BACKGROUNDER
No. 3414 | JUNE 6, 2019
GROVER M. HERMANN CENTER FOR THE FEDERAL BUDGET

A Progressive Road Map for Soaking the Middle Class

Adam N. Michel

KEY TAKEAWAYS

Americans shouldn't be forced to pay higher taxes to fund big government. Congress should instead control spending.

If American fiscal policy continues to follow the model of European welfare states, U.S. tax policy will also need to change.

Americans can avoid higher taxes if Congress avoids new spending and reforms the largest drivers of spending—Medicare, Medicaid, Obamacare, and Social Security

Washington's finances cannot be fixed without a significant reduction in the growth rate of spending—or large tax increases on the middle class. The Congressional Budget Office estimates that spending will exceed revenues by $900 billion in 2019. The actual number will be even larger if Congress passes emergency or infrastructure spending packages this year.[1] If current policy continues, in 10 years, the 2029 budget deficit will likely exceed $2 trillion in that year alone.[2] As a matter of mathematical certainty, large and growing budget deficits cannot continue forever.[3]

Politicians, both Republicans and Democrats, have shown little desire to control the rate of spending growth. Recent proposals, such as Medicare for All, free college, a national job guarantee, paid family and medical leave, and the Green New Deal, are conservatively estimated to cost more than $50 trillion over

10 years, or about $5 trillion a year.[4] A $5 trillion increase in outlays would more than double the $4.4 trillion 2019 federal budget.

Without controls on spending growth, Congress will eventually raise taxes. Popular proposals to raise taxes on the rich are insufficient to cover the current level of government spending, let alone the $50 trillion European-style welfare state agenda. Combined, the popularly discussed wealth tax, 70 percent top tax rate, and a financial transactions tax would, in the most optimistic scenarios, raise about $300 billion a year.[5] That is about a third of the current budget deficit, 15 percent of the projected current-policy 2029 budget deficit, or just 6 percent of the new spending called for by prominent progressives.

Although few countries have all the programs currently being proposed by the progressive Left in the U.S., expansive government services and government-run health care exist around the world, especially in Europe. If Americans want European-style government services, they should be ready for European-style taxes. European welfare states do not rely on overly progressive tax systems. Instead, they use broad-based taxes like the value-added tax (VAT), high payroll taxes, and relatively flat income taxes, which fall primarily on taxpayers in the middle of the income distribution.

If Congress continues to look to Europe as a model for its spending policy, Congress will eventually adopt the European tax policy, too. On average, about 37 percent of all economic activity is taxed by the governments of the 23 countries that are members of the European Union as well as of the Organization for Economic Co-operation and Development (EU-OECD).[6] In the U.S., taxes consume 27 percent of economic output. To raise large

1. Justin Bogie, "House Democrats Pursue a Reckless Spending Deal, Not a Budget," The Daily Signal. April 8, 2018, https://www.dailysignal.com/2019/04/08/house-democrats-pursue-a-reckless-spending-deal-not-a-budget/.

2. Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 28, 2019, https://www.cbo.gov/publication/54918 (accessed April 10, 2019).

3. Paul Winfree, "Causes of the Federal Government's Unsustainable Spending," Heritage Foundation *Backgrounder* No. 3133, July 7, 2016, https://www.heritage.org/budget-and-spending/report/causes-the-federal-governments-unsustainable-spending.

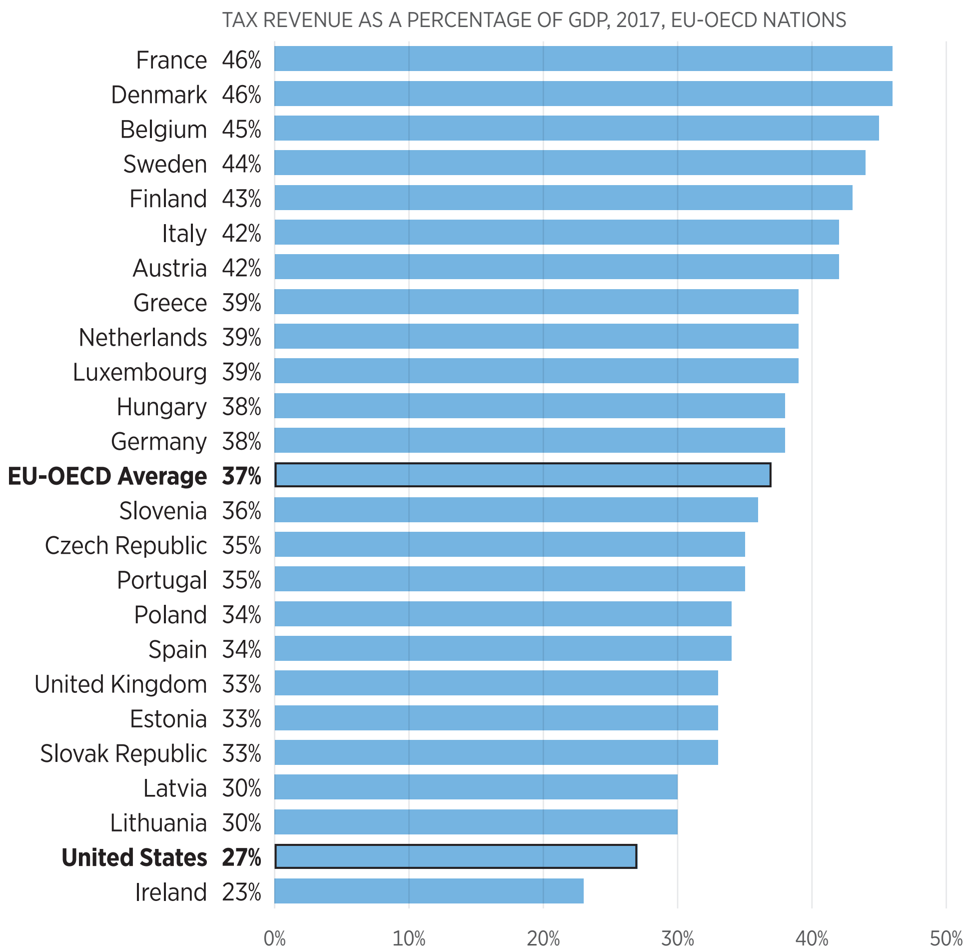
4. Douglas Holtz-Eakin et al., "The Green New Deal: Scope, Scale, and Implications," American Action Forum, February 25, 2019, https://www.vox.com/the-big-idea/2018/8/7/17658574/democratic-socialism-cost-medicare-college-sanders-deficits-taxes (accessed April 10, 2019), and Brian Riedl, "America Might Be Ready for Democratic Socialism. It's Not Ready for the Bill," Vox.com, August 7, 2018, https://www.vox.com/the-big-idea/2018/8/7/17658574/democratic-socialism-cost-medicare-college-sanders-deficits-taxes (accessed April 10, 2019).

