



Congress of the United States  
House of Representatives  
Washington, DC 20515-0515

July 2004

Dear Taxpayer:

In the last fiscal year, the federal government more than doubled its emergency spending to prosecute the war on terror in Afghanistan, Iraq, and here at home. Even so, the U.S. economy is growing at a record pace.

During the past year, Congress and the President worked together to enact substantial tax relief for every American taxpayer. The improvement in after-tax rewards for work, saving and investment has spurred the largest sustained expansion of the economy in the last 20 years. More than 1.5 million new jobs have been created since passage of the President's tax rate reductions. Interest rates and inflation remain exceptionally low by historical standards. More Americans than ever are working today, and more own their own homes, than at any time in our nation's history.

While revenues fell in 2002 and 2003, the recent strong economic growth and healthy pace of new job creation are now increasing tax revenues to the Treasury. Robust tax receipts, according to the Congressional Budget Office, have already reduced the projected deficit for fiscal 2004 by over \$70 billion.

These are just some of the important facts that can be gleaned from this year's Annual Report. Each year since 1989, I have provided this summary of the federal government's financial operations because, as a taxpayer, you are entitled to it. I hope you find it useful.

Sincerely,

Christopher Cox  
Chairman, House Policy Committee

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

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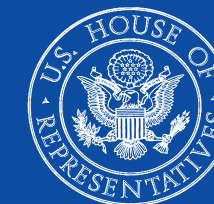


POSTAL CUSTOMER-LOCAL  
Forty-Eighth Congressional District  
California

ANNUAL REPORT TO TAXPAYERS



ANNUAL REPORT  
ON THE  
UNITED STATES GOVERNMENT  
2003



House Policy Committee  
Christopher Cox, Chairman

## Statement of Revenues and Expenses

### Revenues

	Fiscal Year <sup>1</sup>		Percent of Gross 2003
	2002	2003	
Individual income taxes . . . . .	\$ 858,345,000,000	\$ 793,699,000,000	36%
Social insurance taxes <sup>2</sup> . . . . .	700,762,000,000	712,978,000,000	32%
User fees, earmarked taxes and receipts <sup>3</sup> . . .	430,484,000,000	449,831,000,000	20%
Corporation taxes . . . . .	148,044,000,000	131,778,000,000	6%
Excise taxes and customs duties . . . . .	85,591,000,000	87,384,000,000	4%
Miscellaneous receipts . . . . .	33,977,000,000	34,519,000,000	2%
Death taxes <sup>4</sup> . . . . .	26,507,000,000	21,959,000,000	*
<b>Total Revenues</b>	<b>\$ 2,283,710,000,000</b>	<b>\$ 2,232,148,000,000</b>	

### Expenses

Social spending <sup>5</sup> . . . . .	\$ 1,404,015,000,000	\$ 1,504,180,000,000	58%
Military spending . . . . .	315,968,000,000	319,210,000,000	12%
Interest on national debt . . . . .	332,537,000,000	318,149,000,000	12%
Administrative agencies <sup>6</sup> . . . . .	197,050,000,000	207,097,000,000	8%
Homeland security <sup>7</sup> . . . . .	36,848,000,000	106,851,000,000	4%
Transportation . . . . .	59,539,000,000	56,414,000,000	2%
Environment, fish, wildlife, parks, interior . .	37,853,000,000	38,956,000,000	2%
State and foreign affairs <sup>8</sup> . . . . .	35,516,000,000	32,655,000,000	1%
NASA . . . . .	14,429,000,000	14,552,000,000	1%
Judiciary . . . . .	4,875,000,000	5,186,000,000	*
Congress . . . . .	2,505,000,000	2,755,000,000	*
The President . . . . .	365,000,000	362,000,000	*
<b>Total Expenses</b>	<b>\$ 2,441,500,000,000</b>	<b>\$ 2,606,367,000,000</b>	

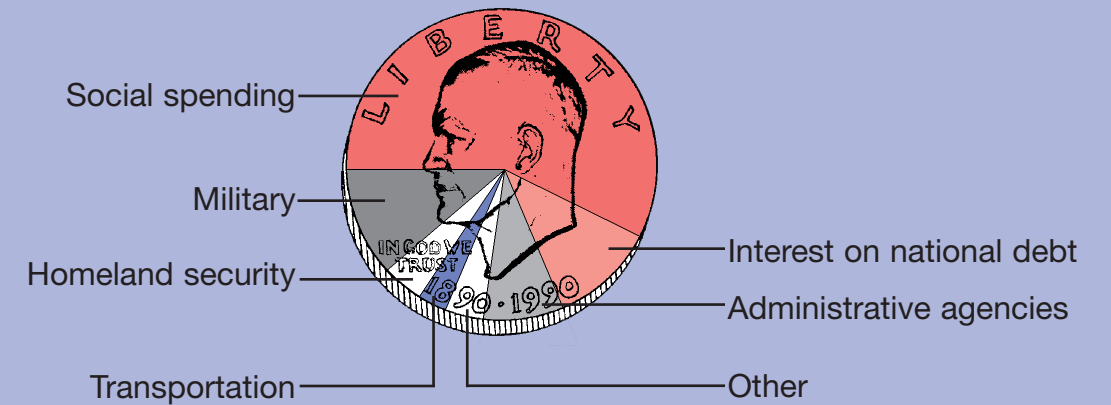
**Surplus/(Deficit)<sup>9</sup>**      **\$ (157,790,000,000)**    **\$ (374,219,000,000)**

