

Where Do Your Tax Dollars Go?

When Americans file their taxes, it's natural to wonder, "Where do my tax dollars go? What do they fund? And what don't they fund?"

According to the latest Congressional Budget Office report on the distribution of federal taxes, Washington collects about \$20,000 from the average household. Yet the 2016 deficit was a whopping \$587 billion.

The almost \$3.3 trillion that the federal government taxes out of the economy each year isn't enough to satiate its profligate spending.

So where do our tax dollars go?

Some believe most of it goes to welfare and foreign aid. Others believe defense and corporate welfare dominate the budget.

In reality, health entitlements—Medicare, Medicaid, Obamacare—and Social Security are the largest programs. These entitlements and interest on the debt are set to consume every dollar of taxes paid in just over 20 years.

Social Security. The single largest federal program, Social Security accounts for roughly a quarter of all federal spending. Its trust funds are already paying out more than they take in, and as more people retire, the system will be under continued stress.

Without reform, the program's trustees project benefits will need to be cut as much as 21 percent if nothing is done by 2034 (the Congressional Budget Office projects insolvency will come four years sooner).

Major health entitlements. Federal health programs such as Medicare and Medicaid and Obamacare subsidies are also growing

at an unsustainable trajectory. Currently consuming 28 percent of the budget, health spending continues to grow faster than the economy.

Income security. Other income security programs—veterans' benefits, unemployment compensation, food and housing assistance, federal employee retirement, and disability—are 18 percent of the budget, surpassing national defense spending.

Defense. The defense budget covers everything from military paychecks, to operations overseas, to the research, development, and acquisition of new technologies and equipment.

At 16 percent of the federal budget, defense spending is the last major category of federal spending and has been falling as a percent of the budget for the last decade.

And the rest?

Interest. Over the coming decade, U.S. debt held by the public is projected to balloon to 89 percent of gross domestic product—driven primarily by health and Social Security spending.

Deficit spending does not come cheap. As the debt increases, so does the cost of the interest we must pay to those who hold the debt, the unfortunate result of excessive government spending.

Currently, 6 percent of the budget is spent on interest—money that takes away from other priorities. Over the next 10 years, net interest on the debt is projected to rise to almost 12 percent of the budget, more than is projected to be spent on national defense.

Without reforming America's massive and growing federal programs, Washington will have to continue to borrow increasing amounts of money, piling debt onto younger

generations and putting the nation on an unsustainable economic course.

Growing government spending threatens higher taxes on current and future taxpayers. Increasing taxes is not an option. Washington already takes too much of the money that Americans work hard to earn.

Congress must rethink how it is spending the people's money. The Heritage Foundation's recently released "Blueprint for Balance" provides a workable guide for spending reform, listing \$10 trillion of spending cuts that balance the budget in seven years.

The tax code is also badly in need of an update to make it less of a burden on the American people, American businesses and the economy. Pro-growth tax reforms can unleash private investment, encourage job creation, and fuel economic growth, increasing prosperity for all Americans.

The first step to putting the federal budget back on a sustainable path is fully accounting for how precious taxpayer dollars are being used. Are you getting your money's worth?

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