5. Wealth tax, $210 billion a year or $2.75 trillion over 10 years; 70 percent rate, $29 billion or $291.7 billion; financial transactions tax, $77 billion or $776 .7 billion. See Emmanuel Saez and Gabriel Zucman, University of California, Berkeley, letter to Senator Elizabeth Warren, January 18, 2019, http://gabriel-zucman.eu/files/saez-zucman-wealthtax-warren.pdf (accessed May 29, 2019); Kyle Pomerleau and Huaqun Li, "How Much Revenue Would a 70% Top Tax Rate Raise? An Initial Analysis," Tax Foundation, January 14, 2019, https://taxfoundation.org/70-tax/ (accessed May 29, 2019; and Congressional Budget Office, "Options for Reducing the Deficit: 2019 to 2028—Revenues: Impose a Tax on Financial Transactions," December 13, 2018, https://www.cbo.gov/budget-options/2018/54823 (accessed May 29, 2019).

6. Those 23 countries are: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom.

CHART 1

U.S. Collects the Second-Lowest Amount of Taxes, After Ireland



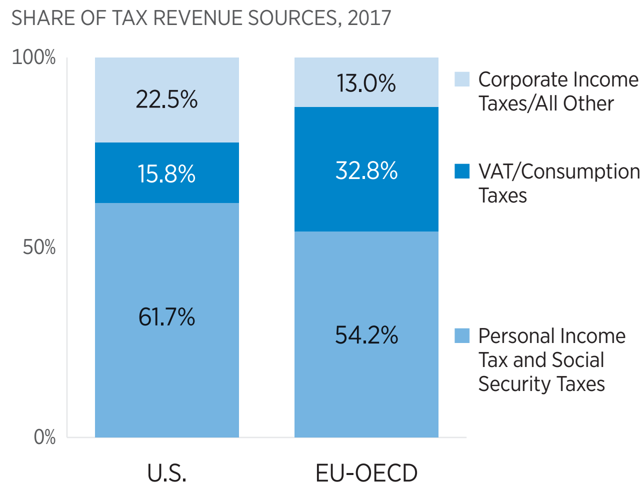
SOURCE: OECD.Stat, "Revenue Statistics–OECD Countries: Comparative Tables," https://stats.oecd.org/index.aspx?DataSetCode=REV (accessed May 20, 2019).

BG3414 heritage.org

amounts of tax revenue, many of these countries implement marginal wage tax rates of 50 percent or more on all income earned over $37,000 a year, a below-average wage. Higher incomes are taxed at even higher rates. European-style sales taxes on goods and services, called VATs, have rates above 20 percent, on average. Such high taxes would not be a desirable outcome for any American's economic well-being, but voters and the Congress they elect should be adequately acquainted with the reality of funding big government.

CHART 2

Europe Relies on Consumption Taxes Much More than the U.S.



SOURCE: OECD.Stat, "Revenue Statistics–OECD Countries: Comparative Tables," https://stats.oecd.org/index.aspx?DataSetCode=REV (accessed May 20, 2019). Note: Calculations include 2016 data for Greece.

BG3414 heritage.org

How Do U.S. Taxes Compare to Europe?

The United States is not a high-tax country compared to our European counterparts. The total level of taxation is important because it represents a sort of average, countrywide tax rate and shows how much of the economy is driven by politics rather than markets. Across the EU-OECD, seven countries have governments that tax over 40 percent of the economic activity. (See Chart 1.) In the United States, federal, state, and local taxes consume about 27 percent of output (gross domestic product (GDP)).

The composition of how that revenue is raised also varies greatly across the EU-OECD. Chart 2 shows that individual income taxes, payroll taxes, and VATs comprise the largest portions of most countries' tax revenue. The breakdown by each country can be found in the appendix.