\* less than 1%

### Notes

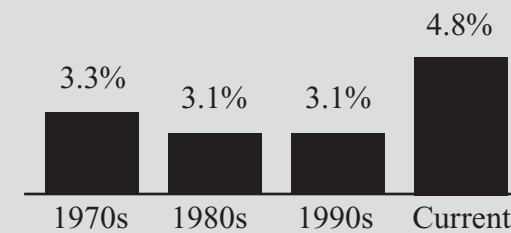
- The U.S. Government fiscal year begins on October 1 and ends on September 30.
- Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
- Represents receipts of federal departments and agencies netted from gross outlays in Treasury reports, such as proprietary receipts from the public, receipts from off-budget federal entities, and total undistributed offsetting receipts.
- Repealed effective January 1, 2010, by Public Law 107-16 signed by President Bush on June 7, 2001.
- Includes arts, education, labor, health and human services, low income and public housing, WIC, welfare block grants, food stamps and other agricultural programs, and federal retirement programs (including Social Security).
- Includes SBA, GSA, DOE, GAO, Commerce, CPB, District of Columbia, EEOC, Export-Import Bank, FCC, FDIC, FTC, Government Printing Office, Justice, Library of Congress, National Archives and independent agencies.
- Includes extraordinary expense attributable to post-9/11 programs for homeland security, military and civilian operations in Afghanistan and Iraq, DHS, and federal share of national, state, and local terrorism preparedness.
- Includes outlays for Department of State, Peace Corps, OPIC, AID, foreign military sales, and other international assistance programs.
- The excess of Social Security taxes over outlays for Social Security was \$159 billion in 2002 and \$156 billion in 2003. Exclusion of Social Security taxes and benefit payments from revenues and expenses would result in a deficit of \$317 billion in 2002 and \$530 billion in 2003.

## Composition of Federal Spending, 2003



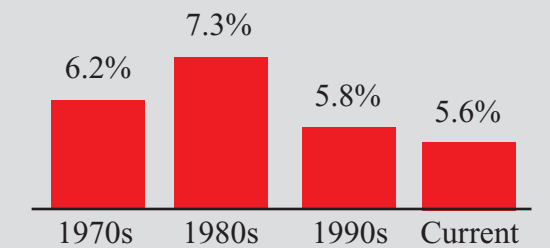
## Macroeconomic Indicators

### Accelerating Economic Growth



Source: Bureau of Economic Analysis

### Falling Unemployment

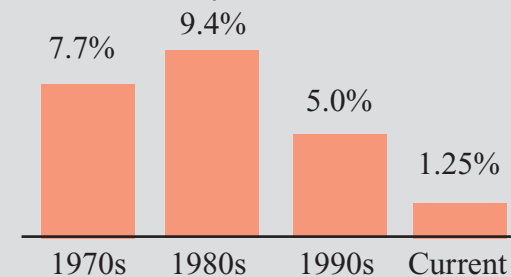


Source: Bureau of Labor Statistics

Average annual growth in gross domestic product per decade, and for the 12-month period ended March 31, 2004. The current annual rate of growth is the fastest it has been since the full phase-in of the Reagan tax cuts 20 years ago. Since President Bush signed the most recent tax relief into law on May 28, 2003, the nation's GDP has grown at an accelerating rate, lifting revenues for the quarter ended June 30, 2004 well above the comparable prior year period.

Average annual unemployment rate per decade, and on June 30, 2004. In the 12 months ended June 30, 2004, the economy added 1.4 million new jobs. As of June 30, 2004, the rate of new job creation was 211,000 per month. Total employment has now reached 139 million Americans--an all-time high.

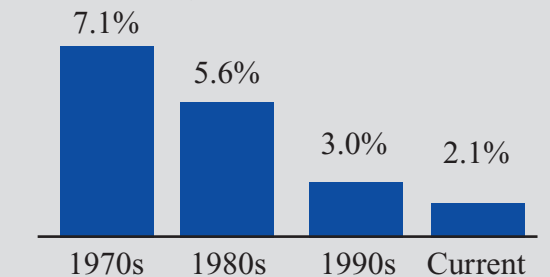
### Historically Low Interest Rates



Source: Federal Reserve

Average Federal Funds rate per decade and on June 20, 2004. Since July 2003 the Federal Funds rate has been at or below 1.25% --the lowest in 46 years. The prime rate for the last year has been 4.0%, the lowest rate since 1958. According to Freddie Mac's survey of interest rates, the average 30-year fixed rate mortgage has averaged less than 6.0% since the beginning of 2003, the lowest rate since Freddie Mac began its mortgage survey in 1971.

### Low, Stable Inflation



Source: Bureau of Labor Statistics

Average annual rate of increase in the consumer price index (CPI) per decade, and for the 12-month period ended May 31, 2004. Stable price levels have kept U.S. interest rates low, while at the same time protecting savings from erosion in value. Price stability has also meant that business and investment decisions have been unaffected by the distortive effects of inflation. According to the Federal Reserve, this has added a half percentage point to economic growth.