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\$46 Billion Deficit for 1980 in "Gross Transactions" Budget

Public debt will rise by almost \$60 billion in fiscal year 1980 if President Carter's predictions prove accurate, a Tax Foundation analysis of the new budget reveals. And this projection takes into account the reduction in the deficit to \$29.0 billion promised by the White House for the coming year.

When off-budget entities are included, the Foundation reports, "the total deficit of the government increases to \$59.2 billion in 1978, \$49.4 billion in the current year, and \$41.0 billion in 1980."

"The effect of such deficits," say Foundation economists, "can be seen by reference to the growth in total Federal debt." Federal debt stood at \$709.1 billion at the end of 1977, and is estimated at \$839.2 billion at the end of the current fiscal year. The new budget projects the gross debt as of September 30, 1980 at \$899.0 billion.

This one-year, \$60-billion jump in the debt isn't the whole story.

Viewed under an alternative budget concept devised by the Tax Foundation, the size of the Federal government and its impact on the economy is much larger than indicated by the approach currently in use. Presidential budgets are now

submitted to Congress under the unified budget concept, first adopted in 1969. This concept was designed to provide a comprehensive Federal budget, with exclusions held to a minimum. However, say Tax Foundation budget specialists, there have been some retreats from this comprehensive concept, starting in 1971, when certain transactions and entities were placed off budget by law and excluded from budget totals.

Although there has been a trend in the last few years to restore some agencies to on-budget status, a number of exclusions, representing many billions of dollars, remain off budget.

To show more accurately the cost of the Federal government, the Tax Foundation has originated the concept of gross budgetary transactions with the public as an alternative budgetary concept. This approach also permits budget analysts to take into account certain types of funds or transactions shown only on a "net" basis in the current budget, as well as billions in "off-setting receipts" which are treated not as receipts, but as offsets against outlays—or negative expenditures—in the unified budget.

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California Tops, New York Second In Federal Taxes

As might be expected, total dollar amounts of Federal tax burdens tend to be largest in the most populous states. California topped the list with payments of over \$50 billion. New York was second with \$38 billion, Illinois, third with almost \$27 billion, followed by Texas, with \$26 billion, and Pennsylvania with \$24 billion. In the ten most populous states (which include the foregoing together with Ohio, Michigan, New Jersey, Florida, and Massachusetts), Federal tax payments totaled \$256 billion, almost 60 percent of the total for all states.

The most significant shifts in tax burdens by state in recent years have occurred in the two states which pay the most in taxes. California's Federal tax burden has been steadily rising relative to the national total (from 10.80 percent of the total in 1975 to 11.44 percent in 1979). On the other hand, New York's share of the total declined from 9.95 percent in 1975 to 8.71 percent in 1979.

At 1979 tax levels, a shift of one percent in a state's share of the Federal tax burden would increase or reduce tax burdens in that state by about \$4.4 billion.

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Sevenfold Jump in Social Welfare Costs; Per Capita Outlay Tops \$1,678 in 1977

Social Welfare Expenditures under Public Programs by Program
Selected Fiscal Years 1960-1977

Those seeking to rein in public spending, mandate balanced budgets or otherwise curtail the impact of government on the economy would do well to look at social welfare expenditures in recent years, according to research just completed by the Tax Foundation. Since 1960, spending by all levels of government on such programs has increased nearly sevenfold, from \$52.3 billion in 1960 to \$362.3 billion in 1977, latest figures available.

Social welfare expenditures include such programs as social insurance (largely social security, public employee retirement, and unemployment compensation), public aid (primarily welfare and medicaid), health and medical programs, and spending for veterans benefits, education and housing. As a share of gross national product, such outlays have climbed from 10.5 percent in 1960 to 19.7 percent in 1977, say Foundation economists.

In 1977, for the first time in over two decades, social welfare spending grew at a slower rate than GNP, dropping to 19.7 percent from a record 20.4 percent of GNP in fiscal 1976.

On a per capita basis, government has allocated \$1,678 for each man, woman, or child in the United States under one or more of these public programs during 1977. Outlays in 1960 amounted to a relatively modest \$293 per capita, by comparison.

Social insurance spending tops the list in gross dollars at over \$161 billion for 1977. In 1960, government at all levels spent less than \$19.5 billion for such programs. However, public aid and housing, not social insurance, are the fastest growing categories of social welfare spending.

