



November 9, 2020

## Monthly Budget Review: Summary for Fiscal Year 2020

In fiscal year 2020, which ended on September 30, the federal budget deficit totaled \$3.1 trillion—more than triple the shortfall recorded in fiscal year 2019. Much of that amount was the result of the economic effects of the novel coronavirus pandemic and the legislation enacted in response; CBO and the staff of the Joint Committee on Taxation estimated that the legislation would add \$2.3 trillion to the deficit. During the first six months of 2020, the deficit totaled \$0.7 trillion; it rose by \$2.4 trillion in the second half of the fiscal year.

The deficit in 2020 was equal to 14.9 percent of the nation’s gross domestic product (GDP), up from 4.6 percent in 2019 and 3.8 percent in 2018; the deficit was the largest as a percentage of GDP since 1945. As a result of the deficit and federal borrowing for other reasons—primarily to increase the Treasury’s cash balance—federal debt held by the public rose to 100.1 percent of GDP, up from 79.2 percent of GDP at the end of fiscal year 2019.

Fiscal Year Totals, 2015 to 2020						
Billions of Dollars						
	2015	2016	2017	2018	2019	2020
Receipts	3,250	3,268	3,316	3,330	3,462	3,420
Outlays	3,692	3,853	3,982	4,109	4,447	6,552
Deficit (–)						
Amount	–442	–585	–665	–779	–984	–3,132
Percentage of GDP	–2.4	–3.1	–3.4	–3.8	–4.6	–14.9

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.  
GDP = gross domestic product.

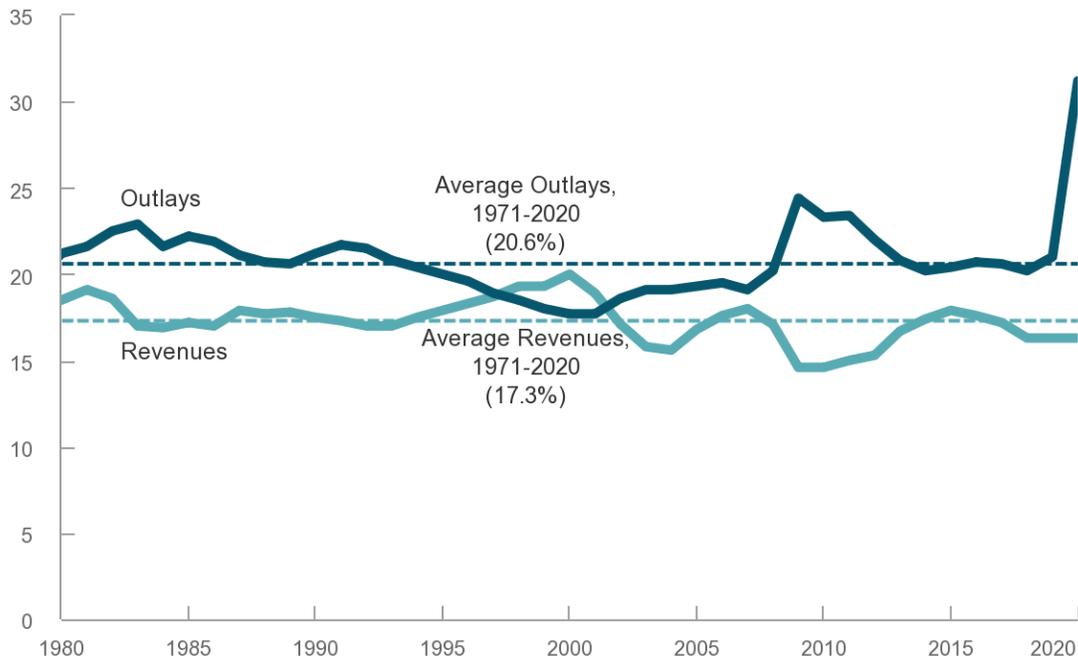
In 2020, the government’s revenues amounted to \$3.4 trillion—\$42 billion (or 1 percent) less than receipts recorded in 2019. Revenues were 16.3 percent of GDP in 2020, the same as in 2019, remaining below the average (17.3 percent) for the past 50 years.

Net spending by the government was \$6.6 trillion in 2020—\$2.1 trillion (or 47 percent) more than in 2019. Outlays amounted to 31.2 percent of GDP in 2020, compared with 21.0 percent in 2019 and above the 50-year average of 20.6 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 sum to totals because of rounding.