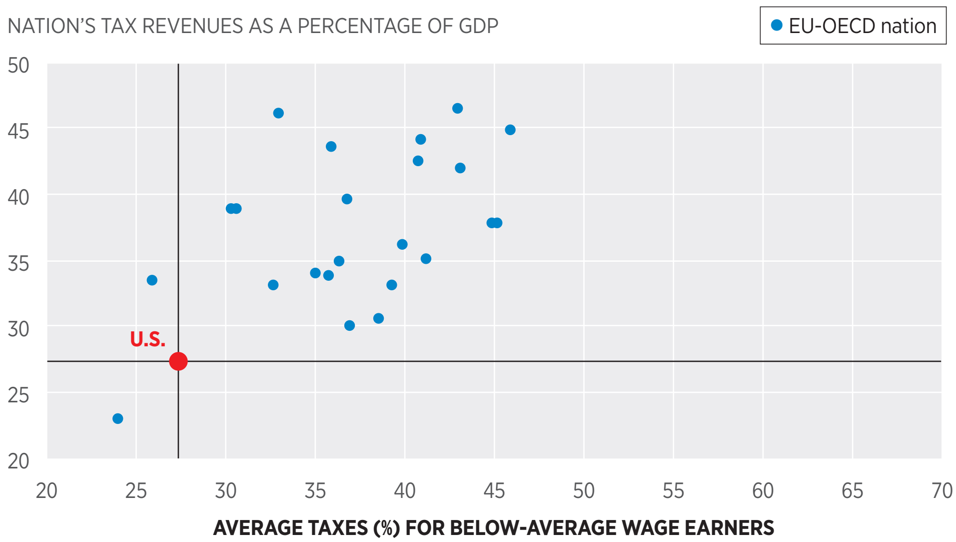
Taxing Wages to Fund Big Government

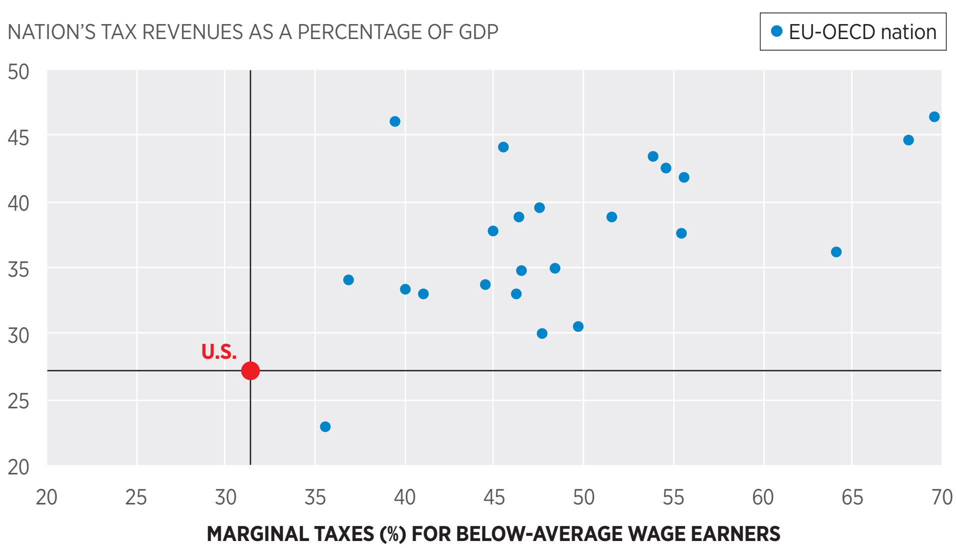
Wage taxes make up the single largest share of tax revenue for every EU-OECD country. Wage taxes can be expressed as the marginal and average tax wedge on labor income, by combining income taxes, employee payroll taxes and employer payroll taxes at each level of government. Although the employer legally writes the check for some payroll taxes, economists generally agree that workers bear the entire cost of the payroll tax through lower wages.

CHART 3

In Europe, Below-Average Earners Pay High Taxes

Nearly every OECD nation in Europe has a higher overall tax burden than the U.S. As shown below, high overall taxes require higher average and marginal tax rates on people earning two-thirds the average wage, which is about $37,000 per year in the U.S.





NOTE: Tax rates are for 2018; revenue numbers are from 2017.
SOURCES: OECD, "Taxing Wages 2019," April 11, 2019, https://www.oecd.org/ctp/tax-policy/taxing-wages-20725124.htm (accessed May 20, 2019), and OECD.Stat, "Revenue Statistics–OECD Countries: Comparative Tables," https://stats.oecd.org/index.aspx?DataSetCode=REV (accessed May 20, 2019).

BG3414 heritage.org

The marginal tax wedge represents how much tax a worker must pay on the next dollar of income earned. If a worker is considering driving for Uber on the weekends for a little additional income, the marginal tax wedge shows how much of that additional income the worker would get to keep. High marginal taxes reduce the incentive for him to take the extra job or work as hard to get a raise or promotion.

The marginal tax on wages is above 40 percent on workers earning $37,000 a year (67 percent of the country's average earnings) in all but three of the EU-OECD countries for a single worker with no children.[7] In the United States, a single person making $37,000 a year faced a marginal tax wedge of 32 percent in 2018, lower than in any EU-OECD country. In eight countries, marginal taxes are above 50 percent for the same below-average wage worker. In France and Belgium, marginal rates on below-average incomes are 70 percent and 68 percent, respectively. Chart 3 shows that the marginal tax wedge tends to be higher in countries with higher tax burdens measured by tax revenues as a percent of GDP in 2017.

