

# DENVER BUSINESS JOURNAL

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JULY 13-19, 2012

THE NATION'S OLDEST WEEKLY BUSINESS JOURNAL

## Anton: Here's how to cut federal deficit

BY HEATHER DRAPER  
DENVER BUSINESS JOURNAL

How dire is the federal government's financial situation?

Ask a certified public accountant who has studied the nation's financial statements.

Gregory Anton, founding partner of Anton Collins Mitchell LLP, a Denver-based accounting and consulting firm, has studied the last four years of financial statements for the federal government. His conclusion: The government needs to do something now to cut the deficit significantly, before it has dug such a deep financial hole that it can't get out of it.

"We're at a tipping point," Anton said, speaking at a business leadership forum at Denver law firm Moye White LLP on July 10. "The U.S. is insolvent when compared with the assets of its citizens. This is significant; this is news."

Anton is chairman of the American Institute of CPAs (AICPA) and is leading his organization's nonpartisan, nationwide effort to educate politicians, business leaders and regular citizens about the nation's fiscal situation.

The CPA profession is calling on policy makers and the public to engage in a national dialogue to improve the nation's financial health.

"As of Sept. 30, 2011, the U.S. government had \$61 trillion in total obligations, and the nation's total household net worth was about \$58 trillion," Anton said. "So the nation's obligations exceed the net worth of all of its citizens."

In fiscal year 2011, the U.S. government had a net accumulated deficit of \$14.8 trillion and \$46.3 trillion in social insurance obligations, such as Social Security and Medicare, for a total \$61 trillion deficit.

The \$46.3 trillion figure is included in only a footnote in the government's financial statements, he said.

Part of the problem is that members of Congress often focus on the annual budget, which is measured on a cash basis.

The budget shows only what the government has bought and paid for in a given year, Anton said, whereas the financial statements show what the government is committed to purchase, whether it's covered by the budget or will require borrowed funds.

"In talking with Greg about this, it was interesting to learn how few of our leaders know

what our financial statements say and what they portend," said James Burghardt, managing partner at Moye White.

One of the main factors keeping the U.S. from digging an even deeper financial hole, Anton said, is historically low interest rates on its debt.

"If we don't pay down our debt in a hurry, we'll have big, big problems when interest rates rise," he said.

The government should start by balancing its budget, he said.

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"To pay back all of these obligations, we have to build surpluses for decades," Anton said. "It's a balancing act, or you inhibit economic growth."

Anton had several suggestions on how to raise revenue for the government, including:

- Flattening the tax base to increase revenue from all U.S. citizens.
- Increasing the estate tax exemption but increasing the estate tax rate.
- Increasing the effective tax rate to 20 percent on taxable income over \$500,000.
- Reducing corporate income tax rates so the United States can attract and retain businesses here.

"We are losing the best companies to international markets," he said, because of the U.S. corporate tax structure.

On the other side, Anton's ideas for cutting spending included:

- Raising the Social Security age and index for life expectancy.
- Capping the total benefits for Medicare and Medicaid.

• Implementing a mandatory sunset review on all government programs every five to 10 years.

• Evaluating military budgets for opportunities to create cost efficiencies.

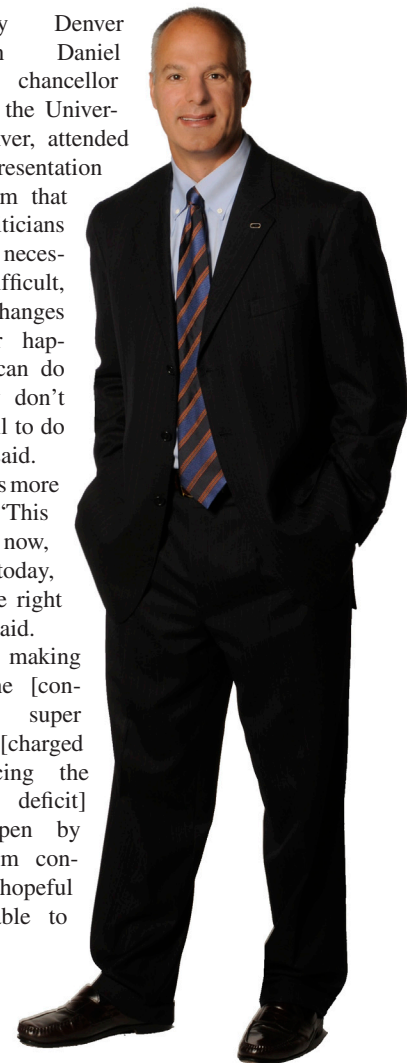
In May, Anton and several other CPAs hand-delivered the AICPA analysis of the government's fiscal situation and their recommendations to "every member of Congress and to senior Cabinet members in the White House," he said.

"The problem is, no politician can get elected if they act on any of my recommendations," Anton said.

Legendary Denver businessman Daniel Ritchie, chancellor emeritus of the University of Denver, attended Anton's presentation and told him that getting politicians to make the necessary, but difficult, budget changes "will never happen. They can do it, but they don't have the will to do it," Ritchie said.

Anton was more optimistic. "This is fixable now, right now today, if we do the right things," he said.

"We're making inroads. The [congressional] super committee [charged with reducing the nation's deficit] didn't happen by accident. I'm confident and hopeful we'll be able to change."



ANTON COLLINS  
MITCHELL LLP

**Gregory Anton is a founding partner of Anton Collins Mitchell LLP.**