

# FOOL ME ONCE, SHAME ON YOU; FOOL ME TWICE, SHAME ON ME

## QUICK STATS

- ✘ **CONFERENCE:** Spending
- ✘ **TEAM:** Congress
- **FUMBLE:** Creating fake savings in federal spending
- **HOW TO RECOVER THE BALL:** Congress should end the use of budget gimmicks

For most Americans balancing the family budget is fairly simple—income earned minus expenses paid. It is not that straightforward for the federal government. For years Congress has used an array of budget gimmicks to create fake savings in one area of federal spending to justify more debt spending somewhere else. These gimmicks have been used recently to pay for things like highway funding<sup>398</sup> and trade preferences bills.<sup>399</sup>

One method to accomplish the gimmicks is called changes in mandatory spending, or “CHIMPS,” which are provisions in spending bills that artificially reduce spending in future years so Congress can spend the money this year. If Congress only did that once, it might be okay. But Congress actually uses the same “savings” year after year even though the money was actually spent years ago.

Another example is pension smoothing, which lowers the required contributions to pension plans by employers. This practice produces more taxable income for the employer, which results in more revenue for the federal

government. But it also produces a less stable pension plan in the future.

A final example is corporate tax shifting, which is used to satisfy budget constraints that prohibit legislation from increasing the deficit over five and ten years. Under this gimmick the amount of corporate tax owed is higher in the third quarter of the year and then less in the fourth quarter. In the end the same amount of money comes to the federal government—only the timing for when it comes is shifted. No money is saved. It is simply shifted one month beyond the budget plan.

## **RECOVERY**

Using accounting gimmicks to create fake savings is unacceptable. Family budgets do not operate like this, and neither should the American government’s budget. The U.S. cannot become fiscally responsible if the federal government is not honest about how to reduce deficit spending. No company could legally use any of these accounting gimmicks, and the federal government should not be able to use them either.

***For more information, please visit:***

[Trade Preferences Extension Act of 2015](#)

[Politico: Faking It](#)

[The Wall Street Journal: Welcome to the World of “Pension Smoothing”](#)