Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Monthly Budget Review: June 2021

July 9, 2021

The federal budget deficit was $2.2 trillion in the first nine months of fiscal year 2021, the Congressional Budget Office estimates—$508 billion less than the deficit recorded during the same period last year. Although outlays rose by an estimated $289 billion (or 6 percent), revenues rose more—by an estimated $797 billion (or 35 percent).

Table 1.

Budget Totals, October–June

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Receipts	2,609	2,260	3,057	797	35
Outlays	3,356	5,004	5,293	289	6
Deficit (−)	−747	−2,744	−2,237	508	−19

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statements* for May 2021 and September 2020 and the *Daily Treasury Statements* for June 2021.

FY = fiscal year.

Outlays in the first nine months of fiscal year 2021 were almost $2 trillion more than spending during the same period two years earlier, in 2019, mostly because of programs and policies implemented in response to the coronavirus pandemic—notably, refundable tax credits (particularly the recovery rebates), expanded unemployment compensation, and the Small Business Administration's Paycheck Protection Program.[1] Outlays in 2020 also were boosted sharply by pandemic-related spending. As a result, the deficits recorded during the first nine months of 2020 and 2021 were significantly larger than the $747 billion shortfall recorded during the same period in fiscal year 2019.

By the end of this fiscal year (in September), if current laws governing taxes and spending remain unchanged, the budget deficit will reach $3.0 trillion, CBO estimates, the second largest shortfall since 1945.[2] That amount is nearly $130 billion less than the deficit recorded in 2020 but triple

1. Among the laws enacted in 2020 and 2021 in response to the pandemic were the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act, 2021 (CAA), and the American Rescue Plan Act of 2021 (ARPA).
2. For details about CBO's most recent budget projections, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (July 2021), www.cbo.gov/publication/57218.

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.

the shortfall recorded in 2019. Relative to the size of the economy, CBO projects, this year's deficit will total 13.4 percent of gross domestic product, a share exceeded only by the 14.9 percent recorded last year.

Total Receipts: Up by 35 Percent for the Fiscal Year to Date

Receipts totaled $3,057 billion in the first nine months of fiscal year 2021, CBO estimates—$797 billion more than during the same period last year. That increase is partially the result of earlier due dates this year than last year for corporate and individual income tax payments. For the fiscal year as a whole, CBO estimates that revenues will be up by about 12 percent.

Table 2.

Receipts, October–June

Billions of Dollars

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Individual Income Taxes	1,301	985	1,591	606	61.6
Payroll Taxes	950	996	979	−17	−1.7
Corporate Income Taxes	164	92	268	176	191.5
Other Receipts	193	187	218	31	16.6
Total	**2,609**	**2,260**	**3,057**	**797**	**35.2**
Memorandum:					
Combined Individual Income and Payroll Taxes					
Withheld taxes	1,866	1,880	2,017	138	7.3
Other, net of refunds	385	101	552	452	n.m.
Total	**2,251**	**1,981**	**2,570**	**589**	**29.7**

Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year, n.m. = not meaningful.

- **Individual income** and **payroll (social insurance) taxes** together rose by $589 billion (or 30 percent).
  - Nonwithheld payments of income and payroll taxes rose by $474 billion (or 175 percent). The Internal Revenue Service extended the deadline for final payment of income taxes for 2020 to May 17, 2021; estimated quarterly payments were still due in April and June. Last year final and estimated payments were not due until July 15.
  - Amounts withheld from workers' paychecks rose by $138 billion (or 7 percent). That increase most likely reflects higher total wages and salaries, particularly among the relatively high-income workers who pay most of the income taxes. Legislation enacted in response to the pandemic complicates year-over-year comparisons. Significantly, most employers could choose to defer payment of their portion of certain payroll taxes on wages paid from March 27, 2020 (the date of enactment of the CARES Act), through December 31, 2020. In addition, employers may claim new tax credits for paid leave and employee retention by reducing the amount of withheld taxes they remit.

- Individual income tax refunds increased by $29 billion (or 14 percent), decreasing net receipts. The precise timing of refunds varies from year to year, but most are typically paid from February through the month in which tax returns are due.
- Unemployment insurance receipts (one type of payroll tax) increased by $7 billion (or 20 percent). Those receipts were up because states were replenishing the balances in their unemployment insurance trust funds, at least in part by collecting more in unemployment taxes from employers. The funds are collected by the states but count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states. The states' trust funds were depleted as a result of unusually high unemployment during the past year.

