



Monthly Budget Review: January 2022

February 8, 2022

The federal budget deficit was \$259 billion in the first four months of fiscal year 2022, the Congressional Budget Office estimates. That amount is less than deficits recorded for the same period in the two prior years. It is roughly one-third of the deficit recorded during the same period last year (\$736 billion) and about two-thirds of the shortfall recorded for the same period two years ago (\$389 billion), right before the start of the coronavirus pandemic. Revenues were \$331 billion (or 28 percent) higher and outlays were \$146 billion (or 8 percent) lower from October through January 2022 than during the same period last fiscal year.

Table 1.
Budget Totals, October–January

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change
Receipts	1,188	1,519	331
Outlays	<u>1,924</u>	<u>1,778</u>	<u>-146</u>
Deficit (-)	-736	-259	477

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2021 and the *Daily Treasury Statements* for January 2022.

FY = fiscal year.

Total Receipts: Up by 28 Percent in Fiscal Year 2022

Receipts totaled \$1,519 billion during the first four months of fiscal year 2022, CBO estimates—\$331 billion more than during the same period a year ago.

Table 2.
Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	579	828	249	43
Payroll Taxes	435	470	35	8
Corporate Income Taxes	85	110	25	29
Other Receipts	<u>89</u>	<u>111</u>	<u>22</u>	25
Total	1,188	1,519	331	28
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	835	1,079	244	29
Other, net of refunds	<u>178</u>	<u>218</u>	<u>40</u>	22
Total	1,014	1,298	284	28

Data sources: Congressional Budget Office; Department of the Treasury.

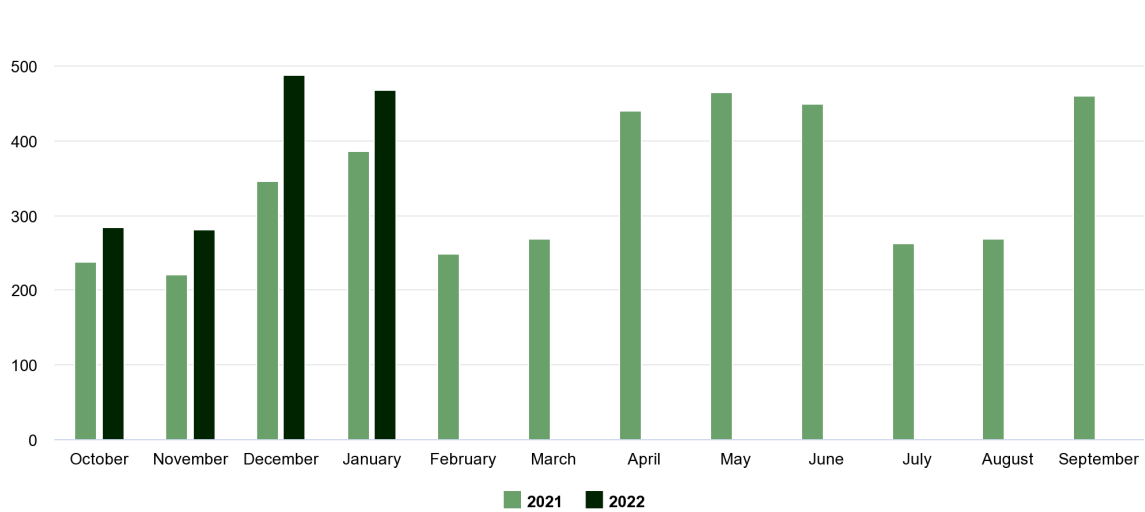
FY = fiscal year.

