

WHERE DO OUR FEDERAL TAX DOLLARS GO?

The **Internal Revenue Service** is a government agency within the Department of Treasury. This agency is charged with collecting taxes from U.S. citizens, in accordance with the tax codes or laws. Every April, U.S. citizens who have enough income, according to the law, must report the income they have earned and pay a percentage of that income to the federal government in the form of taxes. There are various factors that affect the amount you pay. The federal government has allowed some **deductions**—small decreases in the amount of taxes—for people with extra expenses such as medical bills not covered by insurance, child care, mortgages, etc. Corporations also have some **deductions or tax credits** to decrease the amount of taxes they pay to the government. Because the current U.S. tax codes and laws are complex, members of Congress and private citizens have often called for a simpler tax system.

The United States government funds many foreign and domestic programs. The money collected via taxes goes to fund some federal education programs, the United States military, welfare programs, medical and retirement funds, and other government agencies. For many years, the federal government has run a **budget deficit**, where the federal money spent exceeds the amount of **revenue** (or taxes) collected. The accumulation of these budget deficits over the years has led to a total **national debt** of around \$18 trillion.

In 1935, Franklin Delano Roosevelt signed into law the Social Security Act. This act was designed to help retired and disabled Americans receive benefits from the federal government once they could no longer work. American workers pay taxes to this fund monthly through their payroll. This amount paid to retired and disabled Americans and their spouses accounts for the largest percentage of the federal budget.

The second largest percentage of money is paid to defend the nation. This includes the salaries of men and women active in the military, their healthcare, and their eventual retirements. Money is also spent on supporting operations on U.S. military bases in the United States and in foreign countries.

The federal government also supports health insurance programs that provide health coverage for people over the age of 65, people who have disabilities, or those who are low-income. In 2012, 21% of the federal budget was spent on health coverage costs for people who qualify for these programs.

The federal government also assists individuals and families facing hardships. When families or individuals qualify, there are assistance programs available that provide food assistance, school meals, low-income housing assistance, child care assistance, and support for paying bills. The Department of Human Services assists children who need foster care placement due to hardships faced in their own home. Foster families who support these children receive federal money to assist with child care expenses.

Federal dollars are spent on interstates' and highways' construction, upkeep, and repair. Educational programs, such as extra reading assistance in elementary schools, is also an example of a federally funded program. The government must also make regular interest payments on the money it has borrowed to pay back past budget deficits. These interest payments total in the billions each year and must be included in the federal budget.

Sources:

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