

CRS Report for Congress

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Public Debt Reduction Fund

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Summary

Reducing the federal public debt is regarded as an important goal by many taxpayers. The Public Debt Reduction Fund provides for the acceptance of monetary gifts to be used for reducing the public debt by the Secretary of the Treasury and the Administrator of General Services. Contributions may be taken as a charitable contribution deduction by taxpayers who itemize their deductions in the year following the contribution. Since the fund's inception in 1961, over \$65 million has been donated. This report will be updated as developments warrant.

Current Law

A deficit is the difference between government receipts (such as taxes and other revenues) and expenditures (often referred to as outlays). The public debt that is held by the public is the accumulation of prior deficits. The Treasury borrows money by selling securities to the public. For those who see federal debt reduction as a laudable goal, current law provides a method whereby gifts may be made voluntarily to reduce the federal debt. The law authorizes:

... the U.S. Government to accept gifts of money or other property which are to be used for the reduction of the public debt. It provides for the deposit of cash gifts, or proceeds from the sale of other gifts, in a special account on the books of the Treasury, and money in this account is to be utilized to retire obligations of the United States which are a part of the public debt.

As can be seen, gifts may be in the form of money or an outstanding governmental obligation (such as a bond). If the gift is in the form of real or personal property then the property is sold with the proceeds from the sale used to reduce the public debt. Gifts may be inter vivos gifts or as a testamentary bequest. Contributions donated to the Public Debt

Reduction Fund qualify as a charitable donation and can be taken as a deduction by those who itemize their income tax deductions on tax returns the following tax year.

The total public debt outstanding results from receipts and outlays. Each calendar quarter, amounts that have been donated to the Public Debt Reduction Fund are transferred to the Public Debt Redemption Account. Thus, the federal government borrows less than it would have absent the donations and the potential size of future federal debt is reduced. To the extent that the Treasury projects an increase in outlays, it issues Treasury securities to meet its obligations. These issuances result in an increase in the public debt. However, if the Treasury projects an increase in tax receipts or other revenue sources, then it may not need to issue Treasury securities. As debt shrinks savings accrue to the government in reduced interest payments.

Brief Historical Overview

The program was introduced as “AN ACT To authorize the acceptance by the government of gifts to be used to reduce the public debt.” Thus, Public Law 87-58, approved June 27, 1961, provides for the Secretary of the Treasury and the Administrator of General Services to accept gifts to be used for reducing the public debt. The law was enacted to provide specific statutory authority for acceptance of such gifts and designed to forestall possible questions concerning the government’s acceptance, treatment, and allocation of gifts made to reduce the debt.

Public Promotion

In recent years, most contributors have become aware of the Public Debt Reduction Fund through information provided with federal tax form instructions. The 2003 booklet for 1040 forms and instructions issued by the Department of the Treasury, Internal Revenue Service, included an invitation to help reduce America’s debt. That invitation allowed taxpayers to enclose a separate check made payable to the Bureau of Public Debt when they filed their tax return.

Alternatively, if you have already filed your income tax return and wish to make a voluntary contribution to reduce the public debt, the check should be made payable to the Bureau of Public Debt with the notation of “Gift to reduce the Debt Held by the Public” written on the memo line. The donation should be sent to the mailing address given below.

Bureau of the Public Debt
Attn: Department G
Post Office Box 2188
Parkersburg, West Virginia 26106-2188

Revenues

Amounts contributed to the *Public Debt Reduction Fund* have varied widely over the years, but they have always been modest compared to the size of the federal budget deficit. During the last 20 years, less than a million dollars was contributed in three fiscal years. A single gift of more than \$12 million was made in fiscal year 1994. This is the largest single gift ever made to the fund since inception of the fund in 1961. For the 1994 fiscal year over \$20 million was given for deficit reduction — the highest amount in any fiscal year. In the most recent complete fiscal year (2003), a total of \$1,277,423.40 was given. Since 1961 more than \$65 million has been donated.

Table 1, which appears on the following page, shows actual contributions made for each fiscal year.

Table 1. Gifts to the U.S. for Reduction of the Public Debt

Fiscal Year	Actual Donated Amount in Dollars
1961 & 1962	10,003.31
1963	10,210.10
1964	3,296.03
1965	709,777.35
1966	82,606.19
1967	103,995.61
1968	98,321.47
1969	132,327.42
1970	165,351.77
1971	177,485.84
1972	110,038.72
1973	111,505.43
1974	422,845.76
1975	305,495.84
1976	402,803.13
1977	332,911.79
1978	341,566.90
1979	655,284.05
1980	830,661.66
1981	240,107.97
1982	901,136.37
1983	911,179.45
1984	1,548,958.70
1985	2,193,817.39
1986	1,697,365.88
1987	1,270,422.73
1988	745,347.03
1989	1,549,168.04
1990	1,964,922.89
1991	1,337,064.00
1992	4,547,927.14
1993	1,843,135.75
1994	20,712,324.20
1995	7,344,457.57
1996	1,985,175.10
1997	955,897.15
1998	1,535,541.02
1999	1,457,510.59
2000	1,868,891.93
2001	1,645,082.28
2002	744,675.06
2003	1,277,423.40
This fiscal year to date	505,025.99

Source: Department of Treasury, Bureau of Public Debt.