



October 15, 2020

CBO's Current Revenue Forecast

Presentation to the Federation of Tax Administrators

Joshua Shakin
Tax Analysis Division

Introduction to CBO

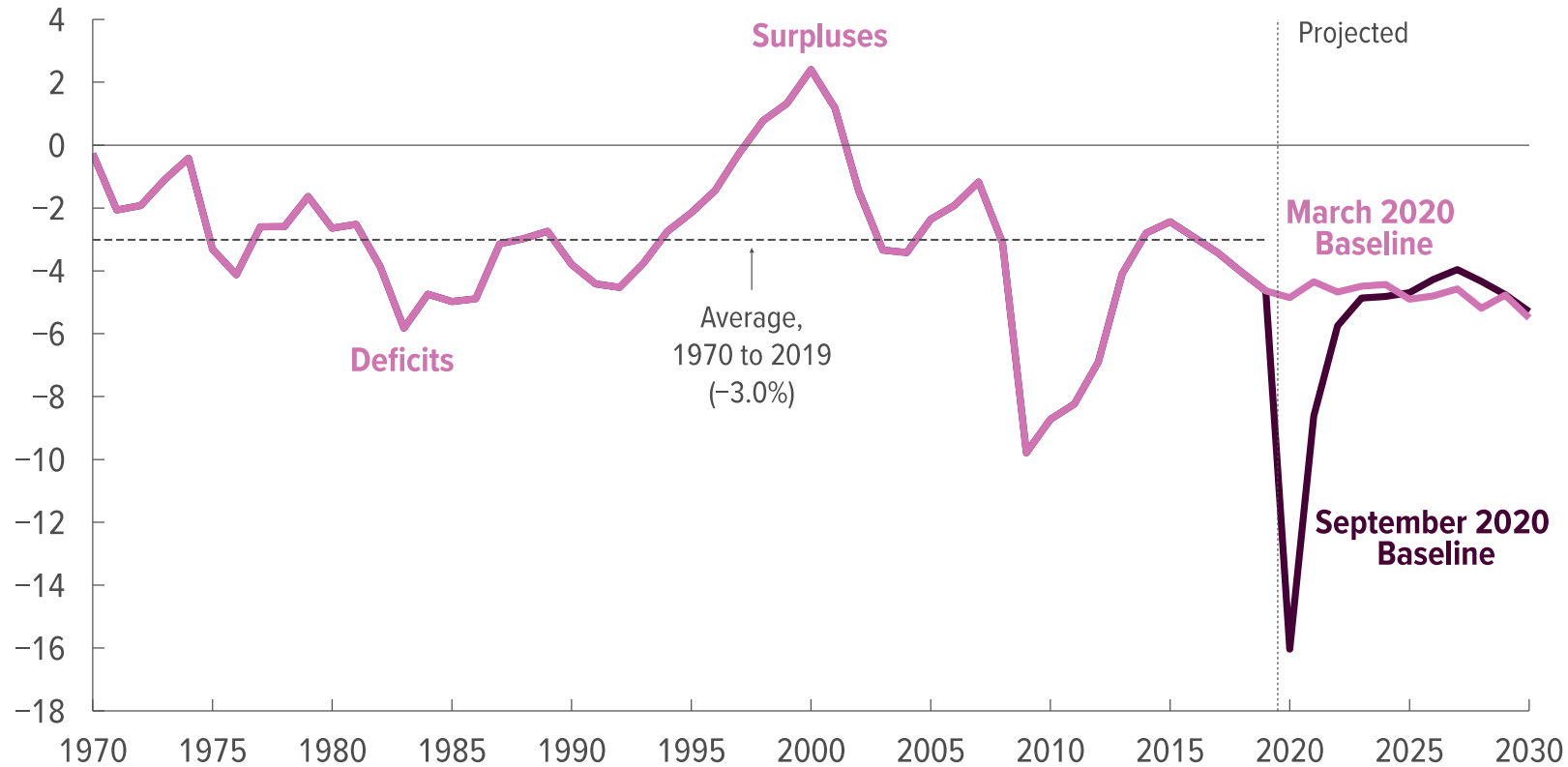
- CBO was created by the Congressional Budget and Impoundment Control Act of 1974.
- CBO's Director is appointed jointly by the House and Senate.
- The agency provides nonpartisan and objective analysis of budgetary and economic issues.

