

November 15, 2017

What Is the Difference Between the Statutory and Effective Tax Rate?

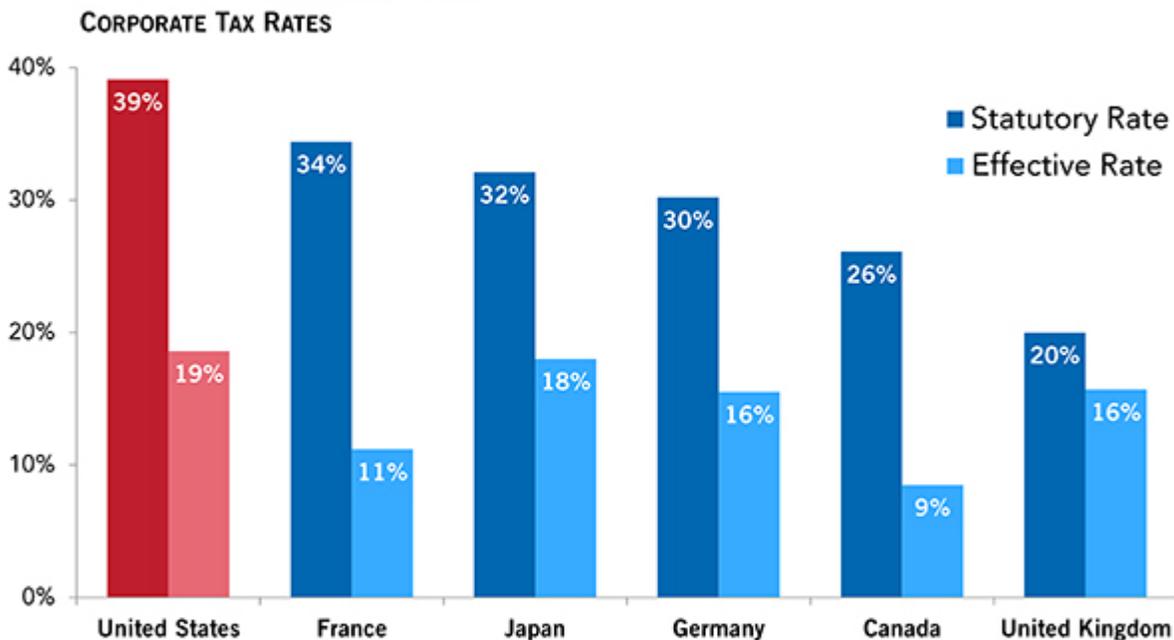
The *statutory tax rate* is the percentage imposed by law; the *effective tax rate* is the percentage of income actually paid by an individual or a company after taking into account tax breaks (including loopholes, deductions, exemptions, credits, and preferential rates).

For example, an individual making \$45,000 in 2017 would find him or herself in a bracket with a statutory tax rate of 25 percent. However, the *average effective federal tax rate* for someone with that income is 10.9 percent after taking into account the standard deduction, personal exemption, and other provisions for which they may be eligible.

The situation is similar with corporate taxes. The total statutory corporate tax rate, which includes the federal tax on corporate income (35 percent) as well as taxes imposed at the state and local levels, is 39 percent. However, the U.S. tax code has many preferences that affect the rate actually paid by corporations; taking those preferences into account, the average effective tax rate for corporations is 19 percent.



While the statutory rate in the United States is the highest in the G20, the effective rate is more in line with those of other countries



SOURCE: Congressional Budget Office, *International Comparisons of Corporate Income Tax Rates*, March 2017. Compiled by PGPF.

NOTE: Data are for 2012. Data for Japan and the UK are for 2015.

© 2017 Peter G. Peterson Foundation

PGPF.ORG

UPDATE (10/11/18): In December 2017, the Tax Cuts and Jobs Act was enacted, which implemented new

individual and corporate income tax rates. An updated comparison of statutory corporate income tax rates across countries can be found [here](#); data on the effective corporate tax rate is not yet available.

Related: Five things That We Have Learned Since The Tax Cuts Were Enacted

Want analysis to help you understand the latest fiscal news? Sign up for our bimonthly email newsletter.

- [Careers](#)
- [Terms of use](#)
- [Copyright policy](#)
- [Permissions](#)
- [Privacy policy](#)
- [Sitemap](#)

© 2019 Peter G. Peterson Foundation. All rights reserved.

Source URL: <https://www.pgpf.org/blog/2017/11/what-is-the-difference-between-the-statutory-tax-rate-and-the-effective-tax-rate>