Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)

The growing debt is caused by a structural mismatch between spending and revenues

Federal Spending and Revenues (% of GDP)

SOURCES: Congressional Budget Office, The 2024 Long-Term Budget Outlook, March 2024; and Office of Management and Budget, Historical Tables, Budget of the United States Government: Fiscal Year 2025, March 2024.

NOTE: Projected data have been adjusted to remove the effects of timing shifts. Certain payments that would ordinarily have been made on the first day of this fiscal year (October 1) but are instead made at the end of September and thus shifted into the previous fiscal year are treated as belonging to the subsequent fiscal year.
Net interest costs are projected to rise sharply

Billions of Dollars

$0 $200 $400 $600 $800 $1,000 $1,200 $1,400 $1,600 $1,800

2016 2018 2020 2022 2024 2026 2028 2030 2032 2034

Actual Projected

10-Year Interest Costs: $12.4 trillion

By 2054, interest costs are projected to be nearly three times the amount the federal government has historically spent on R&D, infrastructure, and education combined.

Federal Spending (% of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Spending (1973–2022)</th>
<th>Projected Interest Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>2.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>2034</td>
<td>3.1%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2044</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>2054</td>
<td>6.3%</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Congressional Budget Office, *The Long-Term Budget Outlook: 2024 to 2054*, March 2024; and Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2025*, March 2024.

**Note:** Infrastructure excludes defense.

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Over the past decade, the U.S. spent more on interest costs than on other national priorities.

Federal Spending From FY2014 to FY2023 (Trillions of Dollars)

- **Net Interest Costs**: $3.5 Trillion
- **Education**: $1.9 Trillion
- **Veterans Benefits and Services**: $2.1 Trillion
- **Transportation**: $1.1 Trillion
- **Administration of Justice**: $0.6 Trillion
- **Natural Resources & Environment**: $0.4 Trillion


**NOTE**: Education includes education, training, employment, and social services.
Spending for Social Security and Medicare will continue to climb.

Federal Spending (% of GDP)

The elderly population is growing rapidly and living longer

U.S. Population Age 65+ (Millions)

Medical spending increases rapidly with age

Healthcare Spending Per Capita by Age Group (Dollars)

- 0–18: $4,217
- 19–44: $6,669
- 45–64: $12,577
- 65–84: $20,503
- 85+: $35,995

SOURCE: Centers for Medicare and Medicaid Services, National Health Expenditures by Age and Sex, August 2023.
NOTE: Data are for 2020.
Healthcare costs in the United States have increased drastically over the past several decades.


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U.S. per capita healthcare spending is over twice the average of other wealthy countries

Healthcare Costs Per Capita (Dollars)

- United States: $12,555
- Switzerland: $8,049
- Germany: $8,011
- Netherlands: $7,358
- Belgium: $6,600
- Australia: $6,596
- France: $6,517
- Sweden: $6,438
- Average: $6,414
- Canada: $6,319
- Ireland: $6,047
- United Kingdom: $5,493
- Japan: $5,251
- Italy: $4,291


Notes: Data are latest available, which was 2022. Average does not include the United States. The five countries with the largest economies and those with both an above median GDP and GDP per capita, relative to all OECD countries, were included. Chart uses purchasing power parities to convert data into U.S. dollars.

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Although the United States spends more on healthcare than other developed countries, its health outcomes are generally not any better.

**Health Status**

- **Life Expectancy at Birth**
  - **Worst:** Colombia, Latvia
  - **Best:** Japan
- **Infant Mortality**
  - **Worst:** Colombia, Latvia
  - **Best:** Japan

**Quality of Primary Care**

- **Unmanaged Asthma**
  - **Worst:** Turkiye
  - **Best:** Japan
- **Unmanaged Diabetes**
  - **Worst:** Turkiye
  - **Best:** Japan

**Quality of Acute Care**

- **Safety During Childbirth**
  - **Worst:** Canada
  - **Best:** Colombia
- **Heart Attack Mortality**
  - **Worst:** Mexico
  - **Best:** Costa Rica


**NOTES:** Data are not available for all countries for all metrics. Data are for 2022 or latest available.
As the population ages, fewer workers will be paying taxes to support each Social Security beneficiary.

