



# MONTHLY BUDGET REVIEW

## Fiscal Year 2013

### A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for January and the *Daily Treasury Statements* for February

March 7, 2013

The federal budget deficit was \$495 billion for the first five months of fiscal year 2013, \$86 billion less than the shortfall recorded for the same period last year, CBO estimates. If lawmakers enacted no further legislation affecting spending or revenues, the federal government would end fiscal year 2013 with a deficit of \$845 billion, by CBO's estimate, about \$240 billion less than the 2012 deficit.

#### JANUARY RESULTS

The U.S. Treasury reported a surplus of \$3 billion for January, compared with the \$2 billion deficit CBO estimated on the basis of the *Daily Treasury Statements*. Revenues were \$2 billion more and outlays were \$2 billion less than CBO estimated.

#### ESTIMATES FOR FEBRUARY (Billions of dollars)

|             | Actual<br>FY 2012 | Preliminary<br>FY 2013 | Estimated<br>Change |
|-------------|-------------------|------------------------|---------------------|
| Receipts    | 103               | 128                    | 24                  |
| Outlays     | 335               | 332                    | -3                  |
| Deficit (-) | -232              | -205                   | 27                  |

Sources: Department of the Treasury; CBO.

The deficit in February was \$205 billion, CBO estimates, \$27 billion less than the deficit reported in February 2012.

Receipts in February 2013 were about \$24 billion (or 23 percent) higher than those in February 2012, by CBO's estimate. The increase occurred primarily because individual income tax refunds were \$20 billion (or 25 percent) lower, reflecting a delay in the start of the filing season for most individuals until January 30 this year. Withheld income and payroll taxes were \$6 billion (or 4 percent) higher than those last February. The expiration of the payroll tax cut in January 2013 contributed most significantly to that increase; that change was partially offset by the fact that February 2013 included one fewer day of withheld receipts than February 2012. Net receipts of corporate income taxes rose by \$1 billion, but receipts from the Federal Reserve were \$3 billion lower than in February 2012.

Outlays were \$3 billion (or 1 percent) lower in February 2013 than in February 2012, CBO estimates. Outlays for defense were \$8 billion (or 15 percent) lower, reflecting declines in most major categories of defense spending. Unemployment benefits declined by \$3 billion (or 29 percent). In contrast, outlays for Social Security benefits were \$3 billion (or 5 percent) higher than in February 2012. Spending for disaster relief, mostly related to Hurricane Sandy, was also higher, by \$2 billion. Outlays for other programs and activities differed by smaller amounts in both directions.

#### BUDGET TOTALS THROUGH FEBRUARY (Billions of dollars)

|             | Actual<br>FY 2012 | Preliminary<br>FY 2013 | Estimated<br>Change |
|-------------|-------------------|------------------------|---------------------|
| Receipts    | 893               | 1,015                  | 122                 |
| Outlays     | 1,474             | 1,511                  | 37                  |
| Deficit (-) | -581              | -495                   | 86                  |

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$495 billion for the first five months of fiscal year 2013, \$86 billion less than the shortfall in the same period last year. Revenues grew by \$122 billion (or 14 percent), and outlays rose by \$37 billion (or 2 percent).

Unusual circumstances affected the year-over-year difference. Outlays in the first five months of fiscal year 2012 were particularly low because October 1, 2011, fell on a weekend, and about \$31 billion in payments was shifted into the previous fiscal year. If not for those shifts, the deficit in the first five months of fiscal year 2012 would have been \$116 billion more than the shortfall CBO estimates for the same period in fiscal year 2013. In the other direction, however, revenues so far this year have been boosted by a delay in the processing of tax refunds and by an increase in payments of estimated taxes that occurred because some people shifted income into calendar year 2012 in expectation of higher tax rates in 2013.

Note: Unless otherwise indicated, the figures in this report include the Social Security trust funds and the Postal Service fund, which are off-budget. Numbers may not add up to totals because of rounding.

**REVENUES THROUGH FEBRUARY**  
(Billions of dollars)

| Major Source  | Actual<br>FY 2012 | Preliminary<br>FY 2013 | Percentage<br>Change |
|---|-------------------|------------------------|----------------------|
| Individual Income                                     | 425               | 506                    | 19.1                 |
| Social Insurance                                      | 324               | 346                    | 6.7                  |
| Corporate Income                                      | 61                | 71                     | 18.0                 |
| Other   | 83                | 92                     | 10.2                 |
| <b>Total</b>  | <b>893</b>        | <b>1,015</b>           | <b>13.7</b>          |
| <b>Memorandum:</b>                                    |                   |                        |                      |
| Combined Individual Income and Social Insurance Taxes |                   |                        |                      |
| Withheld  | 745               | 809                    | 8.6                  |
| Other   | 5                 | 43                     | 854.9                |
| Total   | 749               | 852                    | 13.7                 |

Sources: Department of the Treasury; CBO.

