2006 ANNUAL REPORT

on the

UNITED STATES GOVERNMENT

CONGRESSMAN PAUL RYAN
SERVING WISCONSIN'S 1ST DISTRICT

U.S. House of Representatives
WASHINGTON, DC 20515

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OFFICIAL BUSINESS

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Paul Ryan M.C.
PRSRT STD

ANNUAL REPORT TO TAXPAYERS

U.S. House of Representatives
Congressman Paul Ryan

Dear fellow taxpayer:

As taxpayers, we are shareholders in the federal government. Therefore, we are entitled to know how much money the government collects from us and how our money is spent. That is why I am sending you this 2006 Annual Report, which summarizes the U.S. government's finances.

It is important to consider a number of points as you read this year's report.

- **Tax cuts have fueled incredible economic growth.** Businesses have invested tax savings in purchasing new equipment and hiring more workers. The tax cuts have also allowed individual taxpayers to increase saving and investing. This economic activity has increased tax revenue from businesses by 27.2 percent and individuals by 12.6 percent.
- **Job creation is at an all-time high.** The unemployment rate recently dipped to its lowest level in five and a half years. Nearly 7 million jobs have been created since the recession ended in June 2003. In Wisconsin, the unemployment rate stands at 4.6 percent. Nationally, it is 4.5 percent.
- **The deficit is dropping faster than expected.** At the beginning of the year, the federal deficit was projected to be $423 billion dollars. Because of higher-than-expected tax revenues, the deficit was cut by 41 percent to $248 billion. At the same time, the stock market has hit record levels, which helps boost the growth of pension and retirement funds.
- **Government spending is still out of control.** The federal government is spending more money than it collects in taxes. The current practice of pork-barrel spending must end, and our budget laws must be reformed to bring more transparency and accountability to the way our tax dollars are spent. As the newly elected Ranking Member of the Budget Committee, I look forward to having a more influential role in bringing fiscal responsibility to Washington.
- **The biggest tax increase in history is looming.** The tax cuts that spurred the incredible economic growth we have experienced will expire in 2010 unless Congress takes action to make them permanent. Families and small business owners will be hit with a $4 trillion tax increase if these tax cuts are not extended.
- **Global competition is a fight we must win.** We can compete with emerging countries, such as China and India, without reducing U.S. workers' wages. Instead, by lowering the cost of doing business here at home, we can keep U.S. jobs from going overseas. In addition to keeping taxes low, steps must be taken to control health-care and energy costs, as well as regulatory and litigation expenses.

I hope you find this Annual Report helpful. As always, please feel free to contact me if I can be of assistance to you in dealing with the federal government. I am always happy to respond and be of service to you.

Sincerely,

Paul Ryan
Serving Wisconsin's 1st District

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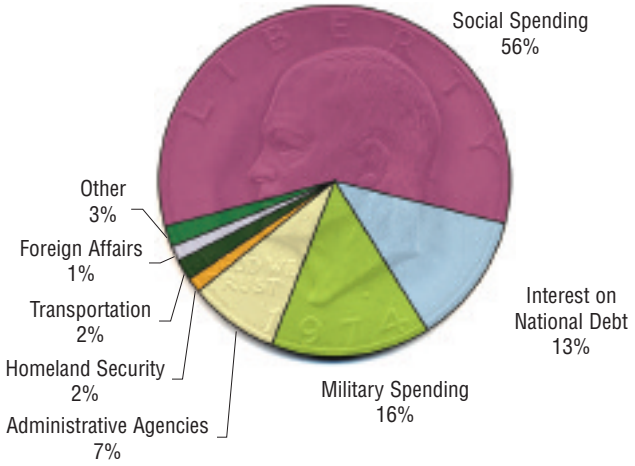
Composition of Federal Spending—2006

Source: U.S. Department of Treasury



Surging Tax Revenues Lead to Reduced Deficit for 2006

The U.S. Department of the Treasury recently reported a budget deficit of $248 billion for 2006. This is an improvement of $71 billion over 2005 and an improvement of 41% over this year's initial projection of $423 billion.

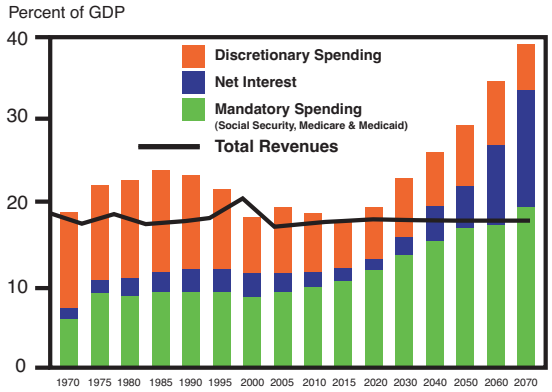
The driver behind the substantial reduction in the deficit for 2006 is a surge in the amount of tax revenue. This year's tax revenue increased by 12.6% on the individual side and 27.2% on the corporate side. In fact, tax revenue has now increased for three consecutive years, following four consecutive years of decline between 2000 and 2003.

In 2003, Congress reduced taxes on individuals and American businesses, which has increased business investment and helped create new jobs. As a result, greater tax receipts have flowed into the U.S. Treasury. Although it is counterintuitive that tax revenue increased when taxes were reduced, that is what happened because of the strong positive effect that the tax cuts had on the economy.

To continue our progress toward reducing the deficit, we must keep our economy growing and prevent tax increases scheduled to take place in 2010. In addition, we must eliminate wasteful spending on pork-barrel projects and get our arms around the biggest threat facing the long-term financial stability of the federal government—the increasing burden of mandatory spending.