## Federal Revenues and Outlays, 1980 to 2020

Percentage of Gross Domestic Product



### Total Receipts: Down by 1 Percent in Fiscal Year 2020

Some major sources of revenues declined and some increased, relative to the amounts recorded in 2019. Revenues were significantly affected by the decline in economic activity and by legislation enacted in response to the pandemic.<sup>1</sup>

- Reported receipts from **individual income taxes**, the largest source of revenues, fell by \$109 billion (or 6 percent). Such collections fell from 8.1 percent of GDP in 2019 to 7.7 percent in 2020, dropping below the average of 7.9 percent for the past 50 years.
  - Income taxes withheld from workers' paychecks decreased by \$83 billion (or 6 percent) because of legislative actions and a decline in economic activity. The CARES Act allows most employers to defer payment of their portion of the Social Security payroll tax and certain Railroad Retirement taxes on wages paid from March 27, 2020, through December 31, 2020. In addition, FFCRA provides refundable credits against payroll taxes to compensate employers for paid sick leave and for family and medical leave, and the CARES Act provides a refundable credit against payroll taxes for employee retention. Although those provisions affect payroll taxes, the Treasury is recording the effects—at least initially—as declines in individual income taxes.
  - Nonwithheld payments of income taxes fell by \$32 billion (or 5 percent) because of the decline in economic activity and the effects of legislation. The CARES Act included several provisions that were expected to reduce estimated payments of individual income taxes in 2020, in particular one that temporarily allows taxpayers to offset more nonbusiness income with business losses.
  - Individual income tax refunds declined by \$6 billion (or 3 percent).

1. Those laws include the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the Paycheck Protection Program and Health Care Enhancement Act (PPHCEA).

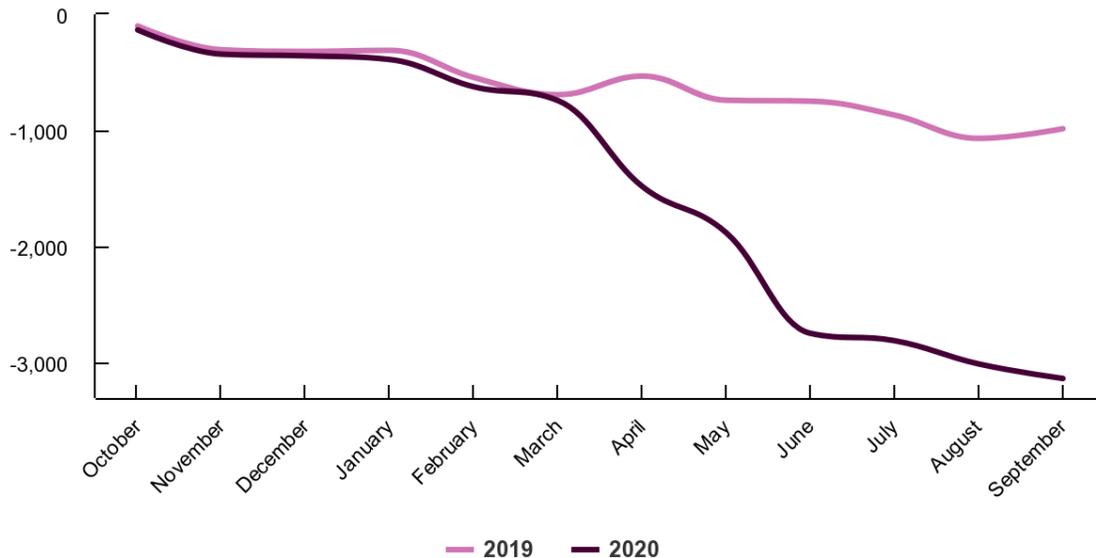
- Recorded receipts from **payroll (social insurance) taxes**, the second-largest revenue source, rose by \$67 billion (or 5 percent). They increased from 5.9 percent of GDP in 2019 to 6.2 percent in 2020. When the Treasury receives payments of withheld taxes, it does not initially observe a difference between payroll taxes and withheld individual income taxes. Instead, it first allocates withheld taxes to one source or the other on the basis of estimates made in advance of actual collections. As additional information becomes available, including detailed tax return information, the Treasury makes periodic reallocations to revise past allocations. The amounts recorded by the Treasury as payroll taxes for 2020 were largely determined before the onset of the pandemic, and the effects of subsequent declines in wages and enacted legislation were recorded as lower individual income tax receipts in 2020.
- Receipts from **corporate income taxes**, the third-largest source of revenues, decreased by \$18 billion (or 8 percent) in 2019, declining from 1.1 percent of GDP to 1.0 percent. Those revenues as a percentage of GDP remain among the lowest recorded since 2009 and below the average of 1.8 percent of GDP over the past 50 years. Corporate income tax receipts include payments for activity in the 2019 and 2020 tax years, and they reflect the economic disruption caused by the pandemic and the effects of related legislation.
- Receipts from **other sources** increased by \$18 billion (or 7 percent), rising from 1.3 percent of GDP in 2019 to 1.4 percent in 2020. An increase in receipts from Federal Reserve remittances was partially offset by declines in excise taxes and customs duties, with smaller changes to other sources.
  - Remittances from the Federal Reserve rose by \$29 billion (or 55 percent), in part because of lower short-term interest rates, which reduce the central bank's interest expenses and therefore increase its remittances to the Treasury. As part of its efforts to carry out monetary policy in response to the pandemic, the Federal Reserve also has significantly increased its holdings of assets, an action that tends to further boost remittances.
  - Excise taxes fell by \$12 billion (or 12 percent). Declines in those collections resulted from the suspension—for most of the calendar year—of certain aviation excise taxes and from a general reduction in economic activity. Those declines were offset in part by the final payment of a tax on health insurance providers, which was collected in 2020 but had not been collected in 2019. That tax has been repealed for all future years.
  - Customs duties declined by \$2 billion (or 3 percent), reflecting a drop in imports. That decline was more than offset by increases of \$3 billion (or 9 percent) in miscellaneous fees and fines and of \$1 billion (or 6 percent) in estate and gift taxes.

