

WebMemo



Published by The Heritage Foundation

No. 1394
March 14, 2007

The Republican Study Committee's Taxpayer Bill of Rights: Making Federal Budget Accountability a Reality

Nicola Moore and Alison Acosta Fraser

Over the last 40 years, federal spending has increased by 60 percent, to more than \$22,000 per household, and in 40 years, Social Security, Medicare, and Medicaid will consume the entire federal budget. Unless Congress adopts measures to control the budget, the result will be major government expansion and massive tax increases that could debilitate the economy. To avoid this unsustainable course, the Republican Study Committee (RSC) has introduced a Taxpayer Bill of Rights that would help restrain the burden of big government by forcing Congress to live within reasonable means.

Restrain Federal Spending. The RSC's first reform is to limit the growth of federal spending. Currently, government spending consumes 20 percent of GDP. Federal revenues amount to 18 percent of GDP, just above the historical average. However, if nothing is done to rein in spending—especially on Social Security, Medicare, and Medicaid—it will grow to almost 40 percent of GDP by 2050. Limiting the growth of spending would prevent government from reaching these European levels and force Congress to learn to live within reasonable means. Additionally, because spending levels influence the level of taxation, caps on spending would help keep taxes low, promoting continued economic growth.

Stop the Raid on Social Security. The RSC's second reform is to stop the raid on Social Security. Currently, more money is collected in Social Security taxes than is necessary to pay benefits, and Congress pilfers these excess funds in order to spend them on other projects. The problem is that this borrowing masks the true size of government.

If Congress did not have these funds to pay for wasteful programs such as the “Bridge to Nowhere,” it would be forced to run even larger deficits or to raise taxes, but because Congress quietly diverts money from the Social Security trust fund, the true cost of government goes unobserved. The RSC proposal would prevent Americans' retirement benefits from being robbed, while forcing Congress to fix its accounting practices.

Implement a Balanced Budget Amendment. The third measure in the RSC's plan is a balanced budget amendment. This amendment would prevent Congress from running a deficit except for emergency circumstances such as war. Because deficits are merely a symptom of the disease of excessive spending, the proposed amendment would call attention to both of these major problems with congressional fiscal discipline. True deficit reduction will require dealing with programs like Social Security and Medicaid head on, and the RSC's proposed amendment would balance the budget without raising taxes. This would force Congress to make the kinds of tradeoffs necessary to spend taxpayers' dollars wisely.

Modernize the Tax Code. The RSC's final reform is to sunset the current federal tax system. At over

This paper, in its entirety, can be found at:
www.heritage.org/research/budget/wm1394.cfm

Produced by the Thomas A. Roe Institute
for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

60,000 pages, the current tax code is too complex and laden with loopholes that create unfair tax benefits for some at the expense of others. Sunsetting the code and replacing it with a tax system that is simple and fair would promote economic growth, increase tax compliance, and help taxpayers understand the nation's tax burden.

The Accountability Reality. The federal budget has been growing out of control just because it could—there's been nothing to stop it. The result has been unprecedented spending, obfuscated by

a deceptive budget process. The RSC's reform proposal comes at a time when spending on programs like Social Security and Medicaid is set to explode and tremendous deficits loom. If it is serious about fiscal responsibility, Congress would do well to give the recommendations of the RSC honest consideration.

—Nicola Moore is Research Coordinator in, and Alison Acosta Fraser is Director of, the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

Further Reading

- Brian M. Riedl, "Restrain Runaway Spending with a Federal Taxpayer Bill of Rights," Heritage Foundation *Backgrounder* No. 1793, August 27, 2004.
- "Stop the Raid: Fiction vs. Fact," The Heritage Foundation, July 29, 2005.
- David C. John, "Misleading the Public: How the Social Security Trust Fund Really Works," Heritage Foundation *Executive Memorandum* No. 940, September 2, 2004.
- Daniel J. Mitchell, "Why a Tax Limitation/Balanced Budget Amendment is Needed to Control Taxation," Heritage Foundation *Backgrounder* No. 1104, February 19, 1997.
- Daniel J. Mitchell, "A Brief Guide to the Flat Tax," Heritage Foundation *Backgrounder* No. 1866, July 7, 2005.