The average tax wedge divides total taxes paid on wages by what the worker would have earned without taxes. Chart 3 shows that over one-third of potential income is taxed away in all but three countries for a single worker with no children making 67 percent of the country's average earnings. In eight countries the average tax rate is above 40 percent. The U.S. has the third-lowest average tax wedge of 28 percent, behind Ireland (24 percent) and the U.K. (26 percent).

Workers earning above the average wage pay even higher taxes than low-wage workers in most countries across Europe. The marginal tax on wages is above 50 percent on workers earning close to $92,000 (167 percent of the average wage) in 13 of the EU-OECD countries for a single worker with no children.[8] The United States had the second-lowest marginal tax wedge of 41 percent, behind Poland (37 percent) in 2018. Appendix Chart 2 shows three countries have marginal taxes above 60 percent, and Sweden's top rate is just shy of 70 percent for workers earning 167 percent of the average wage.

Measured by the average tax wedge for above-average-wage workers, over half of the income that workers making $92,000 a year earn is taxed away in six countries. In all but three countries, the average tax rate is above 40 percent. The U.S. has the lowest average tax wedge of 34 percent.

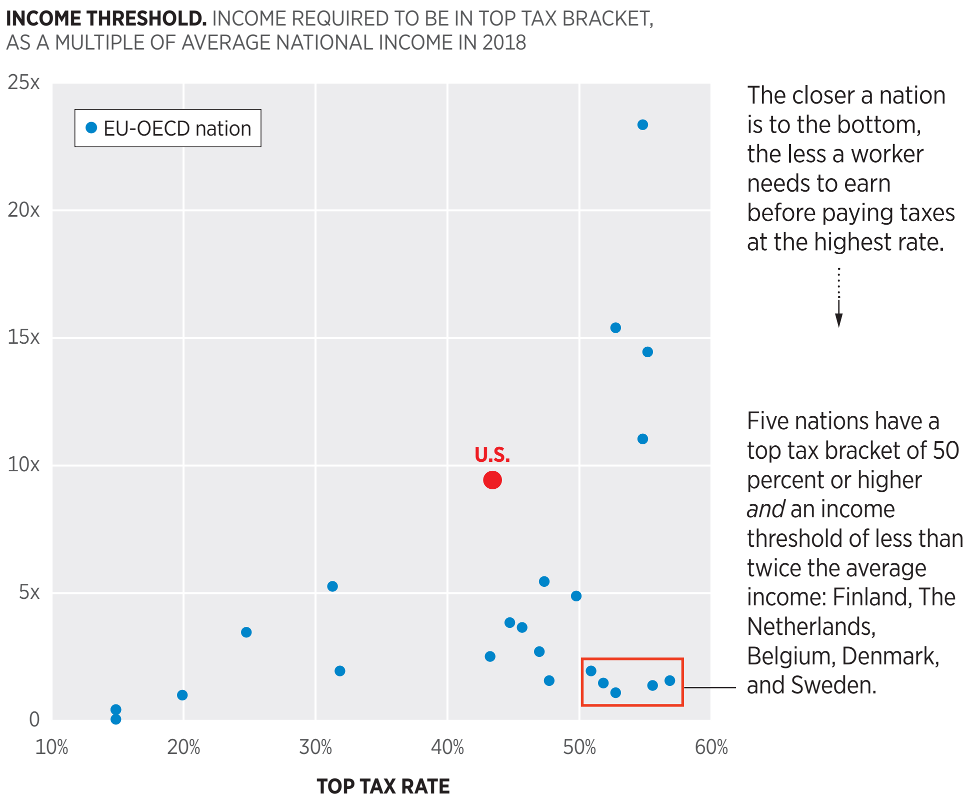
7. Total gross earnings before taxes in U.S. dollars for a single person at 67 percent of average earnings with no child was $36,817 in 2018. The U.S. dollar denominated 67 percent wage varies across countries.

8. Total gross earnings before taxes in U.S. dollars for a single person at 167 percent of average earnings with no child was $91,768 in 2018.

CHART 4

In Europe, Workers Don't Need to Earn Much to Pay the Highest Tax Rates

Workers in 17 European nations will pay taxes at the highest rate if they earn just five times their country's average income. In the U.S., a worker must earn 9.3 times the average income to reach the top tax bracket.



SOURCE: OECD.Stat, "Top Statutory Personal Income Tax Rate and Top Marginal Tax Rates for Employees," https://stats.oecd.org/index.aspx?DataSetCode=TABLE_I7 (accessed May 23, 2019).

BG3414 heritage.org

Looking just at income taxes (excluding payroll taxes), many EU-OECD countries apply their top marginal income tax rates to average or close to average income earners. As shown in Chart 4, in 11 EU-OECD countries, top combined federal and sub-federal income tax rates apply to people with less than two times the average country wage. In the U.S. that would mean individuals making more than about $110,000 a year would face a federal marginal income tax rate 13 percentage points higher than they pay currently. The U.S. has the fifth-highest income tax threshold among the EU-OECD. Across Europe, countries apply their highest tax rates to a much larger share of their citizen's income than in the U.S.

Compared to the U.S., top combined marginal income tax rates are higher in 15 of the 23 EU-OECD countries. Sweden, Denmark, Greece, France, and Austria all have top rates of 55 percent or higher. Five nations have a top tax bracket of 50 percent or higher and an income threshold of less than twice the national average. Sweden and Denmark's 57 percent and 56 percent marginal rates apply to incomes that are 1.5 percent and 1.3 percent of the average, respectively.