Most of the increase in revenues so far this year arises from higher individual income and payroll taxes, which were up \$103 billion (or 14 percent), CBO estimates. Taxes withheld from workers' paychecks rose by \$64 billion (or 9 percent). Most of the gains in withheld taxes result from a combination of factors: higher wages and salaries, the expiration of the payroll tax cut in January, and increases beginning in January in tax rates on income above certain thresholds. Receipts from unemployment taxes fell by \$2 billion.

Nonwithheld tax receipts for the first five months of the fiscal year rose by \$15 billion (or 16 percent). That increase derives mostly from the January boost in estimated payments brought about by taxpayers' shifting of income from calendar year 2013 into late 2012 in anticipation of higher tax rates.

Individual income tax refunds fell by \$26 billion (or 25 percent), primarily because the enactment of tax legislation at the beginning of January delayed the Internal Revenue Service's (IRS's) processing of 2012 income tax returns; that decline in refunds is expected to dissipate in coming weeks as the IRS catches up in processing returns.

Receipts from corporate income taxes rose by \$11 billion (or 18 percent). Other receipts increased by \$8 billion, with most of the gains coming from higher receipts from miscellaneous fees and fines (up \$3 billion) and receipts from the Federal Reserve and excise taxes (each up \$2 billion).

**OUTLAYS THROUGH FEBRUARY**  
(Billions of dollars)

| Major Category        | Actual<br>FY 2012 | Preliminary<br>FY 2013 | Percentage<br>Change |                       |
|-----------------------|-------------------|------------------------|----------------------|-----------------------|
|                       |                   |                        | Actual               | Adjusted <sup>a</sup> |
| Defense–Military      | 272               | 262                    | -3.7                 | -5.1                  |
| Social Security       |                   |                        |                      |                       |
| Benefits              | 310               | 329                    | 6.1                  | 6.1                   |
| Medicare <sup>b</sup> | 176               | 204                    | 15.5                 | 6.6                   |
| Medicaid              | 99                | 108                    | 9.4                  | 9.4                   |
| Unemployment          |                   |                        |                      |                       |
| Benefits              | 44                | 33                     | -23.8                | -23.8                 |
| Other Activities      | 472               | 474                    | 0.4                  | -1.9                  |
| <b>Subtotal</b>       | <b>1,373</b>      | <b>1,410</b>           | <b>2.7</b>           | <b>0.5</b>            |
| Net Interest on the   |                   |                        |                      |                       |
| Public Debt           | 101               | 100                    | -0.4                 | -0.4                  |
| <b>Total</b>          | <b>1,474</b>      | <b>1,511</b>           | <b>2.5</b>           | <b>0.4</b>            |

Sources: Department of the Treasury; CBO.

- a. Excludes the effects of payments shifted because of weekends or holidays and of prepayments of deposit insurance premiums.
- b. Medicare outlays are net of offsetting receipts.

Federal outlays were less than 1 percent higher in the first five months of 2013 than they were during that period in 2012, after adjustments for timing shifts, CBO estimates. (The year-over-year changes discussed below reflect adjustments to account for those shifts.)

Expenditures for each of the three largest entitlement programs continued to exceed those during the same period last year. Outlays for Social Security benefits increased by \$19 billion (or 6 percent). Spending for Medicare rose by \$13 billion (or almost 7 percent), and spending for Medicaid rose by \$9 billion (or more than 9 percent).

In contrast, spending for defense fell by \$14 billion (or 5 percent), compared with outlays in the same period last year. Spending for unemployment benefits decreased by \$10 billion (or almost 24 percent).

Spending in the broad category "Other Activities" fell by \$9 billion (or 2 percent), compared with such spending in the first five months of fiscal year 2012. Net payments to Fannie Mae and Freddie Mac were \$14 billion less; spending also declined for housing programs (by \$6 billion), for education programs (by \$4 billion), and for international affairs and the Departments of Energy and the Interior (by \$3 billion each).

In contrast, outlays for the Department of Agriculture increased by \$13 billion, primarily because of higher crop insurance payments owing to drought. Spending on disaster assistance increased by \$6 billion, and outlays for veterans' programs rose by \$5 billion.