Relevant CBO Publications

- *Monthly Budget Review*
- *The Budget and Economic Outlook*
 - Published twice each year
 - Includes projections of revenues by source
 - Includes economic projections
- *The Long-Term Budget Outlook*
 - Published once each year
- *An Evaluation of CBO's Past Revenue Projections* (August 2020)

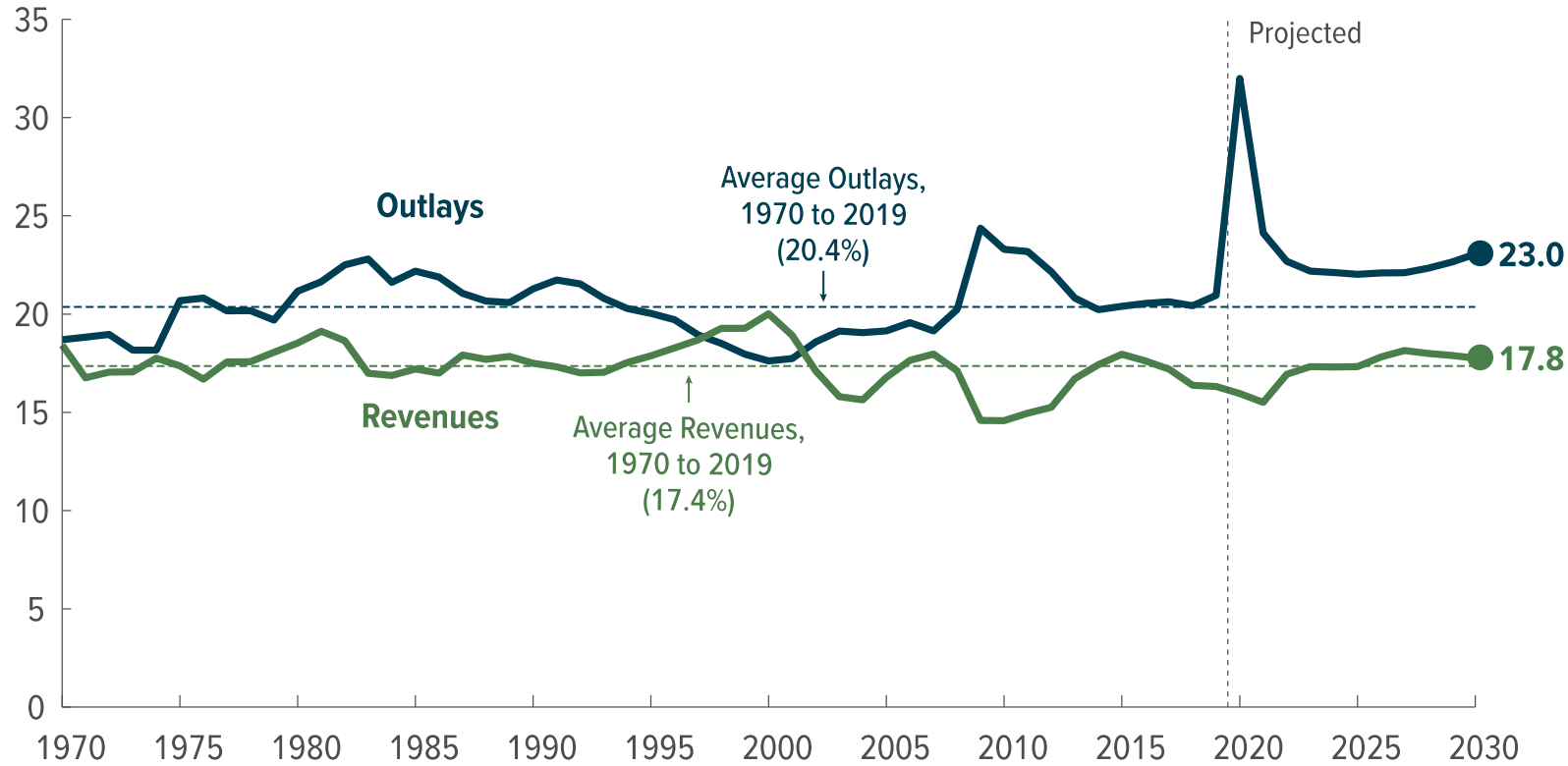
Deficits in CBO's September 2020 Baseline Versus Its March 2020 Baseline