A 70 percent tax rate on incomes over $10 million, as has been proposed by some U.S. lawmakers, would make the U.S. an even more extreme outlier. The proposal would mean the U.S. would have the highest marginal tax rate among our European counterparts and the high rate would apply to incomes about 180 times the national average.[9] Such highly progressive systems do not raise much revenue, if any, and create economically destructive incentives for the most productive people in the country.[10]

Countries that choose to have large social and redistributive programs cannot rely only on taxes on the rich for funding. As the data show, countries that have larger governments than the U.S. use high taxes on low-income and middle-class workers to foot the bill.

Taxing Consumption to Fund Big Government

Across all levels of government, the U.S. relies on consumption taxes much less than any EU-OECD country. Chart 2 shows that 15.8 percent of all U.S. state and federal revenue comes from taxes on goods and services. Across Europe, consumption taxes are the largest single source of revenue, comprising 32.8 percent.

The United States is the only country in the OECD that does not use a VAT to raise a majority of consumption tax revenue. The VAT is a type of national sales tax that is collected by businesses at each stage of production, rather than at the cash register. In the U.S., most of the consumption tax revenue is collected by state governments through a sales tax at the point of sale. The U.S. federal government does not collect a broad-based consumption tax. Across all countries, a small portion of consumption tax

9. $10,000,000 / $55,000 = 182
10. Pomerleau and Li, "How Much Revenue Would a 70% Top Tax Rate Raise?"

revenue is raised through excise taxes on specific products, like cigarettes and alcohol.

In addition to higher wage tax rates than the U.S., EU-OECD countries also have significantly higher consumption tax rates. The average EU-OECD standard VAT rate was 21.8 percent in 2016.[11] The average state and local sales tax rate across the 50 U.S. states and the District of Columbia was 6.4 percent in the same year.[12]

VATs have at least three features that make them important components of paying for big government. First, lawmakers are able to raise more revenue with a VAT than they can with wage and corporate income taxes alone. Because the VAT is such an efficient way to raise revenue, compared to most other taxes, lawmakers can increase the size of government well beyond the size that could be supported by less-efficient income taxes alone.[13] VATs are also not always as visible as sales taxes because they are collected at each stage of production and often included in the posted price rather than added on at the point of sale.

Second, VATs are another way to raise taxes on lower-income and middle-class taxpayers because everyone has to buy goods and services. Unlike income taxes, where large portions of income can be excluded from tax, and rates can be set higher for high-income earners, everyone pays the same VAT rates. The VAT distributes the tax burden more evenly across all taxpayers. Because many observers wrongly think the VAT is regressive, it is often paired with large redistributive policies to compensate low-income earners for the higher taxes, further growing the size of government.[14]

Third, the VAT is not only paid by working-age income earners but also by non-income-earning retirees. In aging Western countries, where social programs for retirees continue to consume larger portions of current government expenditures, VATs are a convenient way to make retirees shoulder some of the burden of paying for their overpromised benefits.[15]

11. OECD, *Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues*, 2018, https://doi.org/10.1787/ctt-2018-en (accessed March 29, 2019).

12. Author's calculations from Scott Drenkard and Nicole Kaeding, "State and Local Sales Tax Rates in 2016," Tax Foundation, March 9, 2016, https://taxfoundation.org/state-and-local-sales-tax-rates-2016/ (accessed April 10, 2019).

13. Geoffrey Brennan and James M. Buchanan, "The Power to Tax," *The Collected Works of James M. Buchanan*, Vol. 9 (Indianapolis, IN: Liberty Fund, 2000), https://oll.libertyfund.org/titles/buchanan-the-collected-works-of-james-m-buchanan-vol-9-the-power-to-tax (accessed May 28, 2019).

14. When appropriately calculated, broad-based consumption taxes are not regressive because ultimately all income is consumed. Consumption taxes only appear regressive when examined at one point in time or in relation to income. Gilbert E. Metcalf, "Life Cycle versus Annual Perspectives on the Incidence of a Value Added Tax," *Tax Policy and the Economy*, Vol. 8 (1994), pp. 45–64, https://core.ac.uk/download/pdf/6806867.pdf (accessed April 10, 2019).

15. Hiromitsu Ishi, "Thinking the Unthinkable: A Tax Rise for a Sustainable Future in Japan," International Bureau of Fiscal Documentation *Asia Pacific Tax Bulletin*, 2003.

The VAT is often sold politically as a revenue-neutral substitute for other unpopular or economically harmful taxes. While such a tax swap is an interesting thought experiment, in the real world, a VAT usually leads to higher income taxes and overall higher government spending.[16] Historically, the VAT is associated with growing the size and scope of government, not making it more efficient.[17]

A Progressive Road Map to Taxing the Middle Class

Relative to the EU-OECD average, the U.S. is the second-lowest tax country by revenue raised as a percent of GDP. However, the true level of taxation is the level of spending. Even after accounting for large deficits, the U.S. is the fourth-smallest government when measured by expenditures as a percent of GDP, compared to the EU-OECD.

Simply raising enough tax revenue in the U.S. to meet current spending will require significant tax increases. Paying for even a small portion of the progressive agenda will require tax increases on the order of double or triple what most Americans pay today.

There is simply not enough money held or earned by wealthy taxpayers to fund government spending at levels seen across Europe. For the government to tax and spend half or more of all economic output each year, it must employ high taxes that fall squarely on the majority of citizens. Looking to Europe, it is evident that high taxes on the rich alone are not sufficient to pay for the progressive agenda. Big government requires high taxes on consumption and high taxes on lower-income and middle-class wages, in addition to other taxes on businesses and property. As a matter of arithmetic, typical taxpayers must be on the hook for expansive government spending.

