

BY JOSEPH J. DI GUARDI, CPA



CPA AND FORMER MEMBER  
OF CONGRESS DISSECTS  
"THE MOST EXPENSIVE  
CREDIT CARD IN THE WORLD."

**B**Y NOW, YOU'VE PROBABLY FILED YOUR 1996 TAX RETURN AND MADE YOUR FINAL PAYMENT ON THE BALANCE DUE. WHAT YOU PROBABLY DON'T REALIZE, HOWEVER, IS THAT YOU PAID ONLY PART OF YOUR CURRENT BALANCE. THE U.S. GOVERNMENT DOES NOT BILL YOU FOR YOUR PART OF THE NATION'S DEFICIT; IT LEAVES THAT TO THE NEXT GENERATION.

How does the government get away with it? Simple: It doesn't bill you for the real cost of government now, thereby pushing our annual accumulated excess spending (the national debt) onto tomorrow's taxpayers — our children and grandchildren.

As a CPA and former member of Congress, I believe that every citizen has the right to know the real cost of government. But the U.S. government is not required to keep track of its finances and report to taxpayers the way publicly traded corporations are (under the Securities and Exchange Act of 1933). While everyone talks about the national debt, the cash basis of accounting used by the federal government allows elected officials, wittingly or unwittingly, to disguise its real magnitude.

The national debt, as currently defined by government accountants, is the amount the U.S. government owes to those who hold treasury notes, bills and bonds. In 1969, the national debt was \$365.8 billion. By the end of fiscal 1996, it was \$5.2 trillion. Even allowing for the depreciation of the dollar between 1969 and 1996, the national debt has more than doubled. This sum does not include unrecorded liabilities that our government will have to pay in the future, including unfunded liabilities for Social Security, Medicare, military and civil service pensions, and government guarantees, which would easily triple the national debt. In fiscal 1996, it took \$340 billion just to cover the interest on the \$5.2 trillion shown on the federal government's books.

Although the Second Liberty Bond Act put a ceiling on the total federal debt, elected officials have voted to raise that limit almost every year. With congressional approval, the debt limit was increased by \$600 billion at the end of 1995, bringing the new debt limit to \$5.5 trillion. The 435 members of the

House of Representatives did this by sliding a plastic voting card through a slot. I once had one of these cards, which I dubbed in my 1992 book, *Unaccountable Congress: It Doesn't Add Up*, "the most expensive credit card in the world."

Imagine having a credit card with an unlimited credit line and no expiration date. The balance on the card is billed not to you, but to future generations. Although the federal government does not bill taxpayers the way that MasterCard and VISA do, I have put the annual budget of the United States in the form of a credit card statement to show you how government spending affects each of us as taxpayers. Note that there was a large previous balance due of \$43,252.03. This is your share of Congress' past spending, which was covered by borrowing in your name, not by revenues.

You will see a number of items that elected representatives bought (i.e., appropriated) on your behalf during the past year — Social Security, defense, health and so forth. Your share of these expenditures was \$11,854.30. Added to the previous balance, this brings your account charges to \$55,106.33. But you *did* make some payments on your balance during the year, through your income taxes, payroll taxes and so on. These payments reduced your balance by \$12,632.72.

Finally, I must remind you that even Uncle Sam cannot borrow other people's money interest free. So you also have to pay a "finance charge" on his borrowing, amounting to \$2,959.54. This is your share of the interest on our national debt. Adding this gives you a new balance due of \$45,433.14 — an increase of \$2,181.11 over last year's balance due.

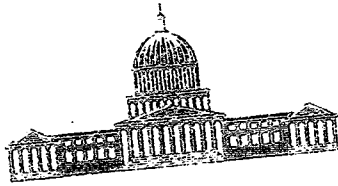
When your credit card company notices that you have reached your

credit limit, it lets you know that you are at the end of the line. Not so with Congress. The plastic cards that representatives use to vote on spending and taxing bills has no effective limit. There is a theoretical limit, however; it's called the debt ceiling. But, as I said before, the amazing thing about the congressional credit card is that it can also be used to raise the debt limit. Every time Congress' deficit spending runs up against the current debt limit, a majority of the members simply stick their little plastic cards into a computer terminal at the end of each row of seats on the House floor. If the Senate and president

**BUYING POWER**

How the federal government gets a typical dollar and how it's spent

<p>Income:</p> <ul style="list-style-type: none"> <li>41% Individual income taxes</li> <li>33% Social Security, Medicare and other payroll taxes</li> <li>11% Corporate income taxes</li> <li>7% Real estate taxes</li> <li>4% Excise taxes</li> <li>4% Other</li> </ul> <p>Spending:</p> <ul style="list-style-type: none"> <li>23% Social Security</li> <li>17% Defense</li> <li>13% Medicare</li> <li>13% Defense</li> <li>15% Interest</li> <li>12% Medicare</li> <li>6% Medicaid</li> <li>6% Other health care programs and other programs</li> <li>6% Other expenditures including federal research and development</li> </ul>	<p>Copyright 1997 The Associated Press</p>
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U.S. Taxpayer  
Congressional Credit Card  
Statement

Statement Closing Date Fiscal 1996  
(Oct. 1, 1995 - Sept. 30, 1996)