Every year, mandatory spending continues to take up a larger portion of the federal budget. At current rates, the three major entitlement programs (Social Security, Medicare and Medicaid) will take up our entire budget by 2035. We must act now to get our spending problems under control so that these important programs can be retained without increasing the tax burden on our children.

Current Trends Are Not Sustainable



Source: House Budget Committee

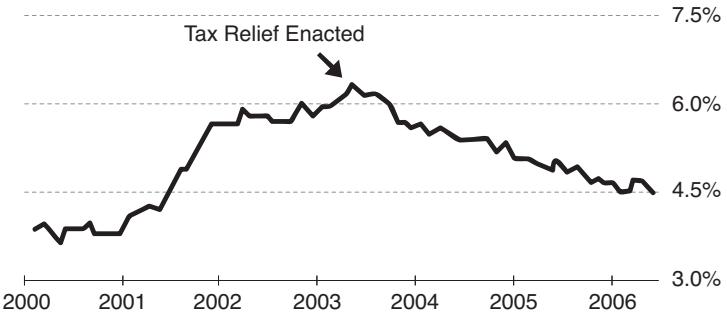
Strong Economic Growth Continues Through 2006

The American economy continued to grow at a healthy rate in 2006. Nearly 2 million jobs were added this year, pushing the total number of jobs created since the end of the recession in June 2003 to nearly 7 million. This sustained level of job creation has reduced our unemployment rate to 4.5% as of November 2006. For the last two months, it has been at levels not seen since before September 11, 2001.

In addition, the value of people's investments, retirement and pension funds continues to soar. The Dow Jones Industrial Average (DJIA) recently surpassed 12,000 and remains at record levels, far above the previous peak that was achieved in the late 1990's. This investment in the American economy bodes well for continued future growth.

Despite all of this positive news, there is no question that our economy continues to face significant challenges. Rising health-care costs and energy prices make it more difficult for families to pay their bills and for businesses to create new jobs. In addition, our nation's tax burden, regulatory costs, and litigation costs are higher than much of the rest of the world, which makes it difficult for us to compete with growing economies, such as China and India. This is an area where Congress must focus its efforts to keep U.S. jobs in the U.S. and ensure that we retain our competitive advantage.

Unemployment Rate Dips to 4.5%
(Percent of Labor Force)



Source: U.S. Bureau of Labor Statistics

Statement of Federal Revenues and Expenses

Revenues

	Fiscal Year [1]			
	2005	2006	% of total	% change
Individual income taxes	$927,222,000,000	$1,043,908,000,000	35%	12.6%
Social insurance taxes [2]	795,220,000,000	837,820,000,000	28%	5.4%
User fees, earmarked taxes and receipts	497,703,000,000	535,561,000,000	18%	7.6%
Corporation taxes	278,281,000,000	353,915,000,000	12%	27.2%
Excise taxes and customs duties	96,471,000,000	98,772,000,000	3%	2.4%
Miscellaneous receipts	32,445,000,000	44,390,000,000	2%	36.8%
Death taxes [3]	24,764,000,000	27,877,000,000	1%	12.6%
Total Revenues	**$2,652,106,000,000**	**$2,942,243,000,000**		**10.9%**

Expenses

Social spending [4]	$1,688,309,000,000	$1,791,393,000,000	56%	6.1%
Interest on national debt	352,350,000,000	405,872,000,000	13%	15.2%
Military spending	476,101,000,000	501,783,000,000	16%	5.4%
Administrative agencies [5]	238,083,000,000	236,972,000,000	7%	-0.5%
Homeland Security [6]	43,132,000,000	74,854,000,000	2%	73.5%
Transportation	57,671,000,000	60,949,000,000	2%	5.7%
State and foreign affairs [7]	41,676,000,000	43,023,000,000	1%	3.2%
Environment, fish, wildlife, parks and interior [8]	39,041,000,000	43,248,000,000	1%	10.8%
NASA	15,611,000,000	15,178,000,000	*	-2.8%
Judiciary	5,646,000,000	5,913,000,000	*	4.7%
Congress	3,870,000,000	4,019,000,000	*	3.9%
The President [9]	9,131,000,000	6,737,000,000	*	-26.2%
Total Expenses	**$2,970,621,000,000**	**$3,189,941,000,000**		**7.4%**
Surplus (DEFICIT) [10]	**($318,515,000,000)**	**($247,698,000,000)**		**-22.2%**

Source: U.S. Department of Treasury

* indicates less than 1%

Notes

1. The U.S. Government fiscal year begins on October 1 and ends on September 30.
2. Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
3. Repealed effective January 1, 2010 (Public Law 107-16).
4. Includes arts, education, labor, benefits (such as public housing, child nutrition, food stamps and other agricultural programs) for people and families with incomes below certain levels, federal retirement programs (including Social Security and Medicare), health-care services for low-income seniors and families, unemployment benefits, veterans' pensions, and drug control programs.
5. Includes U.S. Small Business Administration, the U.S. Departments of Energy, Commerce and Justice, as well as EEOC, FCC, FDIC, FEMA and independent agencies.
6. Outlays for U.S. Department of Homeland Security reflect increased funding for National Flood Insurance Fund and Disaster Relief Fund.
7. Includes Department of State, Peace Corps, Overseas Private Investment Corporation, U.S. Agency for International Development, foreign military sales, and other international assistance programs.
8. Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, Army Corps of Engineers, and major environmental programs of federal agencies.
9. Outlays for the Executive Office of the President (EOP) have been decreased. The decrease in EOP outlays reflects lower funding for the Iraq Relief and Reconstruction Fund.
10. Represents unified budget surplus/deficit.

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