



## Monthly Budget Review for April 2014

The federal government ran a budget deficit of \$301 billion for the first seven months of fiscal year 2014, CBO estimates—\$187 billion less than the shortfall recorded in the same span last year. Revenues were about 8 percent higher and outlays about 3 percent lower.

Budget Totals, October–April (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	1,603	1,735	132
Outlays	2,091	2,036	-55
Deficit (-)	-488	-301	187

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for March 2014 and the *Daily Treasury Statements* for April 2014.

Note: FY = fiscal year.

### Total Receipts: Up by 8 Percent in the First Seven Months of Fiscal Year 2014

Receipts for the first seven months of fiscal year 2014 totaled \$1,735 billion, CBO estimates—\$132 billion more than receipts in the same period last year. That increase is \$10 billion to \$20 billion less than what CBO expected when it published its most recent projections in its April 2014 report [Updated Budget Projections: 2014 to 2024](#). The largest increases from the same period last year were the following:

- **Individual income taxes and social insurance (payroll) taxes** together rose by \$94 billion, or 7 percent.
  - Increases in amounts withheld from workers’ paychecks—amounting to \$76 billion (or a 7 percent increase)—accounted for most of that gain. Besides growth in wages and salaries, changes in law contributed to the increases: The tax rates in effect from October 2013 through December 2013 (the first quarter of fiscal year 2014) were higher than those in effect from October 2012 through December 2012 because of two changes that occurred in January 2013—the expiration of the 2 percentage-point payroll tax cut and increases in tax rates for income above certain thresholds. Collections of withheld taxes are running about \$20 billion above CBO’s expectations, much of that coming around the beginning of the calendar year and probably reflecting onetime factors, such as year-end bonus payments.
  - Nonwithheld receipts rose by \$19 billion (or 5 percent), about \$30 billion less than the increase that CBO had anticipated. Those receipts reflected payments made for both the 2012 and 2013 tax years. Part of the increase came from payments made during the tax-filing season (February through April), most of which were final payments for the preceding tax year; they increased by \$6 billion (or 2 percent). However, income tax refunds also rose—by \$2 billion (or 1 percent).

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 add up to totals because of rounding.

- **Receipts from corporate income taxes** rose by \$20 billion (or 15 percent). Of that increase, \$17 billion occurred between October and March and is probably attributable, for the most part, to growth in taxable profits in calendar year 2013.
- **Receipts from the Federal Reserve** rose by \$16 billion (or 37 percent). The increase was due in part to the central bank's larger portfolio of securities and a higher yield on that portfolio. Almost all of the increase occurred from January through April. Gains would also have occurred from October through December of the current fiscal year if the Federal Reserve had not realized capital gains on sales of Treasury securities during that period in the previous fiscal year.

Receipts, October–April (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	795	824	29	3.6
Social Insurance Taxes	537	603	65	12.2
Corporate Income Taxes	136	156	20	14.5
Other Receipts	<u>134</u>	<u>152</u>	<u>18</u>	13.6
<b>Total</b>	<b>1,603</b>	<b>1,735</b>	<b>132</b>	<b>8.2</b>
Memorandum:				
Combined Individual Income and Social Insurance Taxes				
Withheld taxes	1,156	1,233	76	6.6
Other, net of refunds	<u>177</u>	<u>194</u>	<u>18</u>	10.0
<b>Total</b>	<b>1,333</b>	<b>1,427</b>	<b>94</b>	<b>7.1</b>
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

### Total Outlays: Down by 2 Percent (Adjusted for Timing Shifts) in the First Seven Months of Fiscal Year 2014

Outlays for the first seven months of fiscal year 2014 were \$2,036 billion—\$55 billion less than they were in the same period last year, CBO estimates. The decline would have been slightly smaller—\$51 billion—if not for prepayments of deposit insurance premiums that were made in 2009, which lowered collections and thus boosted outlays in the first seven months of fiscal year 2013.

Outlays declined for several major programs or categories of spending, according to CBO's estimates:

- Much of the drop in spending occurred because payments from **Fannie Mae and Freddie Mac** to the Treasury were \$42 billion more than they were last year. (Such payments are recorded in the budget as offsetting receipts—that is, negative outlays.) Two reasons account for the increase. First, because of a revaluation of certain tax assets that significantly increased its net worth, Freddie Mac made a onetime payment of \$24 billion to the Treasury in December 2013. Second, because both Fannie Mae and Freddie Mac were profitable in 2013, they were required to make quarterly payments (\$33 billion through March 2014) to the Treasury in amounts related to the increase in their net worth beginning in January 2013.
- Total spending for military activities of the **Department of Defense** fell by \$19 billion (or 5 percent).
- Outlays for **unemployment benefits** declined by \$14 billion (or 31 percent), mostly because fewer people have received those benefits since the Emergency Unemployment Compensation program expired at the end of December 2013.

