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

Monthly Budget Review: July 2021

August 9, 2021

The federal budget deficit was $2.5 trillion in the first 10 months of fiscal year 2021, the Congressional Budget Office estimates—$269 billion less than the deficit recorded during the same period last year. Although outlays rose by an estimated $225 billion (or 4 percent), revenues rose more—by an estimated $494 billion (or 17 percent).

Table 1.

Budget Totals, October–July

Billions of Dollars

					Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021	Billions of Dollars	Percent
Receipts	2,860	2,824	3,317	494	494	17
Outlays	3,727	5,631	5,856	225	222	4
Deficit (−)	−867	−2,807	−2,539	269	272	−10

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

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those shifts, the budget would have shown a deficit of $2,479 billion from October 2020 through July 2021, and a deficit of $2,750 billion from October 2019 through July 2020, CBO estimates.

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—substantially boosted spending, both this year and last year. Outlays in the first 10 months of fiscal year 2021 were over $2 trillion more than spending during the same period two years earlier, in 2019.[1] Outlays in 2020 rose almost as much. As a result, the deficits recorded during the first 10 months of 2020 and

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).

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.

2021 were significantly larger than the $867 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 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 17 Percent for the Fiscal Year to Date

Receipts totaled $3,317 billion during the first 10 months of fiscal year 2021, CBO estimates—$494 billion more than during the same period last year. That change largely reflects the general strength of the economy over the past year.

Table 2.

Receipts, October–July

Billions of Dollars

				Estimated Change From 2020 to 2021	
Major Program or Category	**Actual, FY 2019**	**Actual, FY 2020**	**Preliminary, FY 2021**	**Billions of Dollars**	**Percent**
Individual Income Taxes	1,429	1,358	1,706	348	25.7
Payroll Taxes	1,044	1,094	1,083	−12	−1.1
Corporate Income Taxes	171	160	282	121	75.9
Other Receipts	216	211	247	36	16.8
Total	**2,860**	**2,824**	**3,317**	**494**	**17.5**
Memorandum:					
Combined Individual Income and Payroll Taxes					
Withheld taxes	2,076	2,075	2,234	159	7.7
Other, net of refunds	397	377	555	178	47.1
Total	**2,473**	**2,452**	**2,789**	**337**	**13.7**

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

FY = fiscal year.

- **Individual income** and **payroll (social insurance) taxes** together rose by $337 billion (or 14 percent).
  - Amounts withheld from workers' paychecks rose by $159 billion (or 8 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

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.

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.

- Nonwithheld payments of income and payroll taxes rose by $199 billion (or 35 percent) reflecting generally higher incomes in the past year. The differing deadlines for tax payments in 2021 and 2020, which affected the year-over-year comparisons in previous months, had little effect on the 10-month totals.
- Individual income tax refunds increased by $29 billion (or 13 percent), decreasing net receipts. The precise timing of refunds varies from year to year, but typically, most are paid from February through the month in which tax returns are due.
- Receipts from unemployment insurance taxes (one type of payroll tax) increased by $8 billion (or 21 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.

■ **Corporate income taxes** increased, on net, by $121 billion (or 76 percent), consistent with higher corporate profits this year.

■ Receipts from **other sources,** on net, increased by $36 billion (or 17 percent).

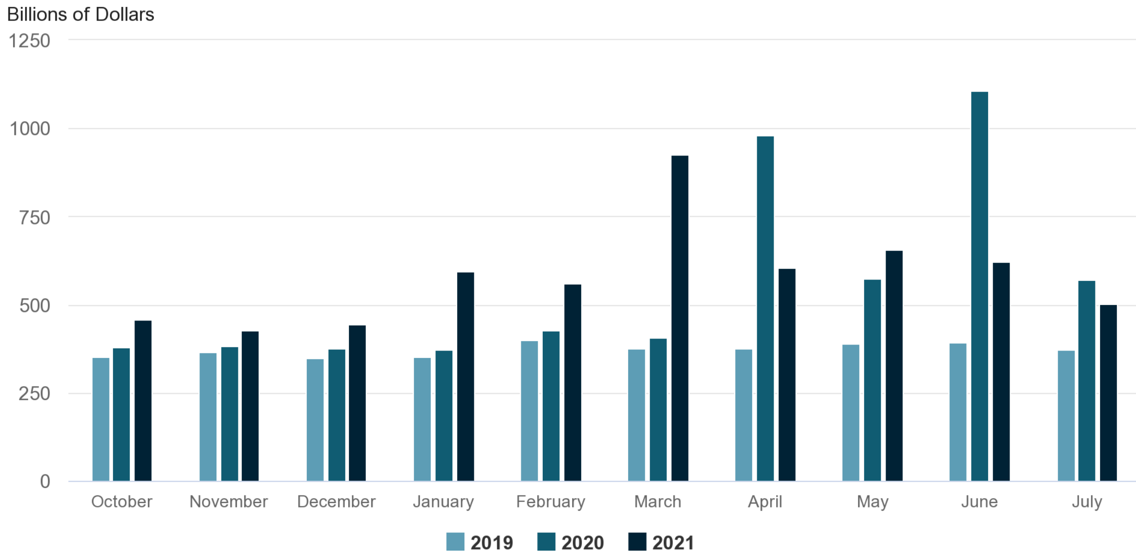
- The Federal Reserve's remittances to the Treasury rose by $15 billion (or 23 percent), in part as a result of lower short-term interest rates, which reduced the central bank's interest expenses and therefore increased remittances. As part of its efforts to carry out monetary policy in response to the 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 $9 billion (or 63 percent).
- Customs duties rose by $8 billion (or 14 percent), reflecting an increase in imports.
- Excise taxes rose by $5 billion (or 9 percent), reflecting a general increase in economic activity.
- Miscellaneous fees and fines decreased by $1 billion (or 5 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 4 Percent for the Fiscal Year to Date