**Workers per Beneficiary Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>4.0</td>
</tr>
<tr>
<td>1984</td>
<td>3.2</td>
</tr>
<tr>
<td>2004</td>
<td>3.3</td>
</tr>
<tr>
<td>2024</td>
<td>2.7</td>
</tr>
<tr>
<td>2044</td>
<td>2.3</td>
</tr>
</tbody>
</table>


**NOTE:** Data are covered workers per beneficiary of the Old-Age, Survivors, and Disability Insurance program.
Social Security is facing significant cash shortfalls

Social Security Surpluses/Deficits (% of GDP)

-2.0%
-1.5%
-1.0%
-0.5%
0.0%
0.5%
1.0%


NOTES: Surplus/deficit numbers exclude interest income. The Old-Age & Survivors Insurance trust fund is projected to be depleted in 2033 and lead to a 21 percent cut in benefits that year; the Disability Insurance trust fund is not projected to become depleted during the 75-year period ending in 2097.
Low-income seniors rely on Social Security benefits for a major share of their retirement income

Social Security Benefits (% of Total Income)

- **Lowest Quintile** (Under $13,499): 81%
- **Second Quintile** ($13,499–$23,592): 81%
- **Middle Quintile** ($23,592–$39,298): 61%
- **Fourth Quintile** ($39,298–$72,129): 39%
- **Highest Quintile** (Over $72,129): 15%


NOTE: A quintile is one-fifth of the population. Data are for 2014.
Discretionary spending is projected to remain below its historical average.

**Percent of Federal Spending**

- 2013: 65%
- 2023: 73%
- 2033: 76%

**Mandatory Spending and Net Interest Costs**

- 2013: 35%
- 2023: 28%
- 2033: 21%

**Discretionary Spending**

**Percent of GDP**

**20-Year Average (2003–2022)**

2003: 73%
2008: 65%
2013: 76%
2018: 80%
2023: 76%
2028: 72%
2033: Projected decrease


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Defense spending accounts for nearly half of total discretionary spending

2023 Discretionary Outlays:
$1,722 Billion

Defense 47%
Nondefense 53%

The United States spends more on defense than the next 9 countries combined.

Defense Spending (Billions of Dollars)

China: $883 Billion
Russia
India
Saudi Arabia
United Kingdom
Germany
Ukraine
France
Japan
United States: $916 Billion

SOURCE: Stockholm International Peace Research Institute, SIPRI Military Expenditure Database, April 2024.
NOTES: Figures are in U.S. dollars converted from local currencies using market exchange rates. Data for the United States are for fiscal year 2023, which ran from October 1, 2022 through September 30, 2023. Data for the other countries are for calendar year 2023. The source for this chart uses a definition of defense spending that is more broad than budget function 050 and defense discretionary spending.

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Non-defense discretionary spending funds a wide range of programs

Nondefense Discretionary Outlays in 2023 (Billions of Dollars): $912 Billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veterans' Benefits and Services</td>
<td>$131</td>
</tr>
<tr>
<td>Transportation</td>
<td>$115</td>
</tr>
<tr>
<td>Education</td>
<td>$124</td>
</tr>
<tr>
<td>Income Security</td>
<td>$101</td>
</tr>
<tr>
<td>Administration of Justice</td>
<td>$73</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>$61</td>
</tr>
<tr>
<td>Community and Regional Development</td>
<td>$41</td>
</tr>
<tr>
<td>General Science, Space, and Technology</td>
<td>$40</td>
</tr>
<tr>
<td>Other</td>
<td>$21</td>
</tr>
<tr>
<td>General Government</td>
<td>$20</td>
</tr>
<tr>
<td>International Affairs</td>
<td>$84</td>
</tr>
</tbody>
</table>

NOTES: Health includes funding for agencies that provide healthcare services or engage in health research, such as the National Institutes of Health, Centers for Disease Control and Prevention, and Indian Health Service. Education also includes Training, Employment, and Social Services ($27 billion). Agriculture ($8 billion) and Energy ($6 billion) are included in Natural Resources and Environment. Income Security includes Housing Assistance ($62 billion). Other includes Commerce and housing credit as well as the administrative costs of Social Security and Medicare.

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The federal government collects revenues from a variety of sources

Projected 2024 Revenues
$4,935 Billion

- Individual Income: 50%
- Payroll: 34%
- Corporate Income: 11%
- Excise: 2%
- Customs Duties: 2%
- Other: 1%


NOTE: Other includes estate and gift taxes, income from the Federal Reserve, and miscellaneous fees and fines.
The U.S. tax system is progressive, with higher-income taxpayers facing higher tax rates.