<b>Total Receipts</b>				
Billions of Dollars				
Major Source	2018	2019	2020	Percentage Change, 2019 to 2020
Individual Income Taxes	1,684	1,718	1,609	-6.4
Payroll Taxes	1,171	1,243	1,310	5.4
Corporate Income Taxes	205	230	212	-8.0
Other Receipts	<u>271</u>	<u>271</u>	<u>289</u>	6.8
<b>Total</b>	<b>3,330</b>	<b>3,462</b>	<b>3,420</b>	<b>-1.2</b>
Percentage of GDP	16.3	16.3	16.3	n.a.

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.  
GDP = gross domestic product; n.a. = not applicable.

## Monthly Cumulative Deficits Fiscal Years 2019 and 2020

Billions of Dollars



Source: Department of the Treasury.

### Total Outlays: Up by 47 Percent in Fiscal Year 2020

Outlays in fiscal year 2020 were \$6.6 trillion—\$2.1 trillion (or 47 percent) higher than they were during the same period in 2019, CBO estimates. Outlays increased for all major spending categories and for most federal agencies. Large increases were mostly linked to the pandemic and the federal government’s response to it.

- The **Small Business Administration’s** outlays were \$577 billion (mostly for the Paycheck Protection Program), compared with \$456 billion during the same period in 2019.
- Outlays for **unemployment compensation** were \$445 billion more than in 2019.
- Payments of **refundable tax credits**—including recovery rebates that began in April under the CARES Act—totaled \$271 billion more than in 2019.
- Outlays totaling \$149 billion were made from the **Coronavirus Relief Fund**, created by the CARES Act, which provides aid to state, local, tribal, and territorial governments.
- Outlays for the **Public Health and Social Services Emergency Fund** (included in the “Other” category below) were \$112 billion, compared with \$4 billion during 2019.
- **Medicare** outlays were \$125 billion (or 19 percent) more than in 2019, largely because of the expansion of two programs. First, the CARES Act expanded the Accelerated Payment Program for Medicare Part A providers during the public-health emergency. Second, the Centers for Medicare & Medicaid Services expanded the Advance Payment Program to Part B suppliers via regulation. The expansion of those programs began in April. Both programs issue payments to providers in advance of expected Medicare claims that will be recouped from future claims. Spending also increased in part because of higher payment rates for beneficiaries enrolled in Medicare Advantage plans.

<b>Total Outlays</b> Billions of Dollars				
Major Program or Category	2018	2019	2020	Percentage Change, 2019 to 2020
Social Security Benefits	977	1,033	1,084	5.0
Medicare <sup>a</sup>	585	648	773	19.3
Medicaid	<u>389</u>	<u>409</u>	<u>458</u>	12.0
<b>Subtotal, Largest Mandatory Spending Programs</b>	<b>1,951</b>	<b>2,090</b>	<b>2,315</b>	<b>10.8</b>
Small Business Administration	*	*	577	n.m.
Unemployment Benefits	32	31	476	n.m.
Refundable Tax Credits	77	88	359	n.m.
Coronavirus Relief Fund	0	0	149	n.a.
DoD—Military <sup>b</sup>	601	654	690	5.6
Net Interest on the Public Debt	371	423	387	-8.5
Other	<u>1,076</u>	<u>1,159</u>	<u>1,597</u>	37.7
<b>Total</b>	<b>4,109</b>	<b>4,447</b>	<b>6,552</b>	47.3
Percentage of GDP	20.2	21.0	31.2	n.a.