The changes in revenues from last year to this year were as follows:

- **Individual income and payroll (social insurance) taxes** together rose by \$284 billion (or 28 percent).
 - Most of that increase occurred because amounts withheld from workers' paychecks rose by \$244 billion (or 29 percent). That increase is attributable partly to higher total wages and salaries, particularly among relatively high-income workers who are subject to higher tax rates on earnings. In addition, legislation enacted in response to the pandemic caused timing shifts in the collection of payroll taxes. Most significantly, employers could choose to defer payment of their portion of certain payroll taxes on wages paid from March 27, 2020 (the date of enactment of the Coronavirus Aid, Relief, and Economic Security Act), through December 31, 2020. That provision required half of the payroll taxes deferred in calendar year 2020 to be paid by December 31, 2021. Because that day was a federal holiday, the Internal Revenue Service set January 3, 2022, as the deadline for repayment.
 - Nonwithheld payments of income and payroll taxes rose by \$33 billion (or 17 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 18.
 - Unemployment insurance receipts (one type of payroll tax) were \$8 billion (or 70 percent) higher than in the same period a year ago because states were replenishing the balances in their unemployment insurance trust funds, at least in part by collecting more in unemployment taxes from employers. (The trust funds had been depleted by unusually high unemployment beginning in March 2020.) Those collections count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states.

Figure 1.
Monthly Total Revenues
Fiscal Years 2021 and 2022

Billions of Dollars
600



Data Sources: Congressional Budget Office; Department of the Treasury.
The value shown for January 2022 is CBO's estimate.

- **Collections of corporate income taxes** increased, on net, by \$25 billion (or 29 percent). For most corporations, the first quarterly estimated payment for fiscal year 2022 was due on December 15.
- Receipts from **other sources**, on net, increased by \$22 billion (or 25 percent).
 - Customs duties rose by \$8 billion (or 33 percent), reflecting an increase in imports.
 - Excise taxes rose by \$7 billion (or 37 percent), reflecting a general increase in economic activity.
 - Remittances from the Federal Reserve increased by \$9 billion (or 31 percent). Interest earnings on assets purchased since last year have contributed to that increase.

Total Outlays: Down by 8 Percent in Fiscal Year 2022

Outlays in the first four months of fiscal year 2022 were \$1,778 billion—\$146 billion less than during the same period last year, CBO estimates, the net result of several increases and decreases.

The largest changes, all decreases, were as follows:

- Outlays for **unemployment compensation** decreased by \$98 billion, from \$115 billion in the first four months of fiscal year 2021 to \$17 billion in the first four months of 2022. That spending declined in part because enhanced benefits expired in September 2021 (several states had chosen to end those programs earlier that summer). An increase in employment also contributed to the decline. In comparison, outlays for unemployment compensation during the first four months of fiscal year 2020, just before the start of the coronavirus pandemic, totaled \$11 billion.

Table 3.
Outlays, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	370	387	17	5
Medicare ^a	227	233	5	2
Medicaid	165	183	18	11
Subtotal, Largest Mandatory Spending Programs	762	803	41	5
Unemployment Compensation	115	17	-98	-86
Spectrum Auction Receipts	0	-81	-81	n.a.
Refundable Tax Credits ^b	160	83	-77	-48
Small Business Administration	6	14	8	124
Coronavirus Relief Fund	0	2	2	n.a.
DoD—Military ^c	246	243	-3	-1
Net Interest on the Public Debt	115	140	25	22
Other	520	556	36	7
Total	1,924	1,778	-146	-8

Data sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; n.a. = not applicable.

a. Medicare outlays are net of offsetting receipts.

b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

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

- Receipts from a 2021 **auction of licenses to use the electromagnetic spectrum** totaled \$81 billion. Proceeds from such auctions are recorded in the budget as offsetting receipts—that is, as reductions in outlays.
- Outlays for certain **refundable tax credits** totaled \$83 billion—a decrease of \$77 billion, or 48 percent.¹ That reduction occurred largely because most of the second round of recovery rebates (also known as economic impact payments) were paid in January of last year. Partially offsetting that decrease, advance payments of the child tax credit were made between July and December 2021, which increased outlays early in this fiscal year.

Outlays for the largest mandatory spending programs increased, on net, by \$41 billion (or 5 percent):

- Spending for **Social Security** benefits rose by \$17 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays increased by \$5 billion (or 2 percent) because of increases in Part B and Part D payments that were partially offset by an increase in receipts.

1. Those tax credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and the American Opportunity Tax Credit.

- **Medicaid** outlays increased by \$18 billion (or 11 percent). Enrollment has risen because of the requirement established by the Families First Coronavirus Relief Act that states maintain the eligibility of all enrollees until the end of the public health emergency.