Percentage of Gross Domestic Product



Total Revenues and Outlays

Percentage of Gross Domestic Product



CBO's September 2020 Baseline Revenue Projections

Billions of Dollars

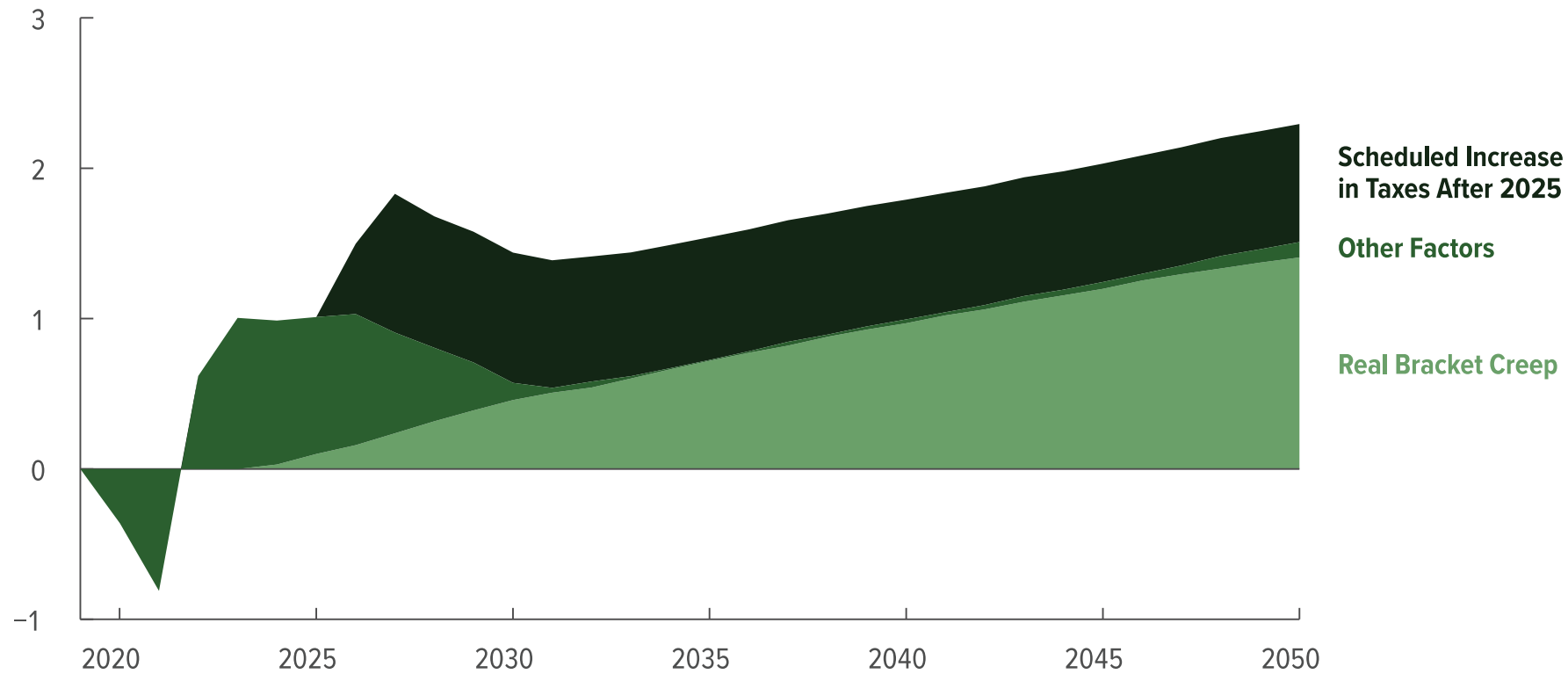
	Actual, 2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total 2021– 2030
In Billions of Dollars													
Revenues													
Individual income taxes	1,718	1,533	1,571	1,821	1,913	1,982	2,089	2,334	2,569	2,677	2,792	2,906	22,654
Payroll taxes	1,243	1,313	1,246	1,335	1,412	1,463	1,507	1,567	1,627	1,689	1,750	1,810	15,407
Corporate income taxes	230	151	123	234	289	319	347	352	356	368	378	387	3,152
Other	<u>271</u>	<u>298</u>	<u>316</u>	<u>349</u>	<u>366</u>	<u>382</u>	<u>390</u>	<u>402</u>	<u>400</u>	<u>389</u>	<u>376</u>	<u>354</u>	<u>3,725</u>
Total	3,463	3,296	3,256	3,739	3,980	4,146	4,334	4,656	4,952	5,123	5,296	5,457	44,938
On-budget	2,548	2,330	2,358	2,809	2,983	3,105	3,249	3,523	3,770	3,892	4,017	4,132	33,837
Off-budget	914	965	898	930	997	1,040	1,085	1,133	1,182	1,231	1,278	1,325	11,101

