



The above chart by Mercatus Center Senior Research Fellow, Veronique de Rugy uses data from the Congressional Budget Office to illustrate the changes in income tax rates that will be required to pay for federal entitlement spending in coming years. Even for the lowest tax bracket, annual federal income taxes will have to *more than double* to pay for current levels of Medicare, Medicaid and Social Security spending.

These massive tax increases will be necessary *in spite of* the recently legislated changes to the healthcare system, which CBO has determined will increase costs over the next 20 years and will have indeterminate budget effects into the future.

In 2010, Medicare and Medicaid will cost a projected 5.0 percent of GDP and Social Security will cost a projected 4.8 percent of GDP. Combined, that's just under 10 percent of GDP. By 2020, the combined cost of these three programs is already projected to grow to 11.4 percent of GDP; extrapolating forward at constant growth rates, their cost will be at about 14.4 percent of GDP by 2030. To put this in context, total federal spending has averaged 18.5% of GDP over the last 40 years.

In order to truly address the Nation's long-term debt and deficit problems, the entitlement spending behind this debt and deficit must be addressed. If not, the American people should be prepared to have substantial amounts of their income taxed away.

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