### Effective Federal Tax Rates By Type (% of Expanded Cash Income in 2022)

<table>
<thead>
<tr>
<th>Type</th>
<th>Lowest Quintile</th>
<th>Second Quintile</th>
<th>Middle Quintile</th>
<th>Fourth Quintile</th>
<th>80–90th Percentile</th>
<th>90–95th Percentile</th>
<th>95–99th Percentile</th>
<th>Top 1 Percent</th>
<th>Top 0.1 Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Income Tax</td>
<td>4%</td>
<td>9%</td>
<td>14%</td>
<td>18%</td>
<td>21%</td>
<td>23%</td>
<td>25%</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Payroll Tax</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Estate Tax</td>
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<td></td>
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<tr>
<td>Excise Tax</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>


**NOTES:** Individual income tax rates for the lowest and second quintiles are negative and are netted against the payroll tax rate. A quintile is one-fifth of the population. In 2022 dollars, the income breaks are: 20% $30,600; 40% $59,700; 60% $105,900; 80% $193,600; 90% $281,800; 95% $409,800; 99% $991,000; 99.9% $4,409,300.
The top 1 percent of taxpayers generate 24 percent of total federal tax revenues.

**Share of Federal Tax Revenues**

- **Top 1 Percent**: 24%
- **All Other Taxpayers**: 76%


**NOTES**: Federal tax revenues include revenues from the excise tax, estate tax, corporate income tax, payroll tax, and individual income tax. Data are for 2023. Income percentile classes are based on 2022 dollars; a tax unit was in the top 1 percent if its income was $991,000 or higher, as measured by expanded cash income.
Income growth since 1980 has been larger for high-income earners, even when including transfers and taxes.

Cumulative Growth in Average Income After Transfers and Taxes (2020 Dollars)

NOTES: Income after transfers and taxes is comprised of market income plus income from social insurance programs (i.e. Social Security), plus means-tested transfers received (i.e. Medicaid), minus federal taxes.
Tax breaks cost more than any individual government spending program

Budgetary Cost in 2023 (Dollars)

- **Total Tax Expenditures**: $1.8 trillion
- **Individual & Corporate Income Tax Revenues**: $2.6 trillion
- **Social Security**: $1.3 trillion
- **Defense**: $821 billion
- **Medicare**: $848 billion


**NOTES**: Tax expenditures are deductions, credits, exclusions, and preferential rates. The estimates for tax expenditures reflect the total in the individual and corporate income tax systems; they do not account for any interactive effects of combining various provisions. Medicare spending is net of premiums and payments from the states. Defense represents discretionary defense spending.
Eight popular tax provisions account for 70 percent of annual tax expenditures

<table>
<thead>
<tr>
<th>Major Tax Expenditures</th>
<th>Budgetary Costs (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusion of pension contributions and earnings and individual retirement arrangements*</td>
<td>$369 billion</td>
</tr>
<tr>
<td>Exclusions of and reductions on dividends and long-term capital gains**</td>
<td>$311 billion</td>
</tr>
<tr>
<td>Exclusion of employer contributions for medical insurance and care</td>
<td>$202 billion</td>
</tr>
<tr>
<td>Child Tax Credit (CTC)</td>
<td>$122 billion</td>
</tr>
<tr>
<td>Subsidies for insurance purchased through health benefit exchanges</td>
<td>$80 billion</td>
</tr>
<tr>
<td>Earned Income Tax Credit (EITC)</td>
<td>$71 billion</td>
</tr>
<tr>
<td>Step-up basis of capital gains at death</td>
<td>$58 billion</td>
</tr>
<tr>
<td>20-Percent deduction for certain Pass-through income</td>
<td>$56 billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1.3 trillion</strong></td>
</tr>
</tbody>
</table>


NOTES: *Estimate includes defined benefit plans and defined contribution plans. **Estimate includes qualified dividends, home sales, and exclusion of small corporate stock. Entries do not sum due to rounding.
The top 1 percent of taxpayers receive 19 percent of the benefit from individual income tax expenditures.

Distribution of Individual Income Tax Expenditures

- Top 1 Percent: 19%
- All Other Taxpayers: 81%

NOTES: Data are for 2019. Data only include major non-business and non-payroll tax expenditures that are claimed on individual tax returns.
The growing federal debt is projected to reduce family incomes substantially.

Income Loss For a Four-Person Family, on Average (2019 Dollars)

- $4,000 in 2028
- $8,000 in 2038
- $16,000 in 2048


NOTE: The income measures are based on CBO’s projections of real gross national product per person. The income loss is the difference between the income level if debt rises as it does under current law and the income level if debt remains near its current share of gross domestic product.
Waiting to act raises the cost of stabilizing the debt

Size of Annual Budget Changes Needed to Stabilize the Debt (% of GDP)

- **2027**: 3.5%
- **2032**: 4.3%
- **2037**: 5.7%

If Fiscal Reforms Begin in...

- **2027**: 3.5%
- **2032**: 4.3%, 23% larger
- **2037**: 5.7%, 63% larger


**NOTE**: Data reflect changes needed to stabilize the debt at 80 percent of gross domestic product by 2052.
Solutions Initiative 2019: Projected federal debt

Debt Held by the Public (% of GDP)