As a Percentage of Gross Domestic Product

Revenues													
Individual income taxes	8.1	7.4	7.5	8.2	8.3	8.3	8.4	8.9	9.4	9.4	9.4	9.5	8.8
Payroll taxes	5.9	6.4	5.9	6.0	6.1	6.1	6.0	6.0	6.0	5.9	5.9	5.9	6.0
Corporate income taxes	1.1	0.7	0.6	1.1	1.3	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.2
Other	<u>1.3</u>	<u>1.4</u>	<u>1.5</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.5</u>	<u>1.5</u>	<u>1.4</u>	<u>1.3</u>	<u>1.2</u>	<u>1.4</u>
Total	16.3	16.0	15.5	16.9	17.3	17.3	17.3	17.8	18.1	18	17.9	17.8	17.5
On-budget	12.0	11.3	11.2	12.7	13.0	13.0	13.0	13.5	13.8	13.7	13.6	13.4	13.2
Off-budget	4.3	4.7	4.3	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3

Changes in Revenues

Percentage of Gross Domestic Product



Changes in CBO's Baseline Revenue Projections Since March 6, 2020

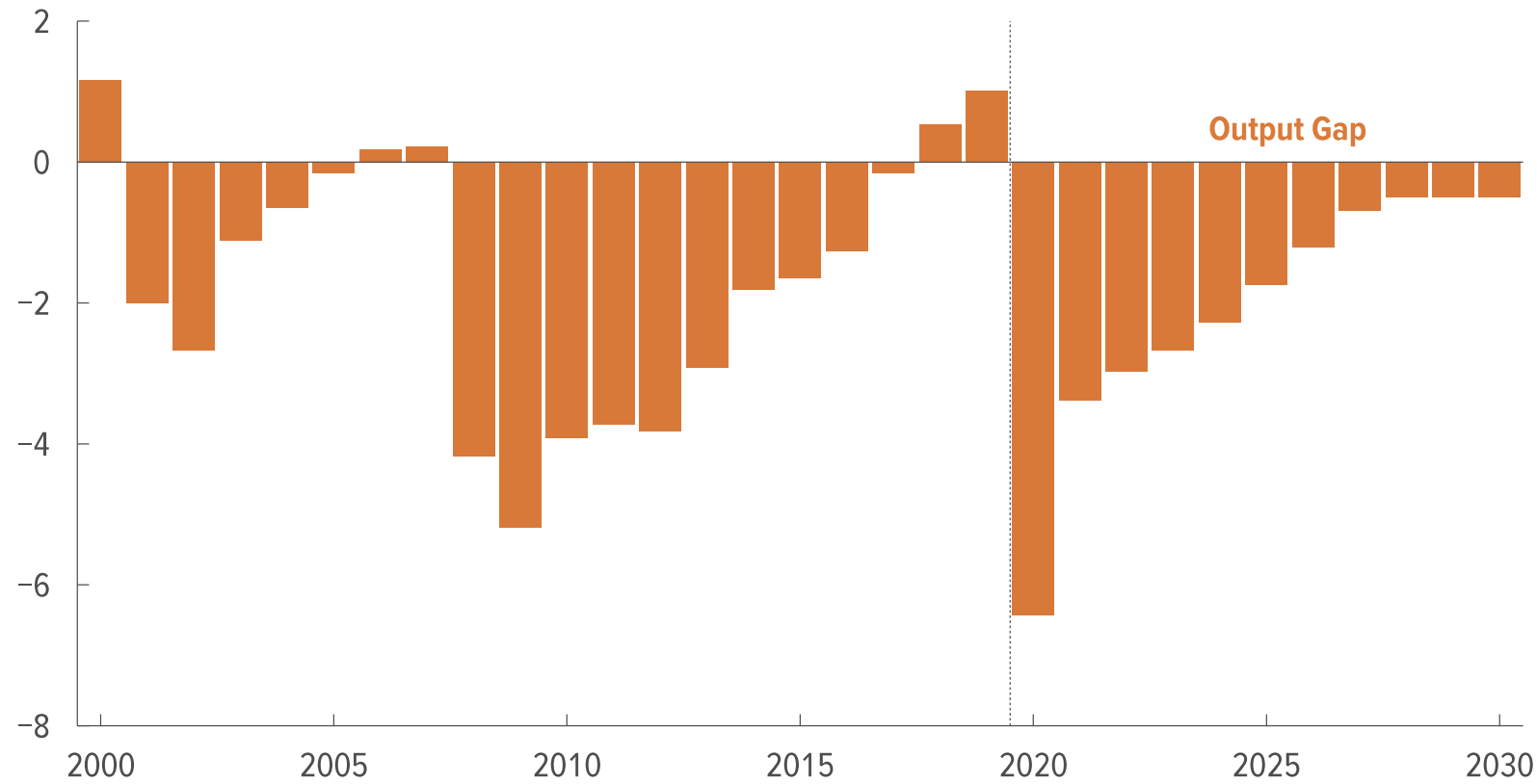
Billions of Dollars

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total 2020–30
Legislative Changes												
Individual income taxes	-462	-256	184	179	2	2	2	1	1	*	*	-348
Payroll taxes	3	*	-1	-1	-1	*	*	*	*	*	*	-2
Corporate income taxes	-75	-6	2	3	7	11	11	7	5	2	3	-30