Program	1960	1970	1977 ¹	Average annual rate of increase	
				1960-1970	1970-1977
Millions					
Total social welfare.....	\$52,293	\$145,856	\$362,339	10.8%	13.9%
Social insurance.....	19,307	54,691	161,254	11.0	16.7
Public aid.....	4,101	16,488	52,429	14.9	18.0
Health and medical.....	4,464	9,907	21,027	8.3	11.4
Veterans.....	5,479	9,078	19,015	5.2	11.1
Education.....	17,626	50,845	94,640	11.2	9.3
Housing.....	177	701	4,417	14.8	20.0
Other.....	1,139	4,145	9,556	13.8	12.7
Exhibit: all health and medical care ^b	6,395	25,391	67,421	14.8	15.0
Per capita^c					
Total social welfare.....	\$293	\$719	\$1,678	9.4%	12.9%
Social insurance.....	108	270	747	9.6	15.6
Public aid.....	23	81	243	13.4	17.0
Health and medical.....	25	49	97	7.0	10.2
Veterans.....	31	45	88	3.8	10.1
Education.....	99	251	438	9.8	8.3
Housing.....	1	3	21	11.6	32.0
Other.....	6	20	44	12.8	11.9
Exhibit: all health and medical care ^b	36	125	312	13.3	14.0
Exhibit:					
Social welfare expenditures as a percent of:					
GNP.....	10.5%	15.2%	19.7%	3.8%	3.8%
Total government expenditures.....	38.4	48.2	59.7	2.3	3.1
Total by source of funds (millions):					
Federal.....	\$24,957	\$77,337	\$219,318	12.0	16.1
State and local.....	27,337	68,519	143,022	9.6	11.1

¹Preliminary

^bCovers health and medical care expenditures under all programs.

^cPopulation as of middle of fiscal year.

Source: Department of Health, Education and Welfare, Social Security Administration; Department of Commerce, Bureau of the Census; Tax Foundation computations.

Public aid outlays have increased by 18 percent a year since 1970, and even earlier, from 1960 to 1970, they were growing nearly 5 percent faster than social insurance, according to Tax Foundation economists. They add that this growth, in large part, reflects the introduction of medicaid, which was enacted by Congress in 1965.

While the amounts spent under public housing programs are still small relative to other programs, the rates of increase for this category since 1960 have been higher than for any other type of program.

The balance has shifted over the past 17 years in the source of funds, too. Foundation researchers point out that, in 1960, the Federal government furnished about \$25 billion (48 percent of the total), while state and local governments picked up \$27.3 billion worth of such costs. By 1977, Washington was laying out \$219.3 billion (60 percent of the total), compared to state and local outlays of \$143.0 billion.

The accompanying table gives more detailed breakdowns of social welfare spending for selected years since 1960.

Tax Burden

(Continued from page 1)

Federal tax burdens per capita in the nation as a whole are expected to pass the \$2,000 mark for the first time in fiscal 1979, and taxpayers in 23 states will pay even more, according to new Tax Foundation estimates.

At \$2,013 in 1979, Federal taxes per capita will rise by \$225 or almost 13 percent from 1978. This year's increase follows hikes of 12 percent in 1978 and 19 percent in 1977.

The accompanying table gives Tax Foundation figures for all the states and District of Columbia for the estimated total and per capita share of the Federal tax burden for fiscal years 1978, 1979 and 1980.

IMPORTANT NOTICE

The date for this year's Tax Foundation Annual Conference and Dinner has been set for Wednesday, November 28. Additional details will be forthcoming at the appropriate time.

1980 Deficit

(Continued from page 1)

"If all Federal government transactions with the public were included in the budget and if all receipts and outlays were reported as such," claim Tax Foundation researchers, "the budget totals would differ significantly from those reported in the unified budget."

How much? To hit only the highlights, 1980 outlays under the gross transaction concept total \$641 billion (almost \$110 billion above the unified budget estimate); receipts total \$594.6 billion (\$92 billion higher); and the deficit amounts to \$46.4 billion rather than the \$29.0 billion reported by the President to Congress.

"Proposed Federal Budget for Fiscal Year 1980 — Unified Budget and an Alternative Concept" is available, free of charge on a single-copy basis, from the Tax Foundation.

