

Seek Deficit Reduction & Entitlement Reform

Problem:

Despite some short-term improvements made in recent years, long-term debt challenges remain, and in the coming decades, the debt will squeeze budgetary resources that are vital to our economic success and competitiveness will be stymied. The COVID-19 pandemic and the legislation enacted in response created an additional set of issues, which need to be considered.

- The U.S. budget deficit was sliced in half from \$2.77 trillion to \$1.375 trillion for FY2022 – the biggest drop in history following two years of huge COVID-related spending. This accounts for nearly 25 percent of U.S. gross domestic product (GDP).
- Federal debt held by the public is projected to dip from 100 percent of GDP at the end of FY2021, to around 96 percent by the end of FY2023. This is a change from projections last year estimating an increase to 107 percent in 2023 – the highest in nation’s history.
- According to the White House, governmental receipts are estimated to increase from \$3.420 trillion in FY2020 to \$4.174 trillion – an increase of \$593.4 billion, or 16.6 percent, relative to 2021. Receipts are projected to grow at an average annual rate of 6.3 percent through 2026, rising to an estimated \$5,332.1 billion.
- The national debt continues to climb at a staggering pace, reaching more than \$30 trillion in 2022, up from \$27 trillion in October 2020. A combination of recessions, response to the COVID-19 pandemic, defense budget growth, and tax cuts has raised the national debt-to-GDP ratio to record levels. This is a stark contrast to the year 2001, when the federal government had a surplus of \$125 billion, and the national debt was less than \$3.5 trillion.

Solution:

For NSBA, meaningful tax reform, which includes deficit reduction and entitlement reform, is critically important in the effort to help grow the economy and help improve the fiscal situation. While there are still plenty of options available to make improvements on both fronts, the small business community demands action and soon.

Avoiding economically disastrous growth in the national debt will require an aggressive combination of reduced spending and increased revenue over the long term. Significant progress can be made by offsetting all new spending or tax cuts and by assuring solvency of all major trust funds. The sooner we act to get our debt under control, the easier pill it will be to swallow with more gradual changes we can hope to enact versus driving our economy off a fiscal cliff.