The progressive rhetoric about raising taxes on the rich is only half the political story. U.S. tax history lends further color to the progressive strategy to leverage narrow taxes on the rich into mass taxes on everyone. First, raising taxes on the rich provides political cover to later raise taxes on middle-income earners. Tax historian Joseph Thorndike explains that high marginal income tax rates in the New Deal era were used "to help justify regressive consumption taxes on alcohol and tobacco, which

16. Daniel J. Mitchell, "Beware the Value-Added Tax," Heritage Foundation *Backgrounder* No. 1852, May 16, 2005, https://www.heritage.org/taxes/report/beware-the-value-added-tax.

17. Michael Keen and Ben Lockwood, "Is the VAT a Money Machine?" *National Tax Journal* (2006), pp. 905–928, and Ying Wang and Qi Fan, "Analysis of the Effect of the VAT on the Size of the Government and Recommendation on the Reform of the VAT in China," *Journal of Chinese Tax and Policy*, Vol. 4, No. 11 (2014), pp. 56–71.

supplied anywhere from a third to half of federal revenue during the early 1930s."[18] Again in the 1940s, he explains that high marginal tax rates of 90 plus percent were used to provide political cover for a "dramatic downward expansion of the income tax."[19]

Prominent supporters of more federal spending on health care, education, environmental policy, and income supports point to America's history of higher top marginal tax rates as evidence that the country should do it again. What they leave out of the story is that high-income taxpayers did not actually pay more in total taxes when top rates were as high as 90 percent. Avoidance was high, and the tax base was narrow and easily planned around.[20] Historically, high tax rates have not only been about making the rich pay more; instead, high marginal tax rates help build political support for more taxes on everyone else. As is clear when looking at the European fiscal model, large welfare states cannot be sustained by primarily taxing any narrow segment of the population. Everyone must pay for big government.

The cost of high taxes is more than the direct costs; all taxes have economic costs, too, even if they are turned into widely available benefit programs. The economic cost of taxes ultimately affects citizens through lower wages, increased prices, and less economic opportunity. Businesses and capital gains taxes decrease investment, which slows wage growth and job creation.[21] Wage taxes often mean that people work fewer hours and choose to be less innovative, slowing entrepreneurship.[22] Consumption taxes increase prices, decrease consumer's standards of living, and negatively affect employment and investment incentives. Big government requires high taxes, and high taxes have large negative effects on the well-being of every American.

A Different Path

If American fiscal policy continues to follow the lead of Europe, the tax policies of Europe will invariably have to follow. Americans still have a choice. By not adding any new spending programs and reforming the largest

18. Joseph J. Thorndike, "Democrats' Tax Reform Plan: Raise the Rates and Broaden the Base," Tax Notes, January 14, 2019, p. 162.
19. Ibid.
20. Erica York, "Income Taxes on the Top 0.1 Percent Weren't Much Higher in the 1950s," Tax Foundation, January 31, 2019, https://taxfoundation.org/income-tax-rich-1950s-not-high/ (accessed March 29, 2019).
21. Adam N. Michel, "The High Price that American Workers Pay for Corporate Taxes," Heritage Foundation *Backgrounder* No. 3243, September 11, 2017, https://www.heritage.org/taxes/report/the-high-price-american-workers-pay-corporate-taxes.
22. Charles I. Jones, "Taxing Top Incomes in a World of Ideas," National Bureau of Economic Research *Working Paper* No. 25725, April 2019, https://www.nber.org/papers/w25725 (accessed April 10, 2019).

drivers of future deficits—Medicare, Medicaid, Obamacare, and Social Security—it is possible to balance the budget and begin paying down the debt over time. The Heritage Foundation's *2020 Blueprint for Balance* presents one road map to balancing the budget without raising taxes by 2029.[23]

Even in the absence of new federal spending programs, tough choices must be made. The rate of growth of federal spending is currently growing faster than both the economy and tax collections. If current spending growth is not slowed down, taxes will eventually increase significantly for all taxpayers. There are no other sustainable options.

