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# ANNUAL REPORT TO TAXPAYERS



## U.S. House of Representatives Congressman Paul Ryan

December 2007

Dear fellow taxpayer:

As taxpayers, we are shareholders in the federal government. Therefore, we are entitled to know how the government collects and spends our money. That is why I am sending you this 2007 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.

### THE GOOD:

- **Tax cuts are increasing tax revenue:** When businesses pay lower taxes, they invest the savings into purchasing new equipment and hiring more employees. The resulting economic activity has increased tax collections from businesses by 4.6 percent over the past year.
- **More jobs are being created:** Since the tax cuts of 2003, more than 8.3 million jobs have been created. In just the last two months, 284,000 new workers were hired. The unemployment rate stands at 4.7 percent nationally and at 5.2 percent in Wisconsin. Having more people working has increased revenue from individual income taxes by 11 percent.
- **Workers' wages are growing:** Over the last 12 months, wages grew by 3.8 percent to an average hourly wage of \$17.63 nationally. In Wisconsin, 16,200 more jobs exist than at the beginning of the year. And, wages in the state have increased 3.7 percent.
- **Deficit reduction is occurring:** In January of 2007, the deficit at the end of this year was projected to be \$244 billion. However, the economic growth mentioned above has increased tax revenues and has resulted in the deficit dropping to \$163 billion—a reduction of 34 percent.

### THE BAD:

- **Government spending is exceeding income:** However, as the Ranking Member of the Budget Committee, I proposed a federal budget that did not raise taxes, reduced spending, stopped the government from spending the Social Security surplus and balanced the budget by 2012.
- **Economic strains are limiting growth:** Three problems currently threaten our economy. Defaulting sub-prime mortgage payers are making it difficult for consumers and businesses to obtain credit. We are paying nearly \$100 for a barrel of oil, while sources in the U.S. remain untapped. Third, health care costs are eroding gains made in workers' take-home pay.

### THE UGLY:

- **The biggest tax increase in U.S. history is coming:** If Congress does not act in the next 36 months, individuals, families and small businesses will be forced to pay \$392.5 billion dollars in additional taxes starting in 2011. The tax relief that has spurred our economic growth over the past 4 years will be eliminated.

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.

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Sincerely,



Paul Ryan  
Serving Wisconsin's 1st District

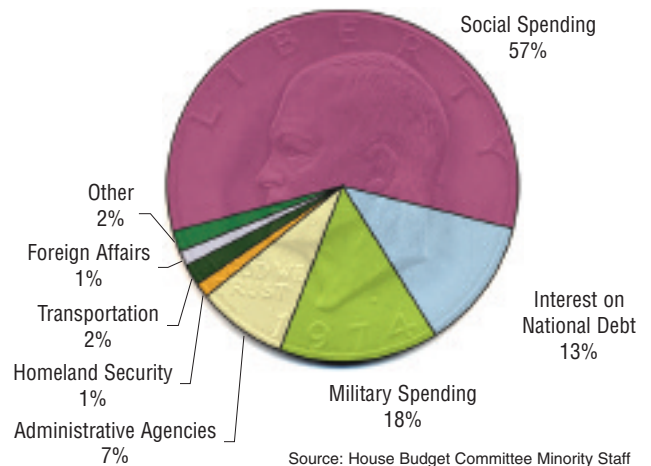
# The Problem: Tax and Spending Increases

Earlier this year, I wrote a budget alternative that balances the budget in five years and stops the government from spending the Social Security surplus, without raising taxes. This can be accomplished by maintaining a strong economy, reforming currently unsustainable entitlement programs, and exercising accountability in other government spending. Under my plan, there would be no increase in marginal income tax rates, no increase in the 10 percent bracket for low-income taxpayers, no reduction of the child tax credit, no rollback of marriage penalty or death tax relief, and no increases in capital or dividend tax rates. Unfortunately, my budget alternative did not pass the House.

In contrast, the Majority in the U.S. House of Representatives passed the largest tax increase in U.S. history - nearly \$400 billion over 5 years. In Wisconsin alone, over 2 million taxpayers would have an average tax increase of \$3,000.

- For an elderly couple with \$40,000 in income, their tax bill would go from \$583 to \$1,489 (a 156% tax increase).
- For a family of four with \$60,000 in earnings, their income tax bill would go from \$3,030 to \$4,893 in 2011 (a 61% tax increase).
- For a single parent with two children and \$30,000 in earnings, instead of receiving \$2,414 in tax benefits, the parent would get back only \$799.

# Composition of Federal Spending—2007



Late this month, Congress passed one, large spending bill, which bundled 11 regular spending bills into one bill. This bill, also known as the “Omnibus Appropriations Bill,” includes funding for our troops in the War in Iraq and Afghanistan, for 2008. Because the bill could not pass without the support of the Minority, the overall funding level of \$933 billion was \$21 billion less than the level originally called for by the Majority’s final budget. The bill is expected to be signed into law by the President.

# The Solution: The Taxpayer Choice Act & Earmark Reform

In October, I introduced the Taxpayer Choice Act (TCA) to allow taxpayers to choose a new, simplified system or stay with the current tax code. The TCA is comprehensive individual income tax reform with two principal aims: 1) eliminating the massive tax increase coming under the expansion of the Alternative Minimum Tax, and 2) providing individuals an alternative tax system that is fair, simple, and efficient.

- The Simplified Tax system has two income tax rates: 10 percent on taxable income up to \$100,000 for joint filers and \$50,000 for single filers, and 25 percent on taxable income above these amounts.
- Under the Simplified Tax, taxable income equals gross income minus a standard deduction and personal exemption. The standard deduction is \$25,000 for joint tax filers and \$12,500 for single filers. The personal exemption is \$3,500. The combination is equivalent to a \$39,000 exemption for a family of four. There are no additional credits or itemized deductions.

In addition to reforming our tax code, I am fighting to fix the budget process. The earmark disclosure rules enacted this year in Congress have not eliminated earmark overuse and abuse. For example, members of the House added to the military appropriations bill \$1.8 billion in earmarks to pay 580 private companies for projects the Pentagon did not request.

For citizens to regain faith in their government, we have to change the way Congress spends taxpayer dollars. That is why I signed an earmark reform pledge sponsored by Citizens Against Government Waste that calls on lawmakers to make sure that any earmarks are subject to intense scrutiny and meet strict standards. The point is to prevent abusive earmarks, change the culture that has allowed spending bills to become wish-lists for powerful members of Congress, and save taxpayer dollars in the process.