■ Receipts from **corporate income taxes** increased, on net, by $176 billion, almost twice the amount collected at this time last year. In part, that change reflects earlier collections of estimated and final payments of corporate income taxes, which this year were due in April and June; last year those payments were due in July.

■ Receipts from **other sources,** on net, increased by $31 billion (or 17 percent).

- The Federal Reserve's remittances to the Treasury rose by $14 billion (or 25 percent), in part as a result of lower short-term interest rates, which reduced the central bank's interest expenses. 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 increase remittances while short-term interest rates are low.
- Estate and gift taxes rose by $11 billion (or 94 percent).
- Customs duties rose by $6 billion (or 11 percent), reflecting an increase in imports.
- Miscellaneous fees and fines decreased by $2 billion (or 11 percent), largely because last year the government received a $5 billion payment from a settlement agreement between Facebook and the Federal Trade Commission.

Total Outlays: Up by 6 Percent for the Fiscal Year to Date

Outlays in the first nine months of fiscal year 2021 were $5,293 billion, $289 billion more than during the same period last year, CBO estimates. The budgetary effects of federal responses to the pandemic account for the largest increases. For some programs, outlays through this June are higher than those incurred through last June because those programs have been operating for a larger portion of this year than last.

Several major spending increases, including the following, were largely the result of pandemic-related legislation and administrative actions:

■ Outlays for certain **refundable tax credits** were $296 billion higher than in the first nine months of 2020.[3] That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA.

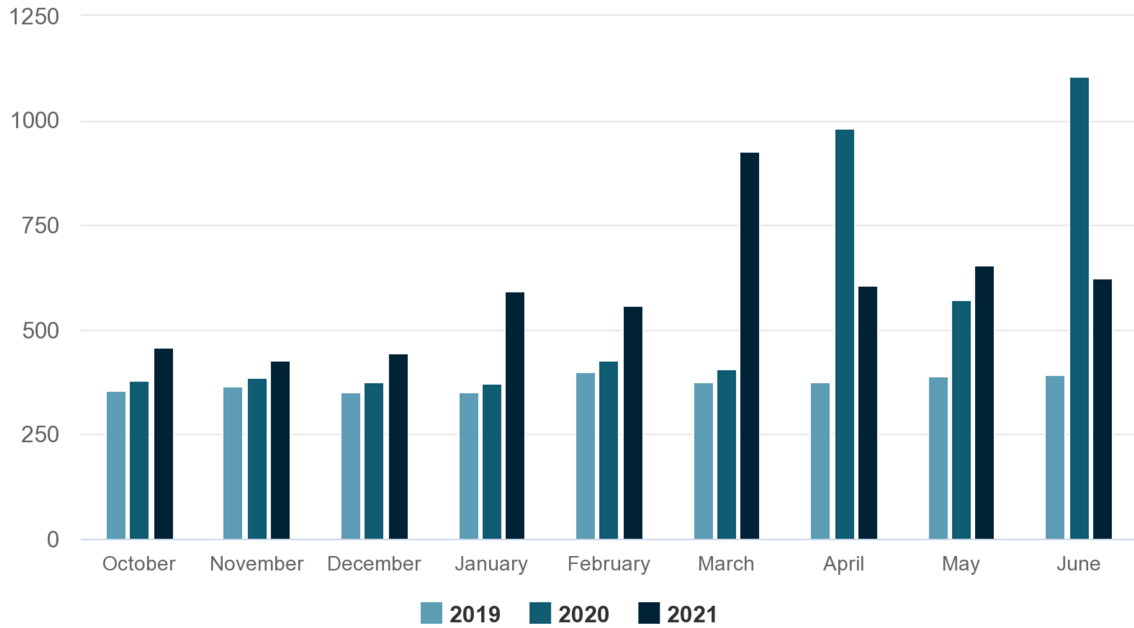
■ Outlays for **unemployment compensation** rose by $46 billion this year compared with the first nine months of 2020. That increase is attributable to enhanced benefits authorized by the CARES Act that were extended by the CAA and ARPA and to an increase in the number of people receiving regular unemployment benefits.

3. Those tax credits are the recovery rebates (also known as economic impact payments), earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

Figure 1.

Monthly Outlays
Fiscal Years 2019, 2020, 2021

Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
The value shown for June 2021 is CBO's estimate.
All months have been adjusted to exclude the effects of timing shifts.

- Outlays from the **Coronavirus Relief Fund** were $196 billion in the first nine months of fiscal year 2021, compared with $149 billion during the same period last year. The CARES Act, which was enacted in March 2020, authorized $150 billion for the Treasury to provide grants to state, local, tribal, and territorial governments to offset expenses stemming from the pandemic. Most of those funds were disbursed in April 2020. Nearly all of the 2021 outlays stem from the additional $362 billion provided by ARPA.
- Spending by the **Department of Agriculture** (included in "Other" in Table 3) increased by $46 billion, or 34 percent, largely because outlays for the Supplemental Nutrition Assistance Program increased and because payments were made to farmers through the Coronavirus Food Assistance Program to cover increased marketing costs associated with the pandemic.
- Payments for **emergency rental assistance** (included in "Other") have totaled $33 billion in fiscal year 2021. State and local governments use grants provided under the CAA and ARPA to aid low-income households unable to pay rent because of the pandemic. There was no such spending in the first nine months of fiscal year 2020.
- Spending by the **Department of Homeland Security** (included in "Other") was $22 billion, or 47 percent, higher than in the same period in 2020. That rise is mostly the result of increased spending from the Disaster Relief Fund related to the pandemic, including payments of unemployment benefits under the provisions of the Presidential memorandum issued in August 2020.[4]

4. 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/xHAfP.

Table 3.

Outlays, October–June

Billions of Dollars

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Social Security Benefits	770	810	840	30	3.7
Medicare[a]	483	591	517	−74	−12.5
Medicaid	302	335	383	48	14.3
Subtotal, Largest Mandatory Spending Programs	**1,555**	**1,736**	**1,740**	**4**	**0.2**
Refundable Tax Credits[b]	124	392	688	296	75.6
Small Business Administration	*	537	325	−212	−39.5
Unemployment Compensation	24	277	323	46	16.5
Coronavirus Relief Fund	0	149	196	47	31.5
DoD—Military[c]	488	517	541	24	4.7
Net Interest on the Public Debt	317	283	294	11	3.8
Other	848	1,113	1,186	73	6.6
Total	**3,356**	**5,004**	**5,293**	**289**	**5.8**

Data sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; * = between −$500 million and zero.

a. Medicare outlays are net of offsetting receipts.

b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

c. Excludes a small amount of spending by DoD on civil programs.

Some spending related to the pandemic declined: The **Small Business Administration's** outlays were $212 billion lower this year than in the same period in 2020. The CARES Act authorized additional loans, loan guarantees, and cash advances under the Paycheck Protection Program, the Economic Injury Disaster Loan program, and others. Most of the spending for those programs last year occurred in June 2020. The CAA and ARPA provided additional funding for those programs this year; the amounts were smaller than the sums provided in the CARES Act.

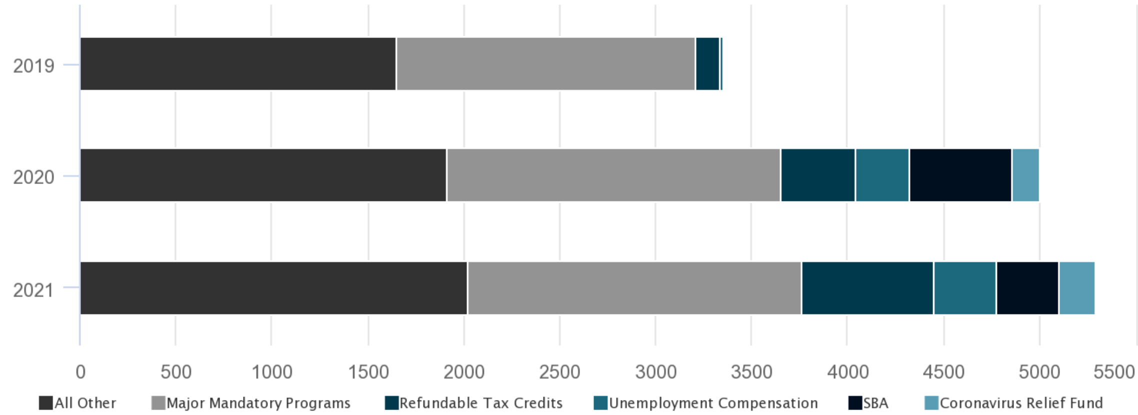
In total, outlays for the largest mandatory spending programs increased by less than 1 percent:

- **Medicare** outlays declined by $74 billion (or 13 percent) this year compared with the first nine months of 2020, largely because an expansion—no longer in effect—of two programs in April 2020 significantly increased outlays that month. First, the CARES Act expanded the Medicare Accelerated Payment Program for Medicare Part A providers during the public health emergency. Second, the Centers for Medicare & Medicaid Services (CMS) expanded the Advance Payment Program to Part B suppliers via regulation. Both programs provided advance payments of Medicare claims that will be recouped from future claims. CMS disbursed more than $100 billion in those payments in April 2020 before the programs were suspended.