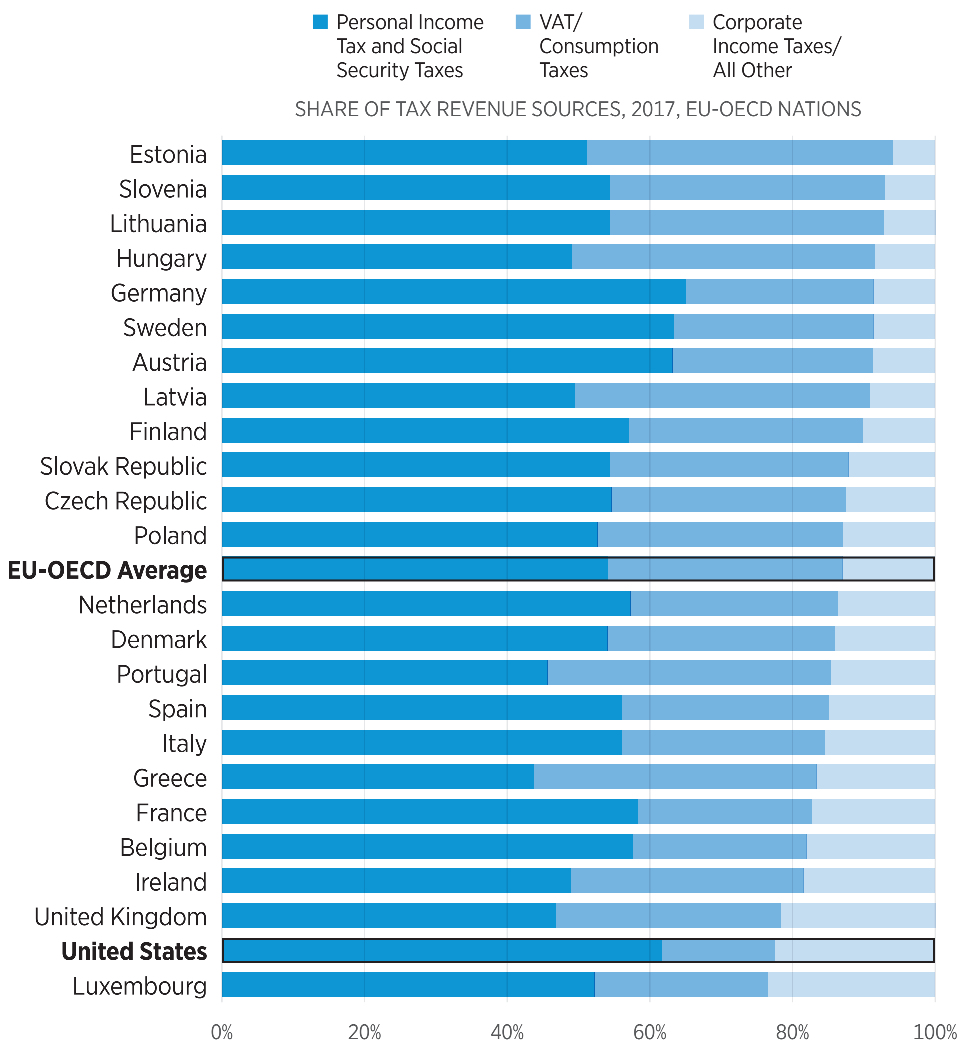
Adam N. Michel is Senior Policy Analyst in Fiscal Policy in the Grover M. Hermann Center for the Federal Budget, of the Institute for Economic Freedom, at The Heritage Foundation.

23. *Blueprint for Balance: A Federal Budget for Fiscal year 2020* (Washington, DC: The Heritage Foundation, 2019), https://www.heritage.org/blueprint-balance.