About Tax Features

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Estimated Total and Per Capita Federal Tax Burdens by State

Fiscal Years 1978—1980

State	Total burden (millions)			Per capita burden			State rank-1979	
	1978	1979	1980	1978	1979	1980	Total	Per capita
U.S. Total	\$389,163	\$441,424	\$486,333	\$1,788	\$2,013	\$2,202	—	—
Alabama	5,098	5,783	6,371	1,368	1,531	1,665	24	47
Alaska	1,323	1,501	1,654	3,259	3,790	4,284	44	1
Arizona	3,658	4,149	4,572	1,561	1,735	1,872	31	33
Arkansas	2,841	3,222	3,550	1,305	1,457	1,583	32	50
California	44,520	50,499	55,636	2,007	2,236	2,421	1	9
Colorado	4,787	5,430	5,982	1,801	2,009	2,178	26	21
Connecticut	7,122	8,078	8,900	2,297	2,613	2,888	20	3
Delaware	1,245	1,413	1,556	2,136	2,419	2,669	45	5
Florida	14,594	16,553	18,237	1,704	1,905	2,067	9	30
Georgia	7,277	8,255	9,094	1,435	1,614	1,765	18	39
Hawaii	1,751	1,986	2,188	1,955	2,202	2,413	37	13
Idaho	1,245	1,413	1,556	1,428	1,578	1,697	46	45
Illinois	23,544	26,706	29,423	2,095	2,374	2,614	3	6
Indiana	9,535	10,815	11,915	1,776	2,006	2,201	11	22
Iowa	5,137	5,827	6,420	1,776	2,009	2,210	23	20
Kansas	4,242	4,812	5,301	1,812	2,032	2,213	29	17
Kentucky	4,904	5,562	6,128	1,405	1,581	1,728	25	43
Louisiana	5,915	6,710	7,392	1,495	1,680	1,835	22	37
Maine	1,518	1,722	1,897	1,394	1,572	1,723	41	46
Maryland	8,289	9,402	10,359	2,002	2,268	2,498	13	8
Massachusetts	10,507	11,918	13,131	1,819	2,065	2,277	10	15
Michigan	17,902	20,306	22,371	1,950	2,203	2,417	7	12
Minnesota	7,200	8,166	8,997	1,800	2,027	2,219	19	18
Mississippi	2,802	3,178	3,502	1,168	1,316	1,440	33	51
Missouri	8,211	9,314	10,262	1,693	1,905	2,083	14	29
Montana	1,206	1,368	1,508	1,547	1,713	1,843	47	35
Nebraska	2,646	3,002	3,307	1,694	1,911	2,094	35	28
Nevada	1,401	1,589	1,751	2,142	2,344	2,494	43	7
New Hampshire	1,479	1,677	1,848	1,710	1,891	2,038	42	31
New Jersey	15,683	17,789	19,599	2,140	2,432	2,684	8	4
New Mexico	1,712	1,942	2,140	1,417	1,588	1,727	38	41
New York	33,896	38,448	42,360	1,906	2,185	2,435	2	14
North Carolina	7,822	8,873	9,775	1,407	1,579	1,722	16	44
North Dakota	1,051	1,192	1,313	1,612	1,822	2,005	48	32
Ohio	19,458	22,071	24,317	1,813	2,047	2,246	6	16
Oklahoma	4,436	5,032	5,544	1,550	1,720	1,855	27	34
Oregon	4,398	4,988	5,496	1,811	2,006	2,159	28	23
Pennsylvania	20,781	23,572	25,970	1,767	2,013	2,227	5	19
Rhode Island	1,635	1,854	2,043	1,748	1,987	2,196	40	25
South Carolina	3,814	4,326	4,766	1,311	1,467	1,594	30	49
South Dakota	1,012	1,148	1,264	1,469	1,661	1,827	49	38
Tennessee	6,188	7,019	7,733	1,425	1,593	1,729	21	40
Texas	23,077	26,176	28,840	1,781	1,989	2,159	4	24
Utah	1,868	2,119	2,334	1,439	1,587	1,700	36	42
Vermont	662	750	827	1,361	1,528	1,670	51	48
Virginia	8,912	10,109	11,137	1,736	1,949	2,125	12	26
Washington	7,511	8,520	9,386	2,002	2,216	2,382	17	11
West Virginia	2,763	3,134	3,453	1,487	1,681	1,847	34	36
Wisconsin	8,056	9,137	10,067	1,726	1,943	2,127	15	27
Wyoming	856	971	1,070	2,043	2,217	2,346	50	10
District of Columbia	1,673	1,898	2,091	2,475	2,850	3,202	39	2

Source: U.S. total taxes are as shown in the Federal budget submitted in January 1979; computations of total and per capita tax burdens by state were made by Tax Foundation.