Other	<u>-4</u>	<u>-2</u>	<u>0</u>	<u>0</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>-6</u>
Total Change	-539	-264	186	182	9	12	12	8	5	2	2	-385
Economic Changes												
Individual income taxes	-111	-195	-201	-187	-176	-161	-140	-125	-119	-122	-127	-1,663
Payroll taxes	-89	-76	-49	-55	-62	-70	-67	-66	-68	-72	-73	-745
Corporate income taxes	-30	-46	-42	-36	-34	-30	-24	-19	-16	-15	-15	-307
Other	<u>7</u>	<u>30</u>	<u>53</u>	<u>62</u>	<u>69</u>	<u>72</u>	<u>72</u>	<u>52</u>	<u>26</u>	<u>3</u>	<u>-31</u>	<u>414</u>
Total Change	-223	-287	-239	-216	-203	-188	-160	-158	-177	-205	-245	-2,300
Technical Changes												
Individual income taxes	315	118	-158	-175	-23	-18	-11	-16	-14	-14	-13	-9
Payroll taxes	97	-35	-24	3	3	-6	-8	-10	-10	-10	-13	-13
Corporate income taxes	23	-82	-18	-11	-17	-20	-19	-15	-11	-7	-7	-185
Other	<u>-10</u>	<u>-10</u>	<u>-8</u>	<u>-8</u>	<u>-4</u>	<u>-8</u>	<u>-9</u>	<u>-11</u>	<u>-12</u>	<u>-15</u>	<u>-10</u>	<u>-104</u>
Total Change	425	-8	-208	-190	-42	-53	-47	-51	-47	-45	-43	-310
Total Change in Revenues	-337	-559	-261	-225	-236	-228	-195	-201	-219	-248	-286	-2,996