Previous Balance	43,252.03
(Your share of the national debt at the beginning of the year)	12,632.72
Payments	11,854.30
Purchases	2,959.54
<b>FINANCE CHARGE</b>	45,433.14
<b>New Balance</b>	0.00
<b>Minimum Payment Due</b>	April 15
<b>Payment Due Date</b>	

TRANSACTIONS DESCRIPTION	AMOUNT
<b>Purchases During the Year (Your share)</b>	
Social Security	3,040.64
Medicare	1,515.00
National defense	2,307.52
Income security & welfare	1,959.03
Health	1,033.63
Education, training & employment	441.75
Agriculture, natural resources	276.41
Transportation	335.57
Administration of justice	152.91
Other	791.84
<b>Total</b>	<b>11,854.30</b>
<b>Payments Received During Year (Your share)</b>	
Individual income taxes	- 5,707.97
Corporate income taxes	- 1,494.12
Social Security taxes & other contributions	- 4,429.70
Miscellaneous taxes & fees	- 1,000.93
<b>Total</b>	<b>- 12,632.72</b>
<b>Finance Charge (Your share of the interest on the national debt)</b>	
Paid directly to the public	2,096.93
Paid into public trust funds holding government debt	862.61
<b>Total Finance Charges</b>	<b>2,959.54</b>
National Debt Held by the Public	32,850.52
National Debt Held by Government Trust Funds (i.e., Social Security Trust Fund)	12,582.62
<b>New Balance Due (Your share of the national debt at the end of the year)</b>	<b>45,433.14</b>

PREVIOUS BALANCE	PURCHASES	FINANCE CHARGES	PAYMENTS	BALANCE DUE
43,252.03	11,854.30	2,959.54	12,632.72	45,433.14

Note: This statement is based on the cash accounting system used by the federal government, not generally accepted accounting principles used by most state governments and private industry. Thus, this statement makes no allowance for accrued expenses or unrecorded future liabilities, such as Social Security and Medicare account shortfalls, obligations to pay military and civil service pensions, future loan defaults, etc. Including these items would bring the national debt to \$22 trillion by informed estimates and would easily triple the numbers shown by the estimate.

Source: Final monthly statement of receipts and outlays of the United States Government for FY 1996 (Financial Management Service, Department of the Treasury); IRS 1996 estimate of 115 million joint and individual income tax payers.

concur, the nation's debt limit is increased. (I doubt your private credit card company is planning to introduce this feature.) Except for the fact that your children and grandchildren will pay through the nose for Congress' use of this voting (read, "credit") card, it is a real boon — at least to Congress and the administration, because it makes it possible for them to keep passing the buck (really the bill) on to the next generation.

If you want to do something about it, I suggest you join me in urging elected officials in Congress to use their cards responsibly. Ask them to take a pledge of fiscal responsibility and implement the following "truth in government" spending program:

- A balanced budget each year.
- Accrual or liability accounting in place of cash accounting to show the real bottom line and debt each year.
- Real congressional budget reform, including redefinition of the budget into general, trust fund and enterprise accounts, and a biennial budget cycle.
- Capital budgeting to account properly for the acquisition and utilization of fixed assets, such as buildings and equipment.
- Audits of federal operations and finances by independent CPAs.
- Understandable annual financial statements for the federal government, mailed to all taxpayers.

It is our right to demand fiscal responsibility, honest accounting, clear reporting and full disclosure from elected officials. It is also our right as citizens to use the voting booth to take the most expensive credit card in the world away from those members of Congress who continue to abuse us and succeeding generations with what has become the fiscal equivalent of a massive pyramid scheme.

Personally, I think moving election day to April 15 is an excellent place to start.

*About the author:* Joseph J. DioGuardi, CPA, is a former partner with Arthur Andersen in New York. He represented Westchester County's 20th District in the House of Representatives from 1985-1989. He is now chairman of Truth in Government, an organization promoting fiscal responsibility in Washington. 🌿

## B U D G E T B Y T E S

To learn more about the federal budgeting process, visit these sites on the World Wide Web:

- >> Find information on the current budget and links to other budget sites at <http://sensemedia.net.8080/people/budget/us96budg.htm>
- >> Get a citizen's guide to the federal budget from the Office of Management and Budget at <http://www.doc.gov/BudgetFY97/guidetoc.html>
- >> Now that you know how the federal budget is put together, try to balance the nation's checkbook yourself on the interactive site at <http://www.i2020.net/~bsweb/jsydenst/usbudget.htm>
- >> For the latest on this year's budget federal negotiations, visit any WWW news site, including CNN Interactive at <http://www.cnn.com> or the Washington Post at <http://www.washingtonpost.com>
- >> To keep track of the national debt, check the national debt clock at [http://www.brillig.com/debt\\_clock](http://www.brillig.com/debt_clock)
- >> Get daily, monthly and yearly totals for the national debt at <http://www.publicdebt.treas.gov/>
- >> For information on other federal legislative issues, or to contact members of Congress, visit the home pages of the House of Representatives (<http://www.house.gov>) and the Senate (<http://www.senate.gov>). To locate lawmakers' Websites, go to <http://www.house.gov/MembersWWW.html> or <http://www.senate.gov/senator/state.html>
- >> For general information on federal issues, visit the site at <http://thomas.loc.gov/>

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