Monthly Budget Review for April 2019

The federal budget deficit was $531 billion for the first seven months of fiscal year 2019, the Congressional Budget Office estimates, $145 billion more than the deficit recorded during the same period last year. Revenues were $33 billion (or 2 percent) higher and outlays were $178 billion (or 7 percent) higher than during first seven months of 2018.

However, outlays in the first seven months of last year were reduced by shifts in the timing of certain payments. If not for those shifts, the deficit for the first seven months of the past fiscal year would have been $44 billion greater, and the increase in the deficit so far for fiscal year 2019 would have been $101 billion rather than $145 billion.

In its most recent baseline projections, CBO estimated that, if no further legislation is enacted that affects this year's budget, the deficit for fiscal year 2019 will total $896 billion.[1]

Budget Totals, October–April
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	2,007	2,041	33
Outlays	2,393	2,571	178
Deficit (–)	–385	–531	–145

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for March 2019 and the *Daily Treasury Statements* for April 2019.

FY = fiscal year.

Total Receipts: Up by 2 Percent in the First Seven Months of Fiscal Year 2019
Receipts totaled $2,041 billion during the first seven months of fiscal year 2019, CBO estimates—$33 billion (or 2 percent) more than during the same period last year.

Receipts collected through April 2019 were $30 billion to $40 billion (or 1 percent) less than CBO expected earlier this year when it published its January 2019 report on the budget outlook.[2] Most of that shortfall stems from lower-than-anticipated withholding of individual income and payroll taxes in December 2018 and January 2019. Collections received and refunds paid during tax-filing season, from

1. See Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (May 2019), www.cbo.gov/publication/55151.

2. See Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029* (January 2019), www.cbo.gov/publication/54918.

Note: The amounts shown in this report include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not sum to totals because of rounding.

February through April, were largely as expected for individual and corporate income taxes. The sources of the shortfall will be better understood as more detailed information becomes available later this year.[3]

The slight increase in receipts compared with fiscal year 2018 was the result of changes in receipts from the following sources:

- **Individual income** and **payroll (social insurance) taxes** together rose by $36 billion (or 2 percent).
  - Amounts withheld from workers' paychecks rose by $10 billion (or 1 percent). That change largely reflects increases in wages and salaries that were partly offset by a decline in the share of income withheld for taxes. The Internal Revenue Service issued new withholding tables in January 2018 to reflect changes made by the 2017 tax act (Public Law 115-97). All employers were required to begin using the new tables by February 15, 2018. Hence, the new withholding rates were in effect during the first seven months of this fiscal year but for less than half of the same period last year.
  - Nonwithheld payments of income and payroll taxes rose by $16 billion (or 3 percent).
  - Income tax refunds were down by $12 billion (or 5 percent), further boosting net receipts. The precise timing of refund payments varies from year to year, but most are paid from February through April.
  - Unemployment insurance receipts (one kind of payroll tax) declined by $3 billion (or 11 percent).
- **Corporate income taxes** fell by $7 billion (or 6 percent). That decline largely reflects changes made by the 2017 tax act, which lowered the income tax rate for most corporations to 21 percent from the prior top statutory rate of 35 percent. For most corporations, final payments of taxes for 2018 and the first estimated payments for tax year 2019 were due in April.
- Revenues from **other sources** increased by $5 billion (or 3 percent), mostly as a result of increased collections of excise taxes and customs duties.
  - Excise taxes increased by $7 billion (or 14 percent), partly because of payments received in October for the tax on health insurance providers. In 2017, that tax was subject to a one-year moratorium, which was lifted for 2018. The moratorium is in effect again (for one year) in 2019.
  - Customs duties increased by $18 billion (or 82 percent), primarily because of new tariffs imposed by the Administration during the past year.
  - Those revenue increases were partially offset by smaller remittances from the Federal Reserve to the Treasury. Those amounts declined by $15 billion (or 34 percent), mainly because short-term interest rates were higher, leading the central bank to pay depository institutions more interest on reserves. The resulting reduction in the Federal Reserve's net earnings led to smaller remittances to the Treasury.
  - Estate and gift taxes decreased by $3 billion (or 21 percent). At least some of that decline is probably the result of changes made by the 2017 tax act, which doubled the value of the estate tax exemption.

3. Although CBO published updated budget projections earlier this month, it did not fully update the revenue projections for that baseline to incorporate new information, including data about tax payments. Such a revision typically occurs in conjunction with an updated economic forecast, which CBO expects to complete later this year. The only revisions to revenue projections incorporated in the May baseline involved changes to projections of health insurance coverage.

Receipts, October–April
Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,051	1,054	3	0.3
Payroll Taxes	690	722	32	4.7
Corporate Income Taxes	121	114	–7	–5.9
Other Receipts	146	151	5	3.3
Total	**2,007**	**2,041**	**33**	**1.7**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,465	1,475	10	0.7
Other, net of refunds	275	301	26	9.3
Total	**1,740**	**1,776**	**36**	**2.1**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 7 Percent in the First Seven Months of Fiscal Year 2019

Outlays for the first seven months of fiscal year 2019 were $2,571 billion, $178 billion more than during the same period last year, CBO estimates. If not for the shift of certain payments last year, that year-to-year increase would be smaller—$135 billion (or 6 percent). The discussion below reflects adjustments to exclude the effects of those timing shifts.

