



# MONTHLY BUDGET REVIEW

## Fiscal Year 2013

### A Congressional Budget Office Analysis

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

April 5, 2013

The federal government ran a budget deficit of \$601 billion in the first half of fiscal year 2013, CBO estimates, \$178 billion less than the shortfall recorded for the same period last year. Revenues were about 12 percent higher, and outlays about 3 percent lower, than the amounts recorded in the first six months of fiscal year 2012.

#### FEBRUARY RESULTS

The Treasury Department reported a deficit of \$203 billion for February 2013, about \$2 billion less than CBO had estimated on the basis of the *Daily Treasury Statements*.

#### ESTIMATES FOR MARCH

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	171	186	15
Outlays	369	293	-76
Deficit (-)	-198	-107	91

Sources: Department of the Treasury; CBO.

The deficit in March 2013 amounted to \$107 billion, CBO estimates, \$91 billion less than the deficit reported for March 2012. Most of that difference occurred because outlays were an estimated \$76 billion (or 21 percent) lower this March than in the same month last year.

Some of the decrease in outlays stems from quirks of the calendar. (Because April 1, 2012, was a Sunday, outlays last March included about \$31 billion in payments that would ordinarily be made in April but were instead made in March that year.) In addition, revisions to estimates of the cost of several federal credit programs—notably, the Troubled Asset Relief Program (TARP)—shrank net outlays by \$29 billion this March compared with last March. Without those revisions and shifts in the timing of payments, outlays would have been just \$16 billion (or 5 percent) lower in March 2013 than in March 2012.

Net payments to Fannie Mae and Freddie Mac were \$11 billion lower than in March 2012, because the government did not provide cash infusions to those entities this March. In addition, compared with outlays last March, spending for defense fell by \$5 billion (or

8 percent), spending for unemployment compensation dropped by \$3 billion (or 30 percent), and spending for Medicaid declined by \$2 billion (or 8 percent), after adjustments to account for shifts in the dates of certain payments. Spending for Social Security benefits, in contrast, rose by \$3 billion (or 5 percent). Outlays for other programs and activities differed by smaller amounts, in either direction, from outlays last March.

Receipts were about \$15 billion (or 9 percent) higher in March 2013 than in March 2012, by CBO's estimate. Withheld individual income taxes and payroll taxes were \$20 billion (or 12 percent) higher; about half of that increase reflects the expiration of the payroll tax cut in January 2013, along with other tax increases. The rise in withheld taxes was partly offset by an increase in refunds of individual income taxes. Those refunds were \$10 billion (or 20 percent) higher than in March 2012, partly because a delay in the start of the tax-filing season caused some refunds that ordinarily would have been paid in February to be disbursed in March.

Net receipts of corporate income taxes in March 2013—when most corporations made their final payments of 2012 tax liabilities—were \$5 billion (or 19 percent) greater than in the same month last year.

#### BUDGET TOTALS THROUGH MARCH

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	1,064	1,197	132
Outlays	1,843	1,798	-46
Deficit (-)	-779	-601	178

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$601 billion for the first six months of fiscal year 2013, \$178 billion less than the deficit for the same period last year. Revenues were \$132 billion higher in the first half of this year, and outlays were \$46 billion lower.

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 MARCH**  
(Billions of dollars)

Major Source	Actual	Preliminary	Percentage
	FY 2012	FY 2013	Change
Individual Income	484	555	14.7
Social Insurance	394	430	9.1
Corporate Income	85	100	18.3
Other	<u>101</u>	<u>111</u>	9.8
<b>Total</b>	<b>1,064</b>	<b>1,197</b>	<b>12.4</b>
<b>Memorandum:</b>			
Combined Individual Income and Social Insurance Taxes			
Withheld	910	994	9.3
Other (net)	<u>-31</u>	<u>-9</u>	-72.5
Total	878	986	12.2

Sources: Department of the Treasury; CBO.

Most of the increase in revenues so far this year stems from individual income and payroll taxes. Receipts of those taxes were \$107 billion (or 12 percent) higher than in the first six months of fiscal year 2012, CBO estimates. Taxes withheld from workers' paychecks rose by \$85 billion (or 9 percent), mainly because of 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.

Nonwithheld receipts of individual income and payroll taxes were \$14 billion (or 14 percent) greater in the first half of this fiscal year than in the same period last year. That increase results mostly from a rise in estimated tax payments in January 2013, much of which CBO attributes to taxpayers' shifting income from calendar year 2013 into late 2012 in anticipation of higher tax rates. In addition, net receipts rose because refunds of individual income taxes were \$11 billion (or 7 percent) lower in the first half of this fiscal year than in the same period last year, further boosting receipts. The Internal Revenue Service reports that fewer tax returns have been received and processed so far this year than at the same point in last year's filing season. Those increases in net receipts were partly offset by a \$2 billion decline in revenues from unemployment taxes.

Receipts from corporate income taxes were \$15 billion (or 18 percent) higher than in the first half of fiscal year 2012, probably reflecting growth in taxable profits in calendar year 2012. All other revenues, taken together, grew by \$10 billion in the first half of this year; most of the gains came from excise taxes (up by \$4 billion), miscellaneous fees and fines (up by \$4 billion), and customs duties (up by \$1 billion).

Tax collections in April—the month in which individual income tax returns are due—will provide important information about the likely growth of revenues this year.

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

Major Category	Actual	Preliminary	Percentage	
			Change	Adjusted <sup>a</sup>
	FY 2012	FY 2013	Actual	Adjusted <sup>a</sup>
Defense–Military	335	315	-6.0	-5.9
Social Security				
Benefits	375	397	5.8	5.8
Medicare <sup>b</sup>	232	244	5.3	5.1
Medicaid	121	129	6.2	6.2
Unemployment				
Benefits	52	39	-25.1	-25.1
Other Activities	<u>603</u>	<u>551</u>	-8.7	-8.6
<b>Subtotal</b>	<b>1,719</b>	<b>1,675</b>	<b>-2.6</b>	<b>-2.5</b>
Net Interest on the				
Public Debt	<u>124</u>	<u>123</u>	-1.3	-1.3
<b>Total</b>	<b>1,843</b>	<b>1,798</b>	<b>-2.5</b>	<b>-2.4</b>

Sources: Department of the Treasury; CBO.

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

Federal outlays were about 3 percent lower in the first half of fiscal year 2013 than in the same period in 2012. With changes to the estimated cost of past transactions of several credit programs (notably TARP) excluded, outlays were about 1 percent lower this year. (Shifts in the timing of certain payments affected outlays in both October and March of fiscal year 2012, resulting in little net change in total outlays for the first half of that year.)

Spending so far this year for all three of the government's largest entitlement programs has been greater than during the first six months of last year. Outlays increased by \$22 billion (or 6 percent) for Social Security, by \$12 billion (or 5 percent) for Medicare, and by \$8 billion (or 6 percent) for Medicaid. In contrast, spending for defense declined by \$20 billion (or 6 percent), and spending for unemployment benefits fell by \$13 billion (or 25 percent).

Spending for the broad category "Other Activities" was \$52 billion (or 9 percent) lower in the first six months of this year than in the first half of fiscal year 2012. The outlays recorded for TARP 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 were \$25 billion less than in the same period last year. Conversely, outlays for the Department of Agriculture were \$14 billion higher, 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. Outlays for veterans' benefits rose by \$4 billion.