

# Deficit Reduction & Entitlement Reform

*Deficit reduction & entitlement reform is crucial for long-term small businesses success*

## Problem:

Despite some short-term improvements, long-term debt challenges remain, and in the coming decades, the debt will squeeze budgetary resources that are vital to our economic success. If we do not address our record-high national debt and annual budget deficits, our global competitiveness will be stymied.

- Over the next decade, CBO projects deficits of \$7.6 trillion (3.3 percent of GDP), with deficits growing from a low of \$467 billion (2.5 percent of GDP) in 2016 to \$1.09 trillion (4.0 percent of GDP) by 2025.
- As a result, debt will rise over the next decade, from \$13 trillion today to \$16.6 trillion at the end of 2020 and \$21.6 trillion by the end of 2025.
- As a share of GDP, debt will remain stable at current post-World War II highs of 74 percent of GDP through 2020, but then rise continuously to almost 79 percent of GDP by 2025 and continue to grow unsustainably over the long run.
- An aging population, rising health care costs, an expansion of federal subsidies for health insurance, and growing interest payments on the federal debt are the primary drivers of the growing deficit.
- Interest payments on the debt represent the fastest growing part of the federal budget and will reach 17 percent of the budget by 2030, crowding out critical investments which will translate to higher interest rates and less capital available for small businesses to borrow and invest.
- Despite discretionary spending falling as a share of GDP, Social Security, health care, and interest spending will grow substantially. At the same time, revenue will remain roughly flat at near 18 percent of GDP through most of the next ten years, reaching 18.3 in 2025.
- An ever-rising debt path will inhibit long-term economic growth, increase the cost of living, leave the government unprepared for emergencies and increase the risk of a financial crisis.

## Solution:

To address these issues, NSBA supports a two-pronged approach to reduce annual budget deficits and lower the national debt which includes broad, pro-growth tax reform and much-needed entitlement reform.

- Overhaul and simplify the tax code by broadening the base, lowering all individual and corporate tax rates, and making business taxes more globally competitive for U.S. business.
- Reform Social Security and Medicare to strengthen their finances and promote generational equity.
- Implement reform now to allow policy changes to phase in gradually, which would make changes less disruptive, more politically viable, and give individuals and businesses time to plan and adjust.

## Learn More:

[Download NSBA's 2014 Taxation Survey](#)

[Download NSBA's Tax Reform Checklist](#)

[Read NSBA's latest updates on tax and budget issues](#)

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