



# The FY2027 President's Budget in Historical Context: Revenues

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On April 3, 2026, the Trump Administration submitted its [budget for FY2027](#), which proposes to constrain nondefense spending, maintain spending on border security and immigration enforcement, and increase defense spending. In February 2026, the Congressional Budget Office (CBO) issued its [budget and economic outlook](#) along with its [current-law baseline projections](#). This Insight discusses the Administration's fiscal proposals in the context of longer-term budgetary trends and highlights selected events and legislation.

## Revenue Trends

**Figure 1** shows federal receipts by major category as a share of gross domestic product (GDP) since FY1962. Federal receipts exceeded outlays (gray line) in five years (FY1969, FY1998-FY2001). In all other years, the government ran a deficit, which required borrowing through the sale of Treasury securities. Economic conditions and employment levels affect tax receipts, as do major tax measures.

[Individual income tax](#) collections reflect economic conditions, rising when employment and asset values increase and fall during recessions, and they are also the largest component of federal receipts, accounting for an estimated 8.6% of GDP in FY2026. [Payroll taxes](#), such as for Social Security and Medicare, are the next largest revenue source, accounting for an estimated 5.7% of GDP in FY2026. [Corporate income taxes](#) as a share of GDP fell from 3.5% in FY1962 to an estimated 1.2% in FY2026.

## Major Tax Legislation

The [Revenue Act of 1964](#) (P.L. 88-272) lowered high Korean War-era marginal tax rates. Acts in the 1970s adjusted the tax code to offset bracket creep, where inflation pushed households into higher tax brackets. The 1981 [Kemp-Roth act](#) (P.L. 97-34) indexed brackets and cut marginal rates by about a quarter. A [1983 act](#) (P.L. 98-21) aimed to stabilize Social Security's finances for the coming 75 years by raising Social Security tax rates, phasing in a two-year increase in the full retirement age, and curtailing certain benefits. The 1986 [Tax Reform Act](#) (P.L. 99-514) [lowered marginal rates and curtailed many tax preferences](#) while aiming for budget neutrality. The 1993 omnibus act (P.L. 103-66) increased certain

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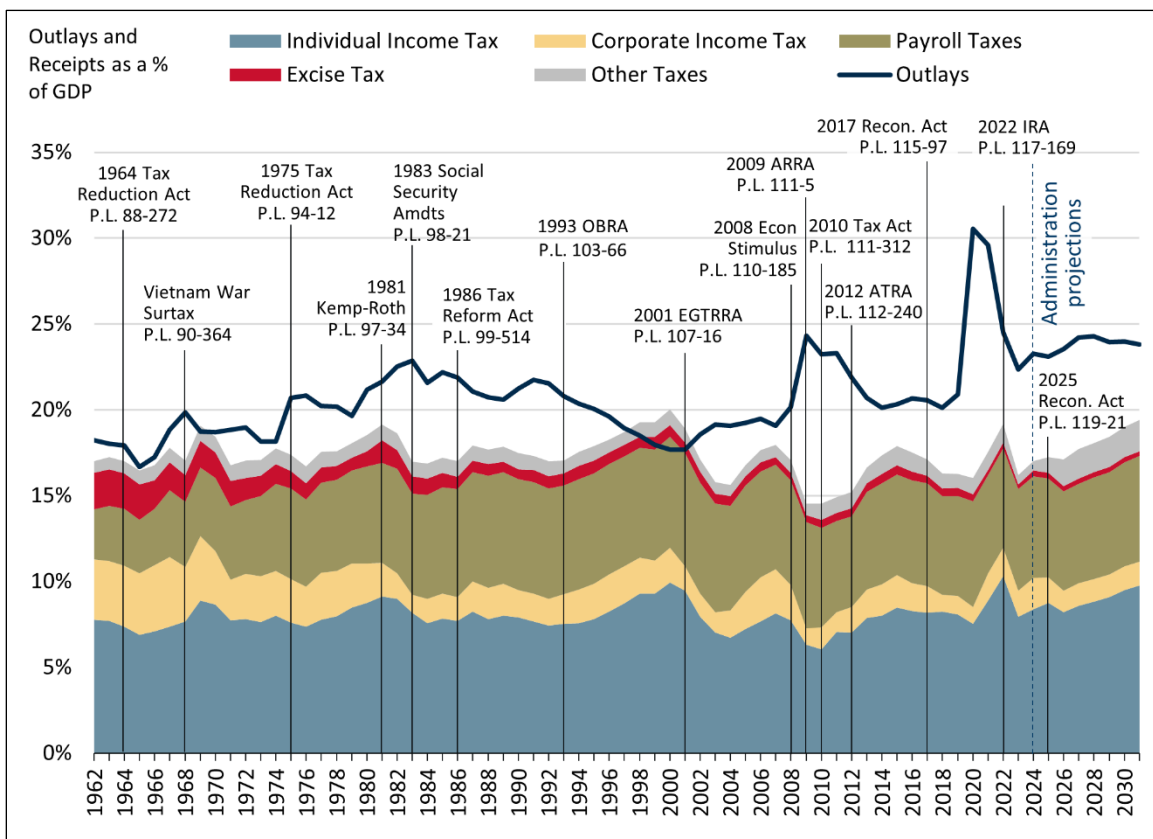
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taxes, helping to reduce deficits. Those taxes, constraints on federal spending, and the 1991 collapse of the Soviet Union and subsequent so-called “peace dividend” helped achieve budget surpluses in the late 1990s.