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.  
DoD = Department of Defense; GDP = gross domestic product; n.a. = not applicable; n.m. = not meaningful;  
\* = between zero and \$1 billion.  
a. Medicare outlays are net of offsetting receipts.  
b. Excludes a small amount of spending by DoD on civil programs.

- Outlays for the **Department of Education** (included in “Other”) were \$100 billion higher than in 2019. Much of that increase occurred because the Administration recorded large upward revisions to the subsidy costs of student loans made in previous years. Those revisions were made primarily because of newly available data that showed lower income for borrowers in income-driven repayment plans and because payments, interest accrual, and involuntary collections were suspended on certain loans in response to the pandemic. Outlays also were higher because of additional education funding provided in the CARES Act.
- Spending for **Social Security** grew by \$51 billion (or 5 percent) because of increases both in the number of beneficiaries (1.8 percent) and in the average benefit payment (3.3 percent).
- Spending for **Medicaid** was \$49 billion (or 12 percent) higher than in 2019, largely because of the legislative response to the pandemic. In particular, legislation raised federal Medicaid matching rates by 6.2 percentage points and required states to maintain coverage for all Medicaid enrollees who were enrolled during the emergency period, regardless of changes in their circumstances that might otherwise cause them to lose eligibility.
- Spending by the **Department of Homeland Security** was \$36 billion higher than in 2019. That increase is mostly the result of spending from the Disaster Relief Fund to pay for unemployment benefits under the provisions of a memorandum issued by the Administration in August.<sup>2</sup>

2. See the White House, Presidential Memoranda, “Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019” (August 8, 2020), <https://go.usa.gov/xGFJr>.

- Outlays from the Department of the Treasury’s **Exchange Stabilization Fund** (included in “Other”) were \$31 *billion*, compared with –\$513 *million* in 2019, almost entirely because of equity investments in certain Federal Reserve facilities, which provide liquidity for a wide range of economic activities. Those facilities are designed to address financial strain caused by the pandemic. CBO expects that the increase in the deficit caused by those outlays will be mostly offset in future years by payments to the Treasury from the facilities’ proceeds.
- Spending by the Department of the Treasury for the new **aviation worker relief** program (included in “Other”) totaled \$28 billion.
- Outlays for the **Food and Nutrition Service** were \$22 billion higher than in 2019, mostly related to the Supplemental Nutrition Assistance Program.

Net outlays for **interest on the public debt** decreased by \$36 billion compared with 2019; lower interest rates and lower inflation more than offset the effects of a larger federal debt. As a share of GDP, net interest fell from 2.0 percent in 2019—its highest level since 2001—to 1.8 percent.

### Estimated Deficit in October 2020

The government recorded a deficit of \$284 billion in October, CBO estimates, \$149 billion more than the shortfall recorded in the same month last year. Revenues fell by \$8 billion (or 3 percent), largely because of a decline in collections of individual income taxes. Outlays this October were \$141 billion (or 37 percent) higher than in the same month last year because of greater spending for many government programs, in part driven by the government’s response to the pandemic. Shifts in the timing of payments (because November 1 fell on a weekend) also increased the deficit in October; if not for those shifts, the outlay increase in October would have been \$78 billion (or 20 percent) and the deficit in that month would have been \$221 billion.\*

Each month, CBO issues an analysis of federal spending and revenues for the previous month and the fiscal year to date. This report is the latest in that series, found at <https://go.usa.gov/xfwBH>. In keeping with CBO’s mandate to provide objective, impartial analysis, it makes no recommendations. Dawn Sauter Regan, Jon Sperl, and Jennifer Shand prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Theresa Gullo, Sam Papenfuss, and Joshua Shakin. It was reviewed by Mark Hadley and Robert Sunshine, edited by Kate Kelly, and prepared for publication by Janice Johnson. An electronic version is available on CBO’s website, [www.cbo.gov/publication/56746](http://www.cbo.gov/publication/56746).

On December 10, 2020, CBO reposted this report to correct three values related to October 2020 outlays.