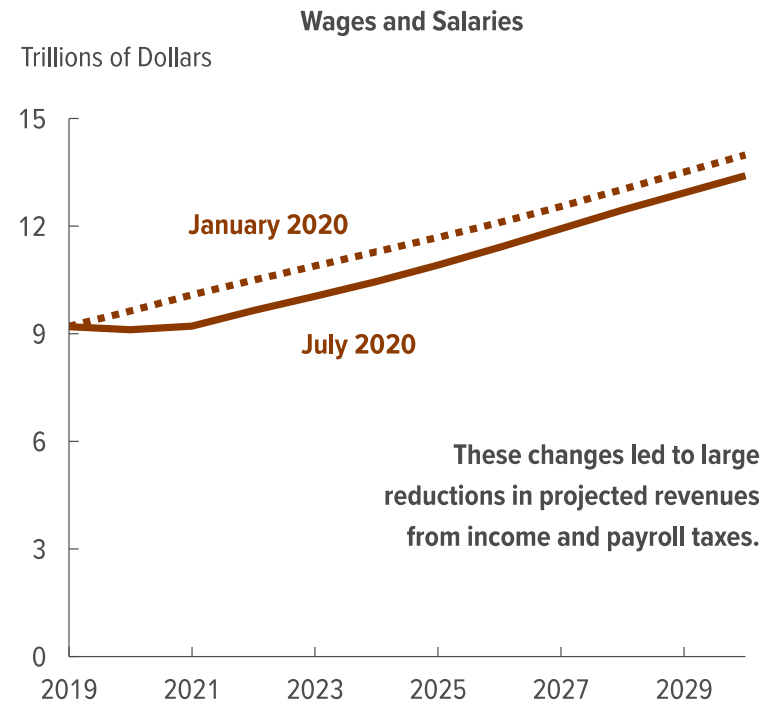
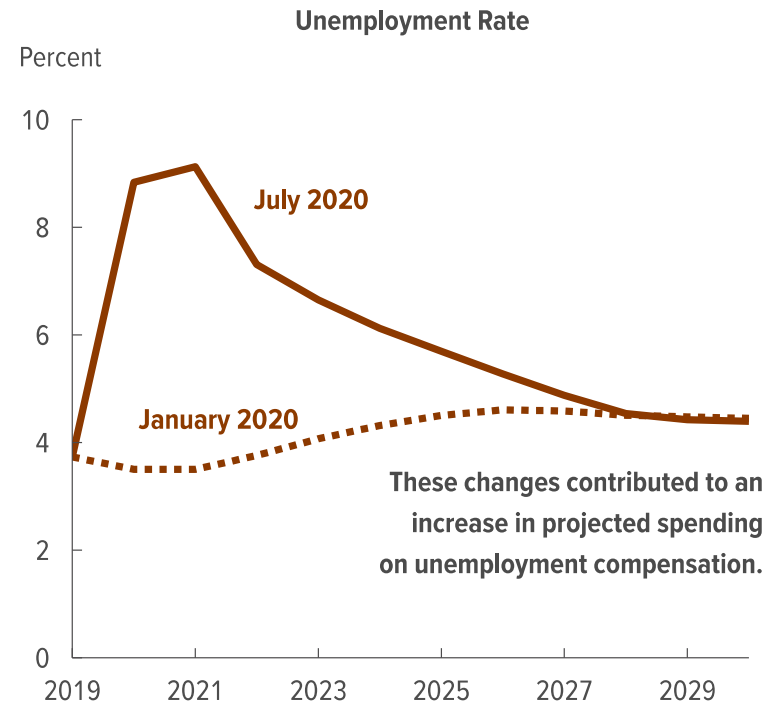
* = between -\$500 million and \$500 million.

The Output Gap

Percentage of Potential GDP



Changes in CBO's Economic Forecast Since January 2020



Deficit Increases Over the 2020–2030 Period From Legislation Enacted to Address the Coronavirus Pandemic, by Major Provision

