



Monthly Budget Review for April 2013

The federal government ran a budget deficit of \$489 billion in the first seven months of fiscal year 2013 (that is, from October 2012 through April 2013), according to CBO's estimates. That amount is \$231 billion less than the shortfall recorded during the same period last year, primarily because revenue collections have been much greater than they were at this point in 2012. In contrast, federal spending so far this year has been slightly lower than what it was last year at this time.

Budget Totals, October–April (Billions of dollars)			
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change
Receipts	1,383	1,603	220
Outlays	2,103	2,092	-11
Deficit (-)	-720	-489	231

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for March 2013 and the *Daily Treasury Statements* for April 2013.

Receipts From October Through April: Up 16 Percent Compared With Collections During the Same Period in Fiscal Year 2012

Receipts for the first seven months of fiscal year 2013 totaled \$1,603 billion—\$220 billion more than the amounts taken in over the same period last year, CBO estimates.

Receipts, October–April (Billions of dollars)				
Major Program or Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	
			Billions of Dollars	Percent
Individual Income	663	795	132	20.0
Social Insurance	486	538	52	10.6
Corporate Income	112	136	24	21.5
Other	<u>122</u>	<u>134</u>	<u>12</u>	9.8
Total	1,383	1,603	220	15.9
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld	1,057	1,156	99	9.4
Other	<u>92</u>	<u>176</u>	<u>85</u>	92.2
Total	1,149	1,333	184	16.0

Sources: Congressional Budget Office; Department of the Treasury.

Compared with receipts in the first seven months of last year:

- **Individual income and social insurance (payroll) taxes** together increased by \$184 billion (or 16 percent).

Taxes withheld from workers' paychecks rose by \$99 billion (or 9 percent), mainly because of higher wages and salaries, the expiration of the payroll tax cut in January 2013, and increases (beginning in January) in tax rates on income above certain thresholds.

Nonwithheld receipts rose by \$80 billion (or 30 percent), primarily because of higher payments made during the tax-filing season (February through April). Those payments—largely representing final payments for the 2012 tax year—increased by \$66 billion (or 36 percent). Income tax refunds declined by \$6 billion, further boosting receipts. The large increase in payments accompanying people's income tax returns probably reflects the fact that higher-income taxpayers, anticipating changes in tax law, realized more income in 2012.

Those final payments submitted with 2012 tax returns (net of refunds) were substantially greater than the amounts CBO projected in its February 2013 report *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*. The agency will issue updated budget projections for the 2013–2023 period next week.

- **Net corporate income taxes** were higher by \$24 billion (or 22 percent), probably reflecting growth in taxable profits in both calendar years 2012 and 2013.

Outlays From October Through April: Down 2 Percent Compared With Spending During the Same Period in Fiscal Year 2012 (With Adjustments for Timing Shifts)

Outlays for the first seven months of fiscal year 2013 were \$41 billion less than the federal government spent during the same period last year, after adjusting for shifts in the timing of certain payments. Those shifts occurred primarily because October 1, 2011, fell on a weekend, and certain payments scheduled for that date were instead made in September, moving outlays from fiscal year 2012 into fiscal year 2011. The year-over-year changes shown in the table and discussed below reflect adjustments to account for those timing shifts.

Outlays, October–April (Billions of dollars)					
Major Program or Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Defense—Military	379	363	-16	-20	-5.3
Social Security Benefits	439	464	25	25	5.7
Medicare ^b	257	287	30	15	5.6
Medicaid	142	152	10	10	7.1
Unemployment Insurance	60	45	-15	-15	-24.6
Other Activities	676	629	-47	-58	-8.6
Subtotal	1,953	1,940	-13	-43	-2.2
Net Interest on the Public Debt	150	152	2	2	1.6
Total	2,103	2,092	-11	-41	-1.9

Sources: Congressional Budget Office; Department of the Treasury.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

b. Medicare outlays are net of offsetting receipts.

Some of the decline in spending from 2012 to 2013 stems from changes to the estimated cost of past transactions of several credit programs (notably for TARP, the Troubled Asset Relief Program). With those changes excluded and with adjustments for the timing shifts, the difference would have been smaller—about 0.5 percent.

