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5 Silliest Things to do if You Owe Money (and Guess who owes Tax Money)

In this bad economy, lots of people owe money, including to the IRS. If you are struggling with personal debts, here are 5 things you would want to avoid:

1. Paying the minimum payments on your debts all the time. The banks make it sound easy for you by only setting a minimum payment you need to repay. You should know that that is how they make money from you. But paying only minimum payments (for example for credit card bills), only increases your overall debts, thereby increasing your debt burden.
2. Constantly borrowing from friends or family. This could affect your relationship with them in the long-term.
3. Engage the services of unscrupulous credit counselors that demand upfront cash or high fees but do not deliver on what they promise.
4. Take up another loan at a higher interest rate to pay off a lower interest rate loan. Even though such a move may consolidate your loans but overall you increase your debt.
5. Not negotiating for settlement or considering bankruptcy. It is better to try to negotiate with your creditors on your repayment than to leave things the way they are. As a last resort, you should consider filing a bankruptcy petition as it is a provision and a right you have under the law.

Now guess who owes the IRS \$9.3 million in tax money? 638 Capitol Hill employees. This represents about 4% of all employees in Capitol Hill and is higher than the 3% national average. Furthermore, government workers across the nation owe \$1 billion in taxes.

Treasury secretary Timothy Geitner, himself a debtor who recently paid \$34,000 in back taxes, has 1,204 employees in his department who owe more than \$7.6 million to the IRS.

The President's Executive Office has 41 employees who owe back taxes amounting to more than \$800,000 last year.

Overall, the proportion of employees who owe back taxes has risen since 2007 by 37% since the House came under the Democrats' majority. During 2008 and 2009, the debt owed by Senators has climbed by 80% whereas the House of Representatives members' debts have risen by 25%.

Certainly, these figures reflect the sluggish economic times we are under. But surely Capitol Hill workers and other federal employees should be exemplary in fulfilling their tax obligations.

Whatever you do, avoid the 5 silliest moves listed above.