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

Monthly Budget Review: December 2021

January 10, 2022

The federal budget deficit was $377 billion in the first quarter of fiscal year 2022, the Congressional Budget Office estimates—$196 billion less than the deficit recorded during the same period last year, and slightly larger than the deficit recorded during the same period two years ago, right before the start of the coronavirus pandemic. Revenues were $248 billion (or 31 percent) higher and outlays were $52 billion (or 4 percent) more in October through December 2021 than during the same period last fiscal year.

As was the case in fiscal year 2021, outlays increased in the first quarter of this fiscal year because certain payments that otherwise would have been due on January 1, a holiday, were instead made in December. Last year, certain Social Security payments (totaling $24 billion) that were due January 3 also were shifted to December 2020 because January 3 fell on a Sunday. This year, by contrast, there was no such shift: January 3 was a Monday. If those various shifts had not occurred, the first-quarter deficit (through December 2021) in fiscal year 2022 would have been $353 billion, or $174 billion less than the first-quarter deficit (through December 2020) of $526 billion in fiscal year 2021, a decrease of 33 percent.

Table 1.

Budget Totals, October–December

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Billions of Dollars	Percent
Receipts	803	1,052	248	248	31
Outlays	1,376	1,428	52	75	6
Deficit (−)	−573	−377	196	174	−33

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for November 2021 and the *Daily Treasury Statements* for December 2021.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or a weekend. If not for those shifts, the budget would have shown a deficit of $353 billion from October 2021 through December 2021, and a deficit of $526 billion from October 2020 through December 2020, CBO estimates.

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.

Total Receipts: Up by 31 Percent in Fiscal Year 2022

Receipts totaled $1,052 billion during the first three months of fiscal year 2022, CBO estimates—$248 billion more than during the same period a year ago.

Table 2.

Receipts, October–December

Billions of Dollars

			Estimated Change	
Major Program or Category	**Actual, FY 2021**	**Preliminary, FY 2022**	**Billions of Dollars**	**Percent**
Individual Income Taxes	347	536	189	55
Payroll Taxes	317	333	16	5
Corporate Income Taxes	69	99	30	44
Other Receipts	71	83	12	17
Total	**803**	**1,052**	**248**	**31**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	613	805	192	31
Other, net of refunds	51	64	13	26
Total	**664**	**869**	**206**	**31**

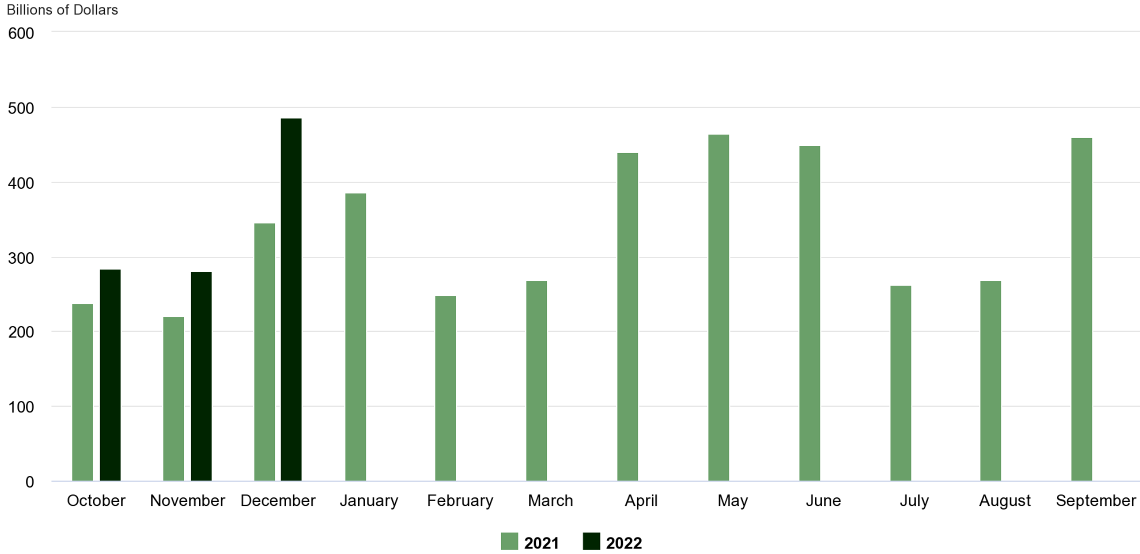
Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

The changes from last year to this year are as follows:

- **Individual income** and **payroll (social insurance) taxes** together rose by $206 billion (or 31 percent).
  - Most of that increase occurred because amounts withheld from workers' paychecks rose by $192 billion (or 31 percent), an increase that is partly attributable to higher total wages and salaries, particularly among relatively high-income workers who are subject to higher tax rates on earnings. In addition, legislation enacted in response to the pandemic caused timing shifts in the collection of payroll taxes. Most significantly, 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 Coronavirus Aid, Relief, and Economic Security Act), through December 31, 2020. That provision required half of the payroll taxes deferred in calendar year 2020 to be paid by December 31, 2021. Because that day was not a business day, a portion of those payments will be recognized in January 2022.
  - Nonwithheld payments of income and payroll taxes rose by $10 billion (or 15 percent). Individual income tax refunds increased by $3 billion (or 11 percent), however, partially offsetting the increase in receipts. Net receipts from those sources are typically small at this point in the year.