Appendix

APPENDIX CHART 1

Most Revenue Comes from Taxes on Wages and Consumption

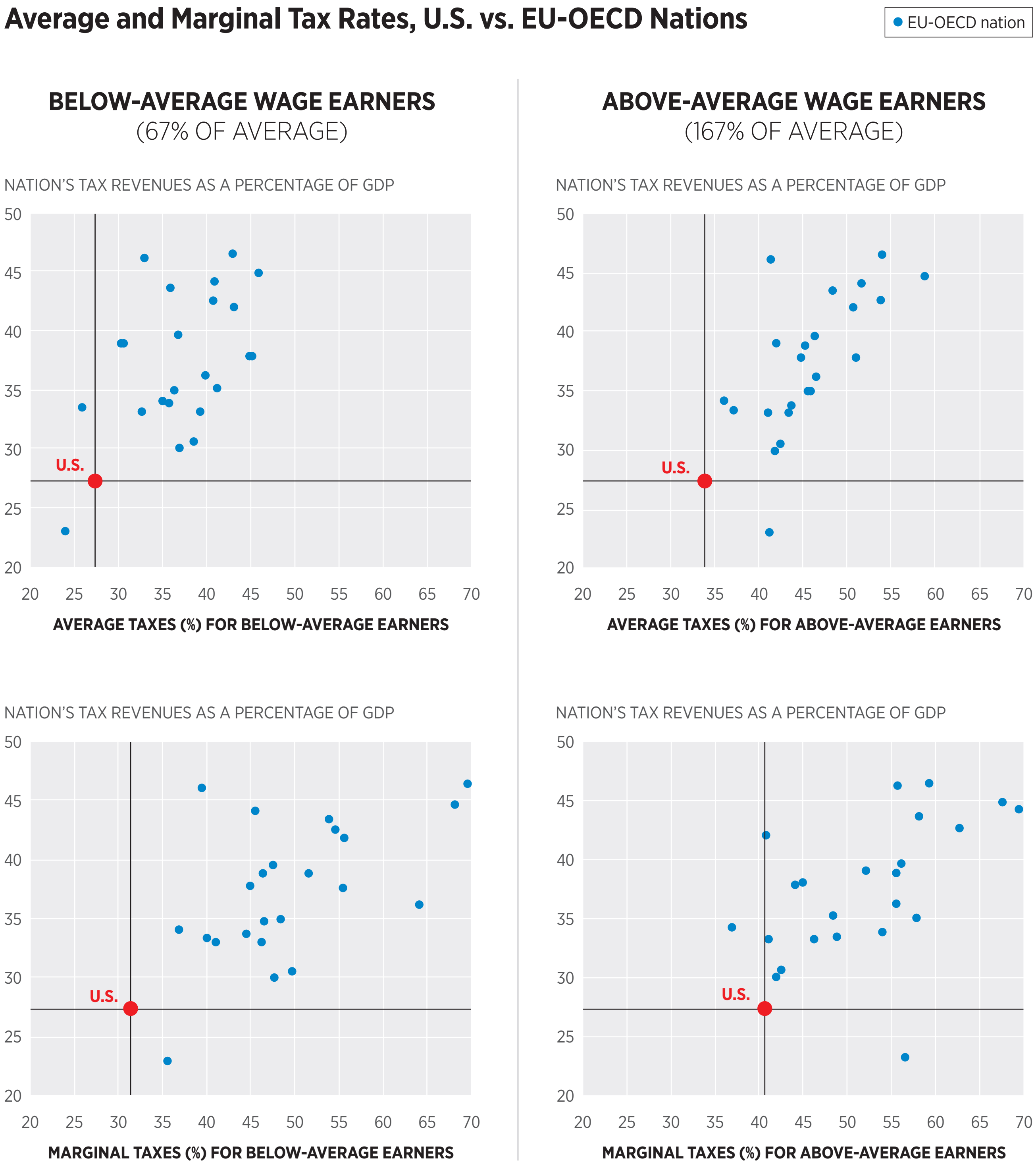


SOURCE: OECD.Stat, "Revenue Statistics–OECD Countries: Comparative Tables," https://stats.oecd.org/index.aspx?DataSetCode=REV (accessed May 20, 2019). Note: Figures for Greece are from 2016.

BG3414 heritage.org

APPENDIX CHART 2

Average and Marginal Tax Rates, U.S. vs. EU-OECD Nations



NOTE: Tax rates are for 2018; revenue numbers are from 2017.
SOURCES: OECD, "Taxing Wages 2019," April 11, 2019, https://www.oecd.org/ctp/tax-policy/taxing-wages-20725124.htm (accessed May 20, 2019), and OECD.Stat, "Revenue Statistics–OECD Countries: Comparative Tables," https://stats.oecd.org/index.aspx?DataSetCode=REV (accessed May 20, 2019).

APPENDIX TABLE 1

Tax Wedges and Tax Revenue in EU-OECD

	Average Tax Wedge: Single, No Kids		Marginal Tax Wedge: Principal Earner, Single, No Kids		
Country	167% of Average Earnings	67% of Average Earnings	167% of Average Earnings	67% of Average Earnings	**Tax Revenue as % GDP**
Austria	50.95	43.29	40.93	55.77	41.77
Belgium	59.00	46.07	67.82	68.28	44.60
Czech Republic	45.69	41.36	48.58	48.58	34.89
Denmark	41.51	33.18	55.86	39.62	45.98
Estonia	41.17	32.85	41.17	41.17	32.97
Finland	48.58	36.07	58.33	53.99	43.34
France	54.09	43.09	59.51	69.70	46.23
Germany	51.26	45.36	44.31	55.62	37.54
Greece	46.58	36.92	56.34	47.61	39.39
Hungary	45.04	45.04	45.04	45.04	37.71
Ireland	41.45	24.17	56.70	35.72	22.84
Italy	53.97	40.92	62.89	54.70	42.39
Latvia	42.63	38.66	42.62	49.83	30.40
Lithuania	42.07	37.11	42.07	47.79	29.84
Luxembourg	45.50	30.42	55.77	46.58	38.65
Netherlands	42.21	30.76	52.27	51.73	38.75
Poland	36.26	35.13	37.01	37.01	33.90
Portugal	46.04	36.50	57.98	46.67	34.71
Slovak Republic	43.58	39.48	46.33	46.33	32.90
Slovenia	46.71	39.97	55.72	64.26	36.02
Spain	43.82	35.92	54.15	44.63	33.66
Sweden	51.82	41.03	69.65	45.64	43.96
United Kingdom	37.33	26.11	49.03	40.25	33.26
United States	34.08	27.56	40.83	31.54	27.14

NOTE: Tax rates are for 2018; revenue numbers are from 2017.
SOURCES: OECD, "Taxing Wages 2019," April 11, 2019, https://www.oecd.org/ctp/tax-policy/taxing-wages-20725124.htm (accessed May 20, 2019), and OECD.Stat, "Revenue Statistics–OECD Countries: Comparative Tables," https://stats.oecd.org/index.aspx?DataSetCode=REV (accessed May 20, 2019).

BG3414 heritage.org

APPENDIX TABLE 2

Tax Rates and Income Threshold in EU-OECD, 2018

Country	**Top Tax Rates** (Statutory Personal Income Tax)	**Income Threshold** (Income Required to Be in Top Tax Bracket, as a Multiple of Average National Income)
Austria	55.00	23.27
Belgium	52.93	1.05
Czech Republic	15.00	0.32
Denmark	55.86	1.29
Estonia	20.00	0.89
Finland	51.11	1.89
France	55.37	14.34
Germany	47.48	5.38
Greece	55.00	10.99
Hungary	15.00	0.00
Ireland	48.00	1.50
Italy	47.23	2.66
Latvia	31.40	5.20
Lithuania	15.00	0.41
Luxembourg	45.78	3.60
Netherlands	51.95	1.40
Poland	32.00	1.86
Portugal	53.00	15.31
Slovak Republic	25.00	3.36
Slovenia	50.00	4.84
Spain	43.50	2.41
Sweden	57.12	1.49
United Kingdom	45.00	3.81
United States	43.65	9.32

SOURCE: OECD.Stat, "Top Statutory Personal Income Tax Rate and Top Marginal Tax Rates for Employees," https://stats.oecd.org/index.aspx?DataSetCode=TABLE_I7 (accessed May 23, 2019).

BG3414 heritage.org