Billions of Dollars

**Increases in
Outlays: 2,217**

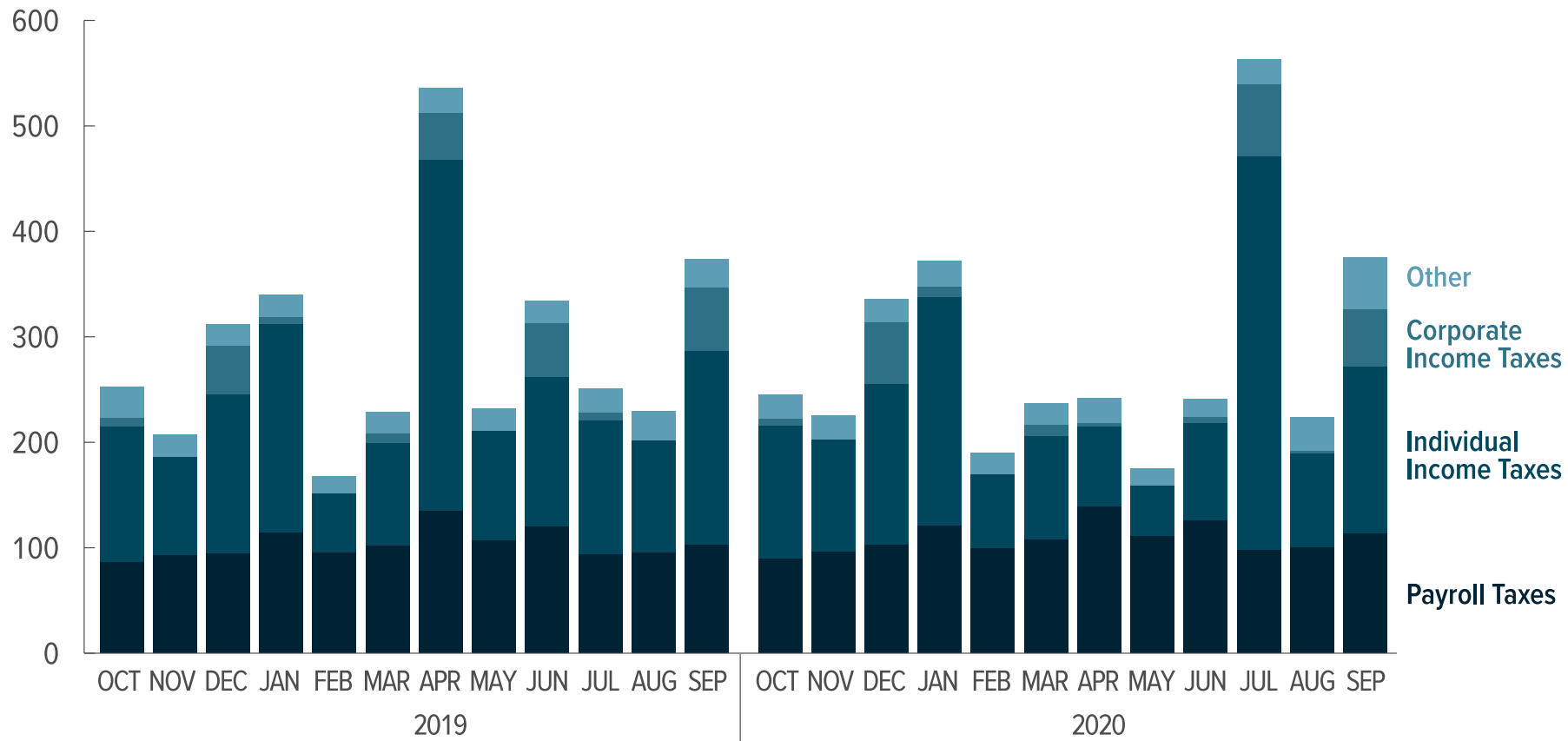
**Reductions in
Revenues: 385**

Paycheck Protection Program 541	Recovery Rebates 281	HHS Public Health and Social Services Emergency Fund 225		Increased Limits on Losses for Corporations and Taxpayers 161
	Other Programs 177	Coronavirus Relief Fund 150	Disaster Relief 111	Tax Credits for Paid Sick Leave and Paid Family Medical Leave 105
Unemployment Compensation Expansion 442	Medicaid Financial Assistance to States and Coverage Continuity for Enrollees 172	Education Stabilization Fund	Pandemic Relief for Aviation Workers	Other Tax Provisions 65
		Increase in SNAP Beneficiaries and Average Benefits 66	30	Employee Retention Credit for Affected Employers 55
			23	