Outlays for some major programs or categories of spending were less than what was spent in the first seven months of last year:

- **Outlays recorded for TARP** (which are included in the category “Other Activities” in the above table) declined by \$33 billion, mainly because adjustments to the estimated cost of the program increased outlays by \$21 billion in 2012 and reduced them by \$13 billion in 2013.
- **Net payments to Fannie Mae and Freddie Mac** (also included in “Other Activities”) were \$25 billion less than those made at the same time last year.
- **Defense spending** fell by \$20 billion (or 5 percent).
- **Outlays for unemployment benefits** declined by \$15 billion (or 25 percent), mostly because fewer people have been receiving benefits in recent months.
- Spending decreased by \$7 billion (or 27 percent) for **housing assistance**, by \$5 billion (or 24 percent) for **energy programs**, and by \$4 billion (or 27 percent) for **international assistance**.

In contrast, for some major programs and activities, spending increased:

- **Spending for all three of the government’s largest entitlement programs—Social Security, Medicare, and Medicaid**—has been greater than it was during the first seven months of last year. Outlays increased by \$25 billion (or 6 percent) for Social Security, by \$15 billion (or 6 percent) for Medicare, and by \$10 billion (or 7 percent) for Medicaid.
- **Spending by the Department of Agriculture** increased by \$13 billion, primarily because drought led to increases in crop insurance payments.
- **Outlays for the Federal Emergency Management Agency** rose by \$8 billion, mostly because of Hurricane Sandy.

Estimated Surplus in April 2013: \$112 Billion

The Treasury realized a surplus of \$112 billion in April 2013, CBO estimates—\$52 billion more than the surplus reported for April 2012. But that comparison is distorted by quirks of the calendar: Because April 1, 2012, fell on a Sunday, certain payments that ordinarily would have been made at the beginning of that month were instead made in March. As a result, outlays for April 2012 were reduced by about \$31 billion. Without that shift in the timing of payments, the surplus in that month would have been smaller, and the surplus recorded in April 2013 would have been \$83 billion higher than that in April 2012.

Historically, the federal budget usually shows a surplus in April because of the substantial income tax payments that are made in that month. Nevertheless, the surpluses recorded in April 2012 and 2013 were the first seen in that month since 2008, when the surplus was \$159 billion.

Budget Totals for April (Billions of dollars)					
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	319	407	88	88	27.6
Outlays	260	295	35	5	1.6
Surplus	59	112	52	83	2.9

Sources: Congressional Budget Office; Department of the Treasury.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

The surplus rose because revenues in April this year were much greater than those last April, whereas outlays increased only slightly (after adjusting for the timing shifts). CBO estimates that receipts in April totaled \$407 billion—\$88 billion (or 28 percent) more than those in the same month last year. Compared with receipts in April of last year:

- **Individual income and social insurance (payroll) taxes** together increased by \$77 billion (or 29 percent).

Nonwithheld taxes—largely representing final payments for the 2012 tax year—rose by \$66 billion (or 40 percent). Refunds of individual income taxes rose by \$5 billion, partly offsetting that increase.

Withheld taxes rose by \$15 billion (or 10 percent), reflecting the expiration of the payroll tax cut in January 2013, along with other tax increases and higher wages and salaries.

- **Net corporate income taxes** in April—when most corporations made their first estimated payment of 2013 tax liabilities—were \$8 billion (or 30 percent) higher.
- **Estate and gift taxes** rose by \$3 billion.

Outlays in April of this year totaled \$295 billion, CBO estimates—\$35 billion more than spending in April of last year. However, outlays would have been only \$5 billion higher than they were during April 2012 if not for the effects of timing shifts (see above table). Among the larger changes in outlays compared with last year:

- **Net interest on the public debt** increased by \$4 billion.
- **Spending for all three of the government’s largest entitlement programs—Social Security, Medicare, and Medicaid**—increased. Outlays for Social Security and Medicare grew by about \$3 billion each, and Medicaid spending grew by about \$2 billion.
- **Spending for international assistance** declined by \$2 billion, mostly because payments under the Foreign Military Financing Program were much smaller in April this year than in April 2012.
- **Spending for both unemployment benefits and student loans** was down by \$2 billion. Outlays for other programs and activities differed by smaller amounts, in both directions, from outlays last April.

Actual Deficit in March 2013: \$107 Billion

The Treasury Department reported a deficit of \$107 billion for March, the same amount that CBO estimated on the basis of the *Daily Treasury Statements*.

This document was prepared by Elizabeth Cove Delisle, Barbara Edwards, David Rafferty, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov.