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It's no secret that the United States faces a budget crisis.

In Washington we have frozen aspects of domestic spending, while a bipartisan commission examines our deficits. Meanwhile, across the country campaign rhetoric has been ratcheted up, as the calls echo from across the political spectrum to reconcile our spending with our finite resources. To roll back a potentially crippling debt—much of it held in foreign hands—and to ensure our government's solvency, our focus must be long-term solutions, not short-term stop-gaps. The first step must be better accounting, because effective spending reform is contingent on a complete and honest assessment of our budget.

Enter tax expenditures.

Tax expenditures are a fancy tool for spending through the tax code. They are tax breaks, credits, deductions, and exemptions that expand the scope of government by distorting market incentives and redirecting private wealth to the public domain—just like any other federal spending program.

For example, suppose a member of Congress introduced a bill that would pay $7,500 to each American who purchases an SUV. Sounds ridiculous, right? Forgetting the cost of the program, it would be heavily criticized for incentivizing the purchase of gas-guzzling SUVs.

Truth is stranger than fiction: Congress did enact such a program, but instead of paying SUV-buyers, Congress gave them a $25,000 tax deduction (a variety of tax expenditure). The effect was the same, but this spending program escaped scrutiny because it was hidden in Section 179 of the tax code.

This underscores a second point: tax expenditures are effectively spending, but because they are not treated as such, they escape regular oversight. Most tax expenditures disappear into the tax code once enacted and, at best, are considered in an annual "tax extenders" package. At worst, they become permanent. In other words, tax expenditures aren't just spending, they are hidden spending.

Each year, tax expenditures account for more than $1.2 trillion in hidden spending through the tax code. To put that in context, total discretionary spending in 2010 was just slightly more at around $1.3 trillion; and in just one year tax expenditures cost as much as the wars in Iraq and Afghanistan combined.

This is even more problematic because many of today's tax expenditures are not serving their original purposes. One, for example, was originally intended to subsidize equipment for small farms. Today, though, large farms use it to pay for fertilizer and other items they would buy anyway. The farm subsidies have been criticized since 1984, but will cost the federal government almost $1 billion next year.

If tax expenditures are working, they should be kept. But if they are ineffective or even counter-productive, they must be adjusted, replaced with a direct spending alternative, or eliminated.

Americans feel the effects of tax expenditures everyday—through higher taxes. Eliminating bad tax expenditures that benefit special interest groups would mean that we could lower income taxes for all Americans, without raising revenue.

But until we implement effective oversight of tax expenditures, we can't know the full extent of our fiscal woes, limiting our ability to address the bigger issue of long-term fiscal sustainability.

I have introduced H.R. 5752, The Transparent and Sustainable Budget Act, which would force the federal budget to accurately account for all money spent—including tax expenditures—with an emphasis on long-term financial health. Its passage would be a welcome step in the direction of budget transparency.

As Congress attempts to navigate the treacherous terrain of debt and deficits, we can't fly blind. At this critical moment, there can be no guesswork. We need a crystal clear picture of our federal books today so that we can properly account for our finances tomorrow.

It starts, but doesn't end, with tax expenditure reform.