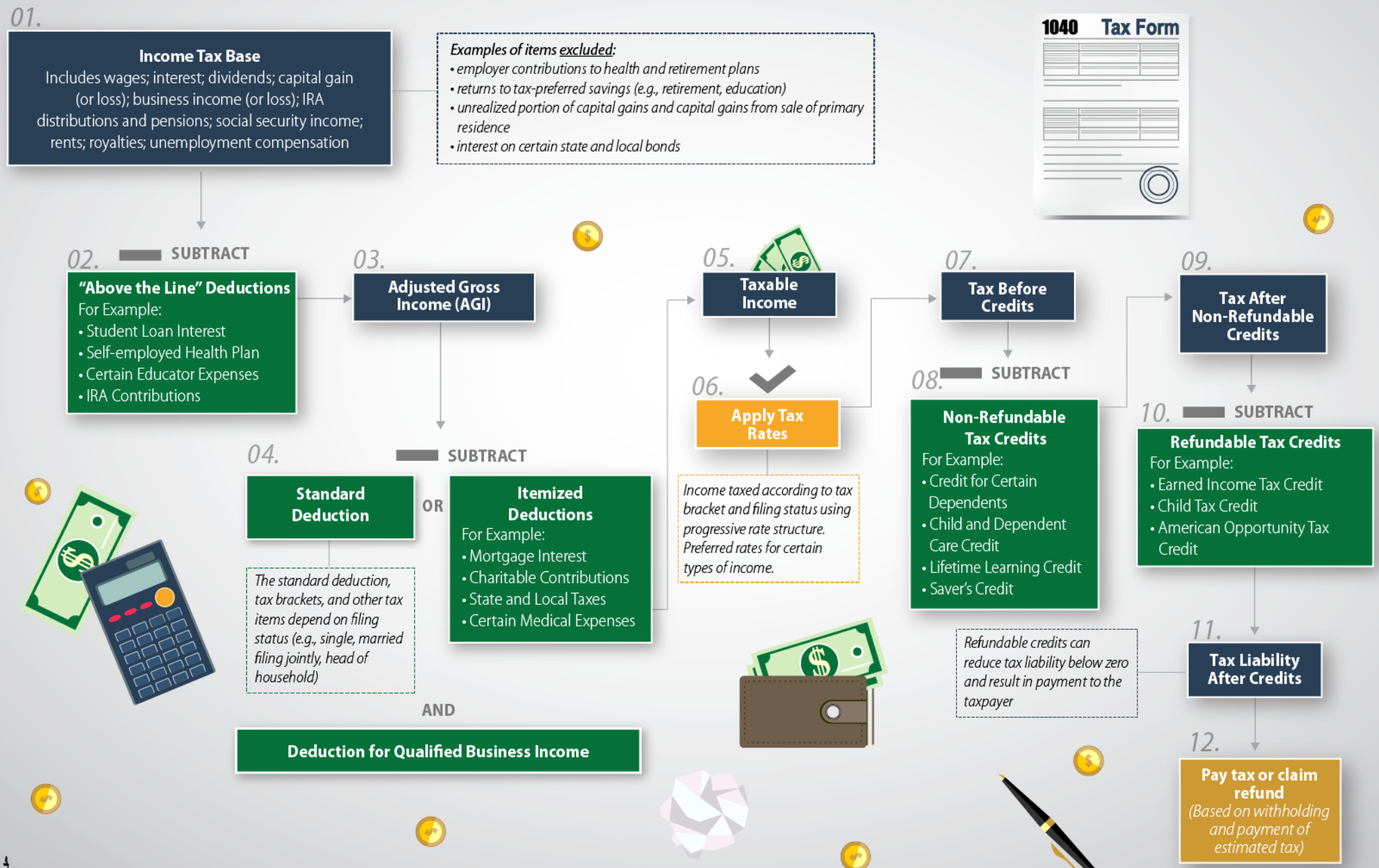


The U.S. Individual Income Tax System, 2018

The individual income tax is the federal government's largest source of revenue. In FY2018, the tax is estimated to generate 50% of federal government receipts, or \$1.7 trillion. There are several steps involved in calculating ordinary individual income taxes. First, taxpayers must add up all of their income. Then, taxpayers take a series of steps to calculate taxable income. Tax rates are applied to taxable income to calculate income tax before credits. Tax credits offset tax liability. A taxpayer's individual income tax liability is the amount of tax owed after credits are applied. Some taxpayers also calculate tax liability under the individual alternative minimum tax (AMT). The 2017 tax revision (P.L. 115-97) made substantive changes to the individual income tax system for 2018, which are reflected below. Most of the changes made in P.L. 115-97 are temporary and scheduled to expire at the end of 2025.



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