- Spending by the **Department of Agriculture** (included in “Other Activities” in the table below) fell by \$12 billion (or 12 percent), largely because of reduced spending for crop insurance and for the Supplemental Nutrition Assistance Program.
- Spending by the **Department of Homeland Security** (also included in “Other Activities”) fell by \$12 billion (or 31 percent), mostly because spending for flood insurance and disaster relief was lower.

Increases in spending for some other major programs during the first seven months of fiscal year 2014 partially offset those declines:

- Spending for **Social Security** benefits rose by \$22 billion (or 5 percent).
- Spending for **Medicaid** rose by \$13 billion (or 9 percent).
- Net outlays recorded for the **Troubled Asset Relief Program** rose by \$5 billion, mainly because the estimated cost of the program was reduced by \$8 billion in March 2014, a smaller amount than the \$13 billion reduction recorded in March 2013.

Outlays, October–April (Billions of dollars)					
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
DoD—Military <sup>b</sup>	361	342	-19	-19	-5.3
Social Security Benefits	463	485	22	22	4.8
Medicare <sup>c</sup>	287	289	2	2	0.7
Medicaid	152	165	13	13	8.5
Unemployment Insurance	45	31	-14	-14	-31.3
Other Activities	<u>655</u>	<u>639</u>	<u>-17</u>	<u>-13</u>	<u>-2.0</u>
<b>Subtotal</b>	<b>1,964</b>	<b>1,951</b>	<b>-13</b>	<b>-9</b>	<b>-0.5</b>
Net Interest on the Public Debt	152	148	-4	-4	-2.9
Troubled Asset Relief Program	-10	-6	5	5	n.m.
Net Outlays for GSEs	<u>-15</u>	<u>-57</u>	<u>-42</u>	<u>-42</u>	n.m.
<b>Total</b>	<b>2,091</b>	<b>2,036</b>	<b>-55</b>	<b>-51</b>	<b>-2.4</b>

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; DoD = Department of Defense; n.m. = not meaningful; GSEs = the government-sponsored enterprises Fannie Mae and Freddie Mac.

a. Adjusted amounts exclude the effects of shifting payments that would otherwise have fallen on weekends or holidays and the effects of prepayments of deposit insurance premiums.

b. Excludes a small amount of spending by the department on civil programs.

c. Medicare outlays are net of offsetting receipts.

### Estimated Surplus in April 2014: \$116 Billion

CBO estimates that the federal government realized a surplus of \$114 billion in April 2014—\$1 billion more than the surplus in April 2013 and the largest surplus in the month of April since 2008. The government took in \$415 billion and spent \$301 billion last month, CBO estimates.

Receipts in April 2014 were \$8 billion (or 2 percent) higher than those in the same month in 2013. The largest components of that change were the following:

- **Individual income and social insurance (payroll) taxes** rose by \$4 billion (or 1 percent). Contributing to that increase were nonwithheld taxes, mostly for 2013 taxes, which were up by \$2 billion. Those taxes might have been expected to rise more than that because the stock market's substantial gains in 2013 would normally have significantly boosted nonwithheld payments from capital gains realizations and from other taxable income stemming from higher asset values. However, CBO believes that taxpayers shifted income from calendar year 2013 into calendar year 2012 in anticipation of the increases in individual income tax rates that went into effect in January 2013. That shift boosted payments with tax returns in April 2013, reducing the difference between nonwithheld receipts that April and nonwithheld receipts this April.
- **Corporate income taxes** rose by \$3 billion (or 7 percent). Those receipts included the final payments of 2013 tax liabilities for most corporations.
- **Receipts from the Federal Reserve** rose by \$4 billion, mostly because of earnings on the central bank's portfolio. April was the fourth month in row with an increase between \$3 billion and \$5 billion.
- **Estate and gift taxes** declined by \$4 billion. Gift taxes were unusually high in April 2013, probably because of gifts made in calendar year 2012 in anticipation of changes in tax law.

Budget Totals for April (Billions of dollars)				
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Receipts	407	415	8	2.0
Outlays	294	301	7	2.5
Surplus	113	114	1	0.6
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

Estimated total spending in April 2014 was \$7 billion (or 2.5 percent) more than spending in April 2013, CBO estimates. Among the larger changes in outlays were the following:

- Spending for three of the government's largest benefit programs increased by a total of \$8 billion. That total consisted of \$4 billion (a 6 percent increase) for **Social Security**, \$2 billion (a 5 percent increase) for **Medicare**, and \$2 billion (an 8 percent increase) for **Medicaid**.
- Outlays by the **Department of Education** increased by \$4 billion.
- Spending for **unemployment benefits** fell by \$3 billion (or 40 percent).

**Actual Deficit in March 2014: \$37 Billion**

The Treasury Department reported a deficit of \$37 billion for March—\$1 billion more than the sum that CBO estimated in the [Monthly Budget Review for March 2014](#) on the basis of the *Daily Treasury Statements*.

This document was prepared by Barbara Edwards, Elizabeth Cove Delisle, Joshua Shakin, and Adam Wilson. It is available at [www.cbo.gov/publication/45334](http://www.cbo.gov/publication/45334).