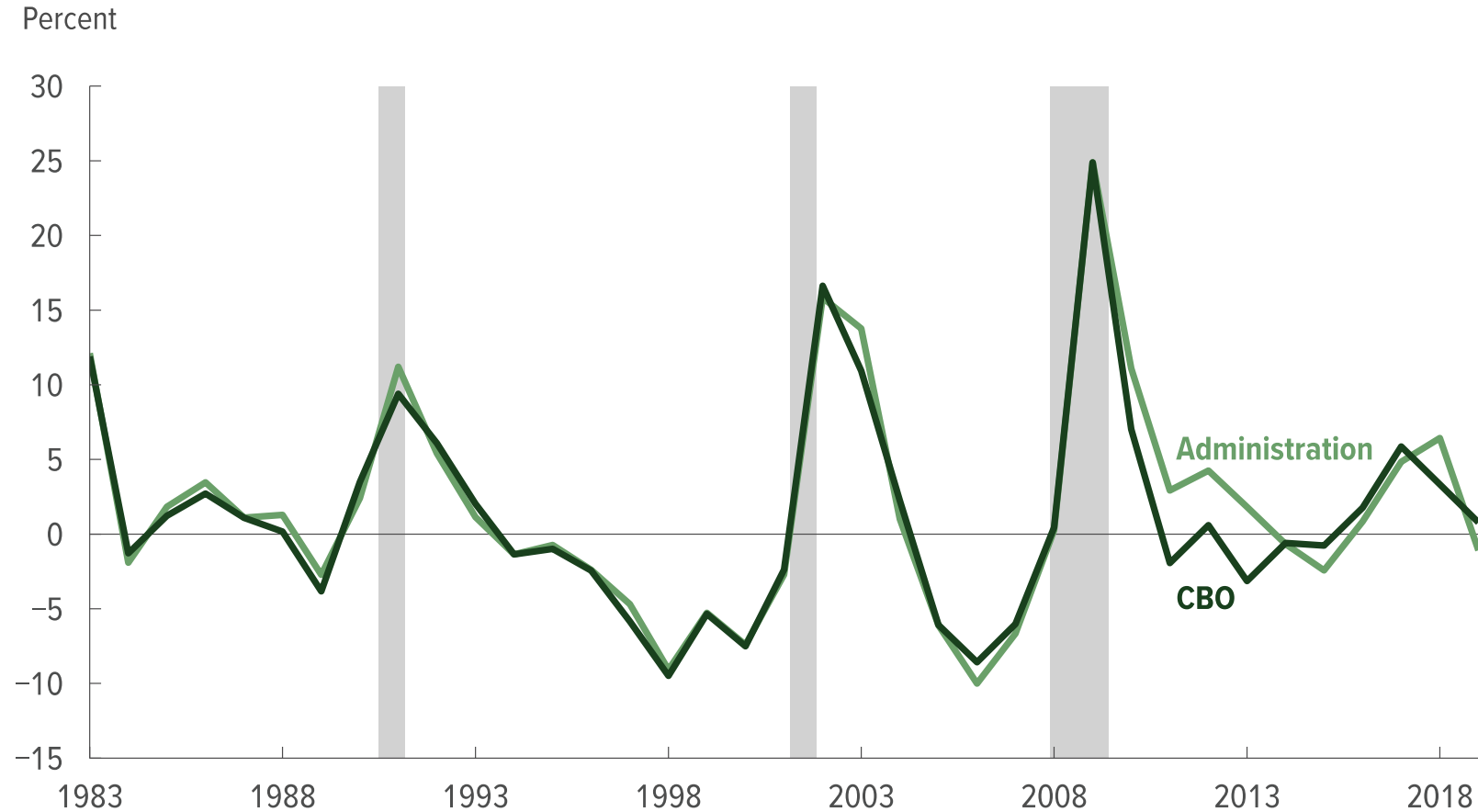
Total Increase in the Deficit: 2,603

Monthly Federal Revenues, by Source

Billions of Dollars



Errors in CBO's and the Administration's Budget-Year Revenue Projections



Root Mean Square Errors of CBO's Budget-Year Projections, by Revenue Source

Percent

	Root Mean Square Error	Average Share of Total Revenues	Root Mean Square Error Relative to Total Revenues
Individual Income Taxes	9.6	45.9	4.4
Payroll Taxes	3.3	35.9	1.3
Corporate Income Taxes	27.6	9.7	2.3
Excise Taxes	8.6	3.6	0.4
Customs Duties	11.0	1.3	0.2
Estate and Gift Taxes	17.0	1.0	0.2
Miscellaneous Receipts	15.1	<u>2.6</u>	0.5
Total Revenues	7.0	100	n.a.