Figure 1.
Monthly Total Revenues
Fiscal Years 2021 and 2022



Data Sources: Congressional Budget Office; Department of the Treasury.
The value shown for December 2022 is CBO's estimate.

- Unemployment insurance receipts (one type of payroll tax) were $6 billion (or 65 percent) higher than in the same period a year ago 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 trust funds had been depleted by unusually high unemployment beginning in March 2020.) Those collections count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states.

■ Collections of **corporate income taxes** increased, on net, by $30 billion (or 44 percent). For most corporations, the first quarterly estimated payment for fiscal year 2022 was due on December 15.

■ Receipts from **other sources,** on net, increased by $12 billion (or 17 percent).

- Customs duties rose by $5 billion (or 30 percent), reflecting an increase in imports.
- Excise taxes rose by $5 billion (or 32 percent), reflecting a general increase in economic activity.
- Remittances from the Federal Reserve increased by $4 billion (or 16 percent). Additional interest earnings on assets purchased since last year have contributed to that increase.

Total Outlays: Up by 4 Percent in Fiscal Year 2022

Outlays in the first three months of fiscal year 2022 were $1,428 billion, $52 billion more than during the same period last year, CBO estimates, the net result of increases and decreases in various programs. If not for the shift of certain payments from January 2022 to December 2021 and from January 2021 to December 2020, outlays in the first quarter of both fiscal years would have been less, and the increase from fiscal year 2021 to fiscal year 2022 would have been $75 billion, or 6 percent. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 3.

Outlays, October–December

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Percent
Social Security Benefits	301	286	−15	8	3
Medicare[b]	170	168	−2	−2	−1
Medicaid	123	137	14	14	11
Subtotal, Largest Mandatory Spending Programs	**595**	**591**	**−4**	**20**	**3**
Refundable Tax Credits[c]	17	76	59	59	347
Unemployment Compensation	80	13	−67	−67	−84
Small Business Administration	4	12	8	8	212
Coronavirus Relief Fund	0	2	2	2	n.a.
DoD—Military[d]	195	197	2	2	1
Net Interest on the Public Debt	89	105	16	16	18
Other	396	433	37	36	10
Total	**1,376**	**1,428**	**52**	**75**	**6**

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

DoD = Department of Defense; FY = fiscal year; n.a. = not applicable.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday. If not for those timing shifts, outlays would have been $1,404 billion in fiscal year 2022 and $1,330 billion in fiscal year 2021.

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.

The two largest changes were as follows:

- Outlays for certain **refundable tax credits** rose to $76 billion (more than four times the amount spent in the first three months of fiscal year 2021)—an increase of $59 billion.[1] Advance payments for the American Rescue Plan Act's child tax credit accounted for about 80 percent of that increase.
- Outlays for **unemployment compensation** decreased by $67 billion, from $80 billion in the first three months of fiscal year 2021 to $13 billion in the first three months of 2022. That spending declined in part because of the expiration of enhanced benefits early in September 2021. An increase in employment also contributed to the decline.

Outlays for the largest mandatory spending programs increased, on net, by 3 percent:

- Spending for **Social Security** benefits rose by $8 billion (or 3 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

1. Those tax credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and the American Opportunity Tax Credit.

- **Medicare** outlays decreased by $2 billion (or 1 percent) because Part D reconciliation payments, which usually occur in November, were not made in that month or in December. Those payments are made regularly to account for differences between prospective payments to Part D plans and amounts paid in prior years.
- **Medicaid** outlays increased by $14 billion (or 11 percent). Enrollment has risen because of the requirement established by the Families First Coronavirus Relief Act that states maintain the eligibility of all enrollees until the end of the public health emergency.

Net outlays for **interest on the public debt** increased by $16 billion (or 18 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

Several other major changes in outlays, included in “Other” in Table 3, were as follows:

- Spending by the **Food and Nutrition Service** of the Department of Agriculture increased by $21 billion (or 60 percent), primarily because average benefits increased under the Supplemental Nutrition Assistance Program and eligibility was expanded for the Pandemic Electronic Benefit Transfer Program, which provides school children with temporary emergency benefits.
- Spending for the **Department of Education** increased by $18 billion (or 86 percent) primarily because of increased spending on emergency grants through the Education Stabilization Fund to support K-12 and postsecondary education.
- Outlays from the **Public Health Social Services Emergency Fund** increased by $14 billion (or 183 percent) as expenditures accelerated for several pandemic-related activities, including reimbursement to health care providers (such as hospitals), coronavirus testing and contact tracing, and the development and purchase of vaccines and therapies.
- Outlays for other programs administered by the **Department of Agriculture** decreased by $15 billion (or 60 percent), in part because of lower spending for the Coronavirus Food Assistance Program, which covered higher marketing costs related to the pandemic.
- Spending by the **Department of Homeland Security** was $5 billion (or 19 percent) lower than in the same period in 2021. Spending from the Disaster Relief Fund was boosted in the first three months of fiscal year 2021 by payments for unemployment benