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Issue Brief

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Rand Paul's Six Cents Would Put the Budget on the Right Track

Introduction

As the national debt continues to climb, progressives have attempted to deflect blame by claiming that taxpayers do not pay enough in taxes. However, there's only one culprit for our exploding national debt: the government spends far too much. Congress has now racked up deficits every year since 2000. The gross federal debt now tops $30 trillion thanks to excessive spending.

Fortunately, there's a solution, even if that solution only becomes more difficult the longer Congress delays in implementing it. Last week, Senator Rand Paul (R-KY) introduced his Six Penny Plan to get our fiscal house in order. The plan would begin to tackle annual deficits by cutting six cents out of every dollar spent. Over five years of gradual reductions, the budget would be balanced while also allowing for the individual income tax reductions in the Tax Cuts and Jobs Act (TCJA) to be extended. The Plan also includes important reforms to tighten enforcement of budget discipline and improve scorekeeping.

Senator. Paul first introduced a Penny Plan in 2017. At the time, it would have only required savings of 1 cent per dollar spent. But as the budget has grown worse, larger cuts are now required to fix the growing budgetary imbalance. If Congress had adopted his original plan, the budget would be in much better shape today.

Key Facts:

Excessive spending is on track to add $16 trillion to the debt over the decade. Senator Rand Paul's Six Penny Plan would instead reduce outlays and balance the budget over five years.

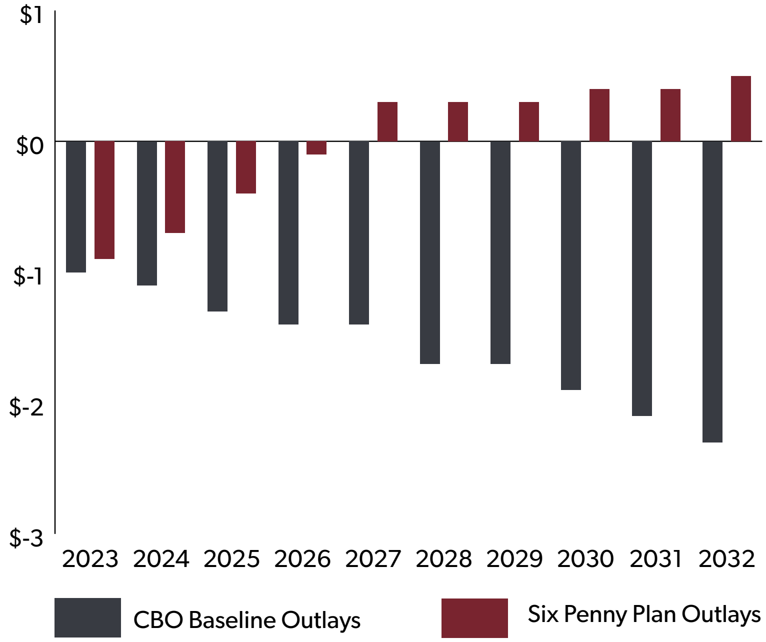
The plan would also keep in place the expiring provisions of the Tax Cuts and Jobs Act, preventing tax hikes on millions of Americans.

Sen. Paul's budget plan also makes much-needed reforms to the budget and scorekeeping process by tightening enforcement and identifying overlapping programs.

alternative track, reducing spending by nearly $300 billion in the first year, then by six percent a year through 2027.

These cuts would lead to a much more favorable budgetary outcome. Instead of annual deficits adding nearly $16 trillion to the debt through 2032, the budget would record surpluses starting in 2027, with a net surplus of $73 billion over the decade.

Figure 2. Deficits & Surpluses in Six Penny Plan vs. CBO's Baseline Projection (in Trillions)



Senator Paul's budget blueprint achieves balance by cutting spending and slowing its growth in later years, but it also would reduce taxes compared to CBO's baseline. In CBO's forecast, the government would collect $56 trillion through 2032. Part of the reason why tax revenues are projected to grow so significantly after 2025 is that under current law, key parts of the TCJA are set to expire. These expiring provisions include individual income tax rate reductions, as well as increases to the standard deduction, child tax credit, and alternative minimum tax exemption threshold.

Figure 3. Revenues in Six Penny Plan vs. CBO's Baseline Projection (in Trillions)