Outlays in the first 10 months of fiscal year 2021 were $5,856 billion, $225 billion (or 4 percent) 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 July are higher than those incurred through last July because those programs have been operating for a larger portion of this year than last.

Outlays in both 2020 and 2021 were affected by shifts in the timing of certain federal payments that otherwise would have been due on August 1, which fell on a weekend in both years (those payments were made in July). If not for those shifts, outlays in the first 10 months of both years would have been lower by about $60 billion. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Figure 1.
Monthly Outlays
Fiscal Years 2019, 2020, 2021



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

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 $318 billion higher than in the first 10 months of 2020.[3] That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA.
- Outlays from the **Coronavirus Relief Fund** were $211 billion in the first 10 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 $47 billion, or 31 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 10 months of fiscal year 2020.

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.

- Spending by the **Department of Homeland Security** (included in "Other") was $23 billion, or 43 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]

Table 3.

Outlays, October–July

Billions of Dollars

					Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays[a]	
Major Program or Category	**Actual, FY 2019**	**Actual, FY 2020**	**Preliminary, FY 2021**	**Estimated Change**	**Billions of Dollars**	**Percent**
Social Security Benefits	858	901	934	33	33	3.6
Medicare[b]	538	688	615	−74	−76	−11.6
Medicaid	338	378	430	52	52	13.8
Subtotal, Largest Mandatory Spending Programs	**1,734**	**1,968**	**1,979**	**11**	**9**	**0.5**
Refundable Tax Credits[c]	129	401	719	318	318	79.3
Coronavirus Relief Fund	0	149	211	62	62	41.4
Small Business Administration	0	563	337	−226	−226	−40.1
Unemployment Compensation	27	387	352	−35	−35	−9.1
DoD—Military[d]	540	579	605	26	26	4.5
Net Interest on the Public Debt	353	313	334	21	21	6.7
Other	943	1,271	1,319	48	47	3.8
Total	**3,727**	**5,631**	**5,856**	**225**	**222**	**4.0**

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

DoD = Department of Defense; FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been $5,796 billion in fiscal year 2021 and $5,574 billion in fiscal year 2020.

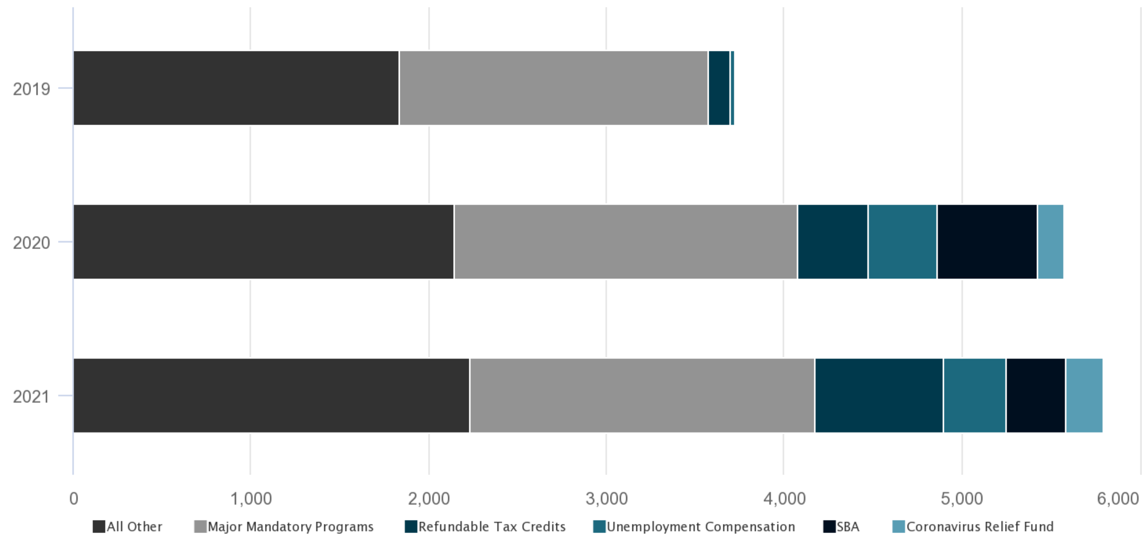
b. Medicare outlays are net of offsetting receipts.

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

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

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.

Figure 2.
Outlays, October–July
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 July 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.

Some pandemic-related spending declined:

- The **Small Business Administration's** outlays were $226 billion (or 40 percent) 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. The CAA and ARPA provided additional funding for those programs this year; the amounts were smaller than the sums provided in the CARES Act.
- Outlays for **unemployment compensation** were $35 billion (or 9 percent) less this year than in the first 10 months of 2020. Spending on those benefits reached its peak last summer: More than $100 billion was disbursed in June and again in July of last year. In both 2020 and 2021, spending on unemployment compensation was significantly higher than in 2019 because of enhanced benefits authorized by the CARES Act that were extended by the CAA and ARPA. Also, the number of people receiving regular unemployment benefits increased.

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

- **Medicare** outlays declined by $76 billion (or 12 percent) this year compared with the first 10 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.

- **Medicaid** outlays increased by $52 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 $33 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 10 months of the fiscal year were as follows:

- Spending for military programs of the **Department of Defense** rose by $26 billion (or 5 percent); the largest increases occurred in personnel and operation and maintenance.
- Spending by the **Department of Veterans Affairs** (included in "Other" in Table 4) increased by $14 billion (or 8 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 $21 billion (or 7 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 July 2021: $301 Billion

The federal government incurred a deficit of $301 billion in July 2021, CBO estimates—$238 billion more than the shortfall in July 2020. Outlays in July of both years were affected by shifts in the timing of certain federal payments that otherwise would have been due on August 1, which fell on a weekend each year (those payments were made in July). If not for those shifts, the deficit in July 2021 would have been $241 billion—$234 billion more than the deficit in the same month last year.

Table 4.

Budget Totals for July

Billions of Dollars

					Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Billions of Dollars	Percent
Receipts	251	563	261	−302	−302	−54
Outlays	371	626	562	−64	−68	−12
Surplus or Deficit (−)	120	−63	−301	−238	−234	n.m.

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

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

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those shifts, the budget would have shown a deficit of $241 billion in July 2021 and $6 billion in July 2020, CBO estimates.

CBO estimates that receipts in July 2021 totaled $261 billion—$302 billion (or 54 percent) less than those in the same month last year. That decrease was largely driven by nonwithheld individual income taxes, which decreased by $277 billion, and corporate income taxes, which were $52 billion lower. Both of those changes occurred in large part because of differing tax-filing deadlines. Quarterly estimated and final payments for individual and corporate income taxes, normally due in April and June, were delayed until July last year; those payments were due earlier this year. Partially offsetting that decline, withheld individual and payroll income taxes increased by $18 billion (or 9 percent) in July this year, in part because employers could defer paying certain payroll taxes last July. Individual income tax refunds decreased by $4 billion, further offsetting the decrease in net receipts. Customs duties were $2 billion higher. Excise taxes and remittances from the Federal Reserve were each $1 billion higher.

Total spending in July 2021 was $562 billion, CBO estimates, $64 billion (or 12 percent) less than in July 2020. If not for timing shifts that increased spending in July of both 2020 and 2021, outlays in July 2021 would have been $68 billion less than in July 2020.The largest changes involved pandemic-related spending and associated economic effects. Those changes were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Outlays for **unemployment compensation** were $81 billion (or 74 percent) lower this July, largely because such spending in July 2020 included a $600 increase in the weekly benefit amount provided under the CARES Act. Spending in July 2021 included a $300 increase in the weekly amount provided under ARPA. Several states opted to discontinue those higher benefits earlier this summer. That, along with an increase in employment, also reduced spending on unemployment compensation.
- Outlays for certain **refundable tax credits** were $22 billion higher this July than in the same month last year. That increase was mostly driven by spending for child tax credits. Changes in ARPA—which will remain in effect through December 2021—made the credits fully refundable, expanded the eligibility of those credits to include 17-year-olds, and increased the maximum amount provided per child from $2,000 to $3,000; the amount rises to a maximum of $3,600 for children under 6. The Treasury provided the first round of the expanded credits in July.
- Outlays for the **Coronavirus Relief Fund** (discussed above) were $15 billion in July 2021. No outlays from that fund were made in July 2020; funding provided by the CARES Act in 2020 was exhausted in June of that year.
- Outlays by the **Small Business Administration** were an estimated $14 billion (or 52 percent) lower this July than in the same month last year. Spending in July 2020 reflected significant outlays for the Paycheck Protection Program authorized by both the CAA and the Paycheck Protection Program and Health Care Enhancement Act.

Other major changes in outlays in July were as follows:

- Outlays by the **Department of Housing and Urban Development** were $12 billion lower this July, primarily because in July 2021 the Federal Housing Administration made a downward revision of the estimated net subsidy costs of loans and loan guarantees issued in previous years. That agency made a similar downward revision in June 2020.
- Payments for **interest on the public debt** were $10 billion (or 34 percent) higher in July 2021 than in the same month last year because the debt increased and inflation was higher.

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

Actual Deficit in June 2021: $174 Billion

The Treasury Department reported a deficit of $174 billion for June—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: June 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, Jennifer Shand, and Jon Sperl 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/57349.

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