\$1 Trillion Tax Bill Seen for U.S. By 1987

Accompanying articles in this issue highlight current levels of Federal taxation on residents of each state and on a typical worker. The table below, devised by Tax Foundation economists, provides perspectives on how these tax burdens have grown over the last two decades.

More than doubling in the decade from 1960 to 1970, Federal tax bills have grown even more rapidly in the 1970s. In the last half of the 1970s, Federal taxes will increase by 80 percent, or 12.5 percent annually. This rate of growth, compounded, leads to the doubling of an amount within a six-year period. A continuation of this rate of increase, according to Tax Foundation calculations, would result in Federal tax payments well in excess of \$1 trillion by 1987. (It was not so long ago—1971—that the nation's entire output of goods and services hit the trillion-dollar level.)

Federal Tax Receipts^a

Selected Fiscal Years 1960-1980

Fiscal year	Amount (billions)	Per capita
1960	\$ 90.5	\$ 507
1965	114.2	592
1970	187.7	926
1975	270.0	1,272
1980 ^b	486.3	2,202
Percent increase over previous period		
1960-1965	26.2%	16.8%
1965-1970	64.4	56.4
1970-1975	43.8	37.4
1975-1980 ^b	80.1	73.1

^aBased on concept in Federal unified budget. Per capita computations based on population as of the middle of the fiscal year.

^bEstimated.

Source: Tax Foundation computations based on data from Office of Management and Budget and Bureau of the Census, U.S. Department of Commerce.

U.S. Takes 27% from Paycheck

How the Federal Government Will Spend a Typical Worker's Tax Dollars in Fiscal 1979^a

Function	Worker's share		Total amount (millions)
	Amount	Percent of total	
Income security	\$1,494	31.03%	\$158,867
National defense	1,076	22.36	114,503
Interest	496	10.30	52,766
Health	462	9.60	49,136
Education, training, employment, and social services	288	5.99	30,656
Veterans benefits and services	191	3.97	20,329
Transportation	164	3.41	17,449
Natural resources and environment	106	2.19	11,207
Community and regional development	85	1.77	9,063
General purpose fiscal assistance	84	1.74	8,936
Energy	81	1.68	8,630
International affairs	69	1.43	7,312
Agriculture	59	1.22	6,224
General science, space, and technology	49	1.02	5,226
General government	41	.86	4,413
Administration of justice	41	.85	4,351
Commerce and housing credit	28	.58	2,968
TOTAL	\$4,814	100.00%	\$493,368^b

^aIn this example, the typical worker is the sole source for himself, his wife, and two dependent children. He earns \$18,000 a year, the estimated median income of a family with one earner who is employed full time, year round.

^bAfter deduction of \$18,760 million in offsetting receipts, not classified by function.

Source: Total spending as estimated in the budget document presented January 1979; typical worker's share computed by Tax Foundation.

John Q. Taxpayer is a typical U.S. worker. He is the sole source of support for himself, his wife, and two children. He earns \$18,000 a year, the estimated median income of a full-time, year-round worker.

How much of John Q. Taxpayer's earnings will the Federal government take in taxes this year (fiscal 1979)? How will the government spend that money? When Tax Foundation economists recently asked those questions, they came up with some eye-opening answers.

Mr. Taxpayer's total tax bill to the Federal government is \$4,814. Federal income taxes claim \$1,791 of that; social security taxes, \$1,103; the remaining \$1,920 go for indirect taxes—things like corporate income taxes, employer's share of social security taxes, excise taxes on liquor, gasoline, tobacco and air travel. In one way or another, these indirect taxes are paid by people—

in higher prices, lower earnings, or smaller returns on investments.

But Washington isn't finished when it has collected—and spent—nearly \$5,000 of John Q's earnings. It will incur a \$37.4 billion deficit before fiscal 1979 ends, \$408 of which will accrue to Mr. J. Q. Taxpayer.

A little less than \$5,000 may not seem like much alongside the \$493.4 billion the Federal government will spend this year. But through the eyes of John Q. Taxpayer, his wife, and two youngsters—and millions of other families like them—it's more than a quarter (27 percent, to be precise) of their gross income. And that before additional claims are made by state and city income, property, and sales taxes.

The accompanying table gives a breakdown of how a typical worker's Federal taxes will be spent in 1979.