The largest increases were in the following categories:

- Outlays for the largest mandatory spending programs increased by 5 percent:
  - **Social Security** benefits rose by $32 billion (or 6 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** outlays increased by $18 billion (or 5 percent).
  - **Medicaid** outlays rose by $9 billion (or 4 percent).
- Spending for military programs of the **Department of Defense** rose by $33 billion (or 10 percent), mostly in the categories of operation and maintenance and research and development.
- Outlays for **net interest on the public debt** increased by $27 billion (or 13 percent) because interest rates on short-term debt are substantially higher now than they were during the same period in 2018 and because the amount of federal debt is larger than it was a year ago.
- Outlays for the refundable portion of the **earned income** and **child tax credits** rose by $9 billion (or 12 percent). That increase reflects an expansion of the child tax credit, including the refundable portion, made by the 2017 tax act.

The largest decreases in outlays were in the following categories, included in “Other” below:

- The Treasury received $13 billion more in payments this year from **Fannie Mae** and **Freddie Mac,** resulting in lower net outlays. Those entities’ quarterly payments to the Treasury in December were $4 billion more than they made in the previous December. In March of this year, they remitted about $6 billion to the government, whereas in March 2018 they *received* net payments of about $3 billion from the Treasury—a difference of $9 billion. Last March was the only time since 2012 that Fannie Mae and Freddie Mac received such payments from the Treasury.

- Outlays for the **Department of Homeland Security** decreased by $11 billion (or 24 percent), primarily because spending for disaster relief was higher than usual at the beginning of fiscal year 2018.

For other programs and activities, spending increased or decreased by smaller amounts.

Outlays, October–April

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Percent
Social Security Benefits	564	596	32	32	5.6
Medicare[b]	322	363	41	18	5.2
Medicaid	225	234	9	9	3.8
Subtotal, Largest Mandatory Spending Programs	**1,111**	**1,192**	**82**	**58**	**5.1**
DoD—Military[c]	340	378	36	33	9.6
Net Interest on the Public Debt	207	234	27	27	13.1
Other	736	768	32	17	2.2
Total	**2,393**	**2,571**	**178**	**135**	**5.5**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been $2,437 billion in fiscal year 2018.

b. Medicare outlays are net of offsetting receipts.

c. Excludes a small amount of spending by DoD on civil programs.

Estimated Surplus in April 2019: $161 Billion

The federal government realized a surplus of $161 billion in April 2019, CBO estimates—$54 billion less than the surplus in April 2018. Outlays last April were affected by shifts in the timing of certain federal payments that otherwise would have been due on April 1, 2018, which fell on a weekend. If not for those shifts, which decreased outlays last April by $46 billion, the surplus this month would have been $8 billion less than the surplus in April 2018.

CBO estimates that receipts in April 2019 totaled $534 billion—$23 billion (or 5 percent) more than those in the same month last year. Individual income and payroll taxes were $22 billion (or 5 percent) higher, accounting for much of that change. Withheld taxes for those payments increased by $16 billion (or 8 percent). Part of that increase occurred because this April had one more business day. Additionally, corporate income taxes were $3 billion (or 8 percent) higher, whereas remittances from the Federal Reserve decreased by $1 billion (or 23 percent).

Budget Totals for April
Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Billions of Dollars	Percent
Receipts	510	534	23	23	4.5
Outlays	296	373	77	31	9.1
Surplus	214	161	–54	-8	4.8

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, the budget would have shown a surplus of $169 billion in April 2018, CBO estimates.

Total spending in April 2019 was $373 billion, CBO estimates—$77 billion (or 26 percent) more than the sum in April 2018. If not for timing shifts, outlays this April would have been $31 billion (or 9 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

According to CBO's estimates, the largest changes in outlays were as follows:

- Spending for military programs of the **Department of Defense** rose by $6 billion (or 13 percent).
- Spending for **Medicare** rose by $6 billion (or 11 percent).
- Outlays for **net interest on the public debt** rose by $5 billion (or 13 percent).
- **Social Security** benefits rose by $5 billion (or 6 percent).

Spending for other programs and activities increased or decreased by smaller amounts.

Actual Deficit in March 2019: $147 Billion

The Treasury Department reported a deficit of $147 billion for March—$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for March 2019*.

Each month, CBO issues an analysis of federal spending and revenues for the previous month and the fiscal year to date. This report is the latest in that series, found at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Justin Latus, Stephen Rabent, and Jennifer Shand prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, Sam Papenfuss, and Joshua Shakin. It was reviewed by Mark Hadley and Robert Sunshine, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/55219.