Figure 2.

Outlays, October–June
Fiscal Years 2019, 2020, 2021

Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
SBA = Small Business Administration.
Values for all months have been adjusted to exclude the effects of timing shifts.
CBO estimated values for June 2021; all other values are actual.
The major mandatory programs are Social Security, Medicare, and Medicaid.
The refundable tax credits consist of the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

- **Medicaid** outlays increased by $48 billion (or 14 percent), largely because of the legislative response to the pandemic. In particular, federal matching rates for Medicaid were raised by 6.2 percentage points, and states were required to maintain coverage for all recipients enrolled during the emergency period, regardless of changes in circumstances that might otherwise cause some beneficiaries to lose eligibility.
- **Social Security** benefits rose by $30 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

Other major changes in outlays in the first nine months of the fiscal year were as follows:

- Spending for military programs of the **Department of Defense** rose by $24 billion (or 5 percent); the largest increases occurred in personnel and operation and maintenance.
- Spending by the **Department of Veterans Affairs** increased by $15 billion (or 9 percent) mostly because of increased use of health care services and per capita increases in veterans' benefits.
- Net outlays for **interest on the public debt** increased by $11 billion (or 4 percent) this year, partly because the debt has grown and partly because inflation was higher this year, resulting in large adjustments to inflation-protected securities.

For other programs and activities, spending increased or decreased by smaller amounts.

Estimated Deficit in June 2021: $173 Billion

The federal government incurred a deficit of $173 billion in June 2021, CBO estimates, compared with a shortfall of $864 billion in June 2020. This June, revenues were substantially higher (largely because of differences in due dates for tax payments) and outlays were much lower (mostly because of the large outlays last June in response to the pandemic).

CBO estimates that receipts in June 2021 totaled $450 billion—$209 billion (or 87 percent) more than in the same month last year. That increase was driven mostly by nonwithheld individual income taxes, which rose by $87 billion, and corporate income taxes, which were $72 billion higher. Quarterly estimated payments for both types of income taxes, normally due in June, were delayed until July last year; this year, those payments were due in June. Withheld individual and payroll income taxes increased by $49 billion (or 26 percent), in part because last June employers could defer certain payroll taxes. Remittances from the Federal Reserve were $5 billion higher and receipts from customs duties were $2 billion higher. Individual income tax refunds increased by $11 billion, reducing net receipts.

Table 4.

Budget Totals for June

Billions of Dollars

				Estimated Change From 2020 to 2021	
	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Billions of Dollars	Percent
Receipts	334	241	450	209	87
Outlays	342	1,105	623	−482	−44
Deficit (−)	−8	−864	−173	691	−80

Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total spending in June 2021 was $623 billion, CBO estimates, $482 billion less than in June 2020. The largest changes involved spending related to the pandemic and associated economic effects. Those changes were as follows:

- Outlays by the **Small Business Administration** were an estimated $480 billion lower this June than in the same month last year. Spending in June 2020 reflected significant outlays for the Paycheck Protection Program authorized by the CAA and the Paycheck Protection Program and Health Care Enhancement Act.
- Outlays for **unemployment compensation** were $76 billion lower this June, largely because such spending in June 2020 included a $600 increase in the weekly benefit amount provided under the CARES Act. Spending in June 2021 included a $300 increase in the weekly amount provided under ARPA.
- Outlays for the **Coronavirus Relief Fund** (discussed above) were $65 billion in June 2021, compared with $3 billion during the same month last year.

Other major changes in outlays in June were as follows:

- Outlays for the **Department of Education** declined by $24 billion, mostly because the department made an upward revision of about $40 billion to the estimated net subsidy costs of loans and loan guarantees issued in previous years. That revision was much smaller than the $70 billion upward revision the department made in June 2020.
- Payments for **interest on the public debt** were $23 billion higher in June 2021 than in the same month last year because the debt increased and inflation was higher.
- Outlays by the **Department of Housing and Urban Development** were $14 billion higher this June, primarily because in June 2020 the department made a downward revision of the estimated net subsidy costs of loans and loan guarantees issued in previous years.

Spending for other programs and activities increased or decreased by smaller amounts.

Actual Deficit in May 2021: $132 Billion

The Treasury Department reported a deficit of $132 billion for May—about the same as CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: May 2021*.

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, this report makes no recommendations. Nathaniel Frentz, Stephen Rabent, 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/57288.

Phillip L. Swagel
Director