Several other major changes in outlays, included in “Other” in Table 3, were as follows:

- Spending by the **Food and Nutrition Service** of the Department of Agriculture increased by \$27 billion (or 59 percent). Average benefits under the Supplemental Nutrition Assistance Program increased and eligibility was expanded for the Pandemic Electronic Benefit Transfer Program, which provides school children with temporary emergency benefits.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by \$21 billion (or 86 percent). State and local governments received grants under the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 (ARPA) to assist low-income households that were unable to pay rent because of the pandemic. The decrease in spending relative to the same period last year is a result of a provision enacted in ARPA that required grantees to meet spending targets before accessing a portion of the funds.
- Outlays of the **Department of Education** increased by \$21 billion (or 69 percent) primarily because of increased spending on emergency grants through the Education Stabilization Fund to support K–12 and postsecondary education.
- Outlays of the **Public Health and Social Services Emergency Fund** increased by \$17 billion (or 162 percent) as expenditures accelerated for several pandemic-related activities, including reimbursements to health care providers (such as hospitals), coronavirus testing and contact tracing, and the development and purchase of vaccines and therapies.
- Outlays for other programs administered by the **Department of Agriculture** decreased by \$14 billion (or 50 percent), in part because of lower spending for the Coronavirus Food Assistance Program, which covered higher marketing costs related to the pandemic.

Net outlays for **interest on the public debt** increased by \$25 billion (or 22 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

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

Estimated Surplus in January 2022: \$119 Billion

The federal government realized a surplus of \$119 billion in January 2022, CBO estimates—a \$282 billion improvement over the deficit incurred last January. Outlays in January, this year and last, were affected by shifts in the timing of certain federal payments that otherwise would have been due on a holiday or weekend. Shifts of payments from January into December decreased outlays by \$24 billion in January 2022 and by \$47 billion in January 2021. If not for those shifts, the surplus in January 2022 would have been \$95 billion and the improvement from last year would have been \$304 billion.

Table 4.
Budget Totals for January

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays ^a	
				Billions of Dollars	Percent
Receipts	385	467	83	83	21
Outlays	547	348	-199	-222	-37
Surplus or Deficit (-)	-163	119	282	304	-145

Data 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 or a holiday. If not for those shifts, the budget would have shown a surplus of \$95 billion in January 2022 and a deficit of \$210 billion in January 2021, CBO estimates.

CBO estimates that receipts in January totaled \$467 billion—\$83 billion (or 21 percent) more than receipts in the same month last year. That increase was driven largely by individual income and payroll taxes, which increased by \$78 billion (or 22 percent). In addition, remittances from the Federal Reserve increased by \$5 billion, largely reflecting income on assets purchased by the central bank since last year.

Total spending in January 2022 was \$348 billion, CBO estimates—\$199 billion less than last year. If not for the fact that, in both years, outlays in January were reduced by the shift of certain payments from January into December, outlays in January 2022 would have been \$372 billion—\$222 billion (or 37 percent) less than in January 2021. The largest contributors to that reduction in outlays were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Payments of **refundable tax credits** decreased by \$135 billion.
- **Spectrum auction receipts** reduced outlays by \$81 billion.
- Outlays for **unemployment compensation** fell by \$31 billion.
- Spending for the **Emergency Rental Assistance Program** decreased by \$25 billion

Partially offsetting those reductions, outlays for some programs increased:

- Spending for **Medicare** and **Medicaid** rose by a total of \$12 billion.
- Net outlays for **interest on the public debt** increased by \$11 billion.
- Outlays for **Social Security** increased by \$9 billion.
- Outlays for the **Food and Nutrition Service** rose by \$6 billion.

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

Actual Deficit in December 2021: \$21 Billion

The Treasury Department reported a deficit of \$21 billion for December—\$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: December 2021*.

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/xfwBH>. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Mark Sanford and Nathaniel Frenzt prepared the report with assistance from Aaron Feinstein and 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 Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/57759.



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