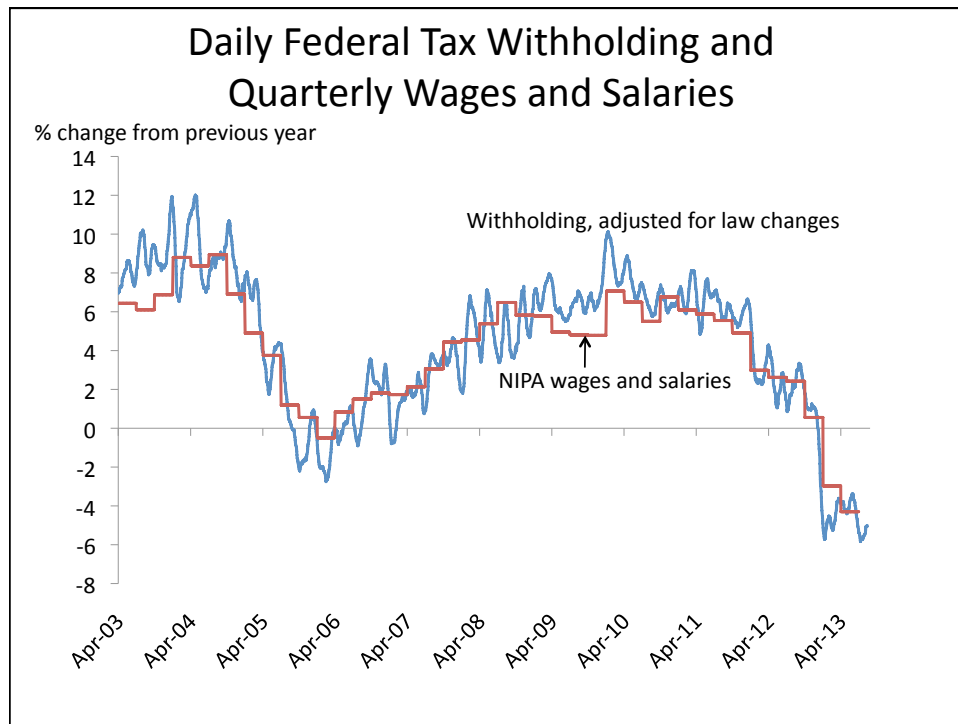
CBO's Projection for Federal Revenue Growth (%)

	2009
Individual Income Taxes	-20
Corporate Income Taxes	-53
Social Insurance Taxes	-1
Other Revenues	-13
TOTAL REVENUES	-17

Sources of Decline in Individual Income Tax Receipts in 2009

- Falling nonwage incomes (capital gains, business-related incomes, other)
- Declining wages and salaries
- Declining effective tax rates
- Timing of payments (2008 overwithholding)





Sources of Decline in Corporate Income Tax Receipts in 2009

- Declining profits from current production
- Rising deductions for bad debts
- Declining capital gains
- Legislated tax reductions

Baseline Projections

- They are a forecast under current law, which differs from forecasts incorporating law changes.
- Thus, various tax provisions are assumed to expire as currently scheduled.

Economic Outlook

- Positive economic growth is expected during the second half of 2009.
- The recovery is expected to be slow.
- Inflation is expected to remain low with the economy operating below potential output for the next few years.

CBO's Baseline Economic Projections

(Calendar year growth, average annual percent)

	2010	2011	2012-13	2014-19
Real GDP	1.7	3.5	4.7	2.5
GDP Price Index	1.1	0.4	0.6	1.5
Nominal GDP	2.9	4.0	5.3	4.1

Revenue Outlook

- Bounce back in growth in 2010, due to expiring business and other tax reductions, economic recovery
- Rapid growth in 2011 and 2012 with expiration of multiple tax law changes
- Longer-term increases in individual income tax revenues relative to GDP from real bracket creep, retirement incomes, AMT, and capital gains.

Projected Baseline Revenue Growth (average annual %)

Revenue Source	2010	2011-19
Individual Income	7	10
Corporate Income	40	8
Social Insurance	2	4
Other	15	5
TOTAL REVENUES	8	7

Projection for Federal Revenues (Percent of GDP)