**Figure 1. Federal Receipts by Major Category as a Percentage of GDP, FY1962-FY2031**

Figure is interactive in HTML report version.



**Source:** CRS calculations based on [Office of Management and Budget](#) and [Bureau of Economic Analysis](#) data.

**Notes:** Revenue and outlay data are for fiscal years. Acts are shown in the calendar year in which they were enacted. FY2026 values are estimated and those for later years reflect Administration proposals and projections. Blue labels in HTML version are clickable links. Kemp-Roth = Economic Recovery Tax Act of 1981; OBRA = Omnibus Budget Reconciliation Act of 1993; EGTRRA = Economic Growth and Tax Relief Reconciliation Act of 2003; ARRA = American Recovery and Reinvestment Act of 2009; ATRA = American Taxpayer Relief Act of 2012; Recon. Act = Reconciliation Act. P.L. 117-169 is the budget reconciliation measure commonly referred to as the Inflation Reduction Act of 2022 (IRA).

In 2001, the Economic Growth and Tax Relief Reconciliation Act ([EGTRRA; P.L. 107-16](#)) lowered individual tax rates, expanded child and earned income tax credits, and shielded many taxpayers from the alternative minimum tax. Over the 10-year horizon, EGTRRA was estimated to increase the deficit by [\\$1.35 trillion](#), although longer-term costs were limited by a provision to sunset reduced rates at the end of 2010. That sunset provision allowed the measure to avoid a [Byrd Rule](#) objection, which bars consideration of measures that increase the deficit beyond the 10-year budget-scoring window. In 2003, the Jobs and Growth Tax Relief Reconciliation Act ([JGTRRA; P.L. 108-27](#)) accelerated some EGTRRA tax reductions, increased the child tax credit, and lowered tax rates on dividend and long-term capital gains income. Federal deficits increased sharply after 2001 due to those tax cuts, the end of the dot-com boom, wars in Afghanistan and Iraq, and increased spending in other areas, such as veterans programs.

Deficits increased even more sharply in the wake of the 2008-2010 financial crisis and ensuing Great Recession. A [2008 measure \(P.L. 110-185\)](#) authorized stimulus checks, and the [2009 ARRA \(P.L. 111-5\)](#) provided a larger degree of economic stimulus, including [an estimated \\$182 billion](#) in tax reductions. A [2010 measure \(P.L. 115-312\)](#) extended various lowered rates that were about to sunset. In late 2012, concerns that a “fiscal cliff” could undermine a slow recovery from the Great Recession led to passage of [a measure \(P.L. 112-240\)](#) that extended most of the JGTRRA tax cuts that were slated to expire.

The [2017 reconciliation act \(P.L. 115-97\)](#) permanently lowered the corporate income tax rate to 21%, lowered some individual income tax rates, and capped the state and local tax (SALT) deduction, among other changes. [CBO in 2018](#) estimated that the act would increase federal deficits by \$1.8 trillion over the 10-year budget window. The deep economic disruption caused by the COVID-19 pandemic complicates later assessments of the act’s fiscal costs.

The [2025 reconciliation act \(P.L. 119-21\)](#) extended most of the [2017 reconciliation act](#) individual and corporate tax provisions. It also exempted certain overtime and tips income from taxation and extended and expanded certain farm subsidies, among other provisions. Over the [10-year budget window](#), the act was estimated to decrease revenues by \$4.5 trillion relative to a current-law baseline, while increasing defense funding by \$150 billion and Department of Homeland Security immigration-related funding by about \$130 billion. Several [tax provisions expired](#) in 2025, such as pandemic-era enhanced subsidies for health insurance and the work opportunity credit.

## FY2027 Administration Budget

The Administration’s [topline budget summary](#) mentions no major revenue proposals.

The Office of Management and Budget (OMB) [projects federal receipts](#) as a share of GDP will rise from 17.1% in FY2026 to 18.3% in FY2032, largely due to an increase in individual income taxes from 8.2% of GDP in FY2026 to 9.2% of GDP in FY2031, before adjusting for changes in tariff policy. [CBO projects](#) more modest growth in total receipts, from 17.5% of GDP in FY2026 to 17.8% in FY2036, with individual income tax revenues rising from 8.6% to 9.1% of GDP over the FY2026-2036 period.

Economic growth is one key determinant of the trajectory of revenues. The Administration projects that the economy will grow 3.0% per year, faster than the 1.8% rate projected by the [Congressional Budget Office \(CBO\)](#) or the 2.0% rate projected by the [Federal Reserve](#). More recently, the [International Monetary Fund](#) warned that the war with Iran would likely reduce economic growth rates.

Tax administration is another determinant of revenue collections. [Reductions of funding and staff](#) at the Internal Revenue Service [reduced resources for enforcement](#). [CBO](#) and [other economic researchers](#) have found a strong positive relationship between enforcement and revenue collections.

OMB projected that tariff revenue (shown in [Figure 1](#) within “Other Taxes”) would rise from 0.6% of GDP in FY2025 to 1.4% of GDP in FY2027 and in later years. The Administration’s projections do not reflect refunds provided for tariffs that the [Supreme Court found](#) lacked legal basis. [CBO’s revised projections](#) indicate that the ruling’s effect on revenues would increase federal debt by \$2.0 trillion over the coming decade. [Tariffs](#) were the largest federal revenue source in the 19<sup>th</sup> century, but declined in importance in the last century, especially as post-World War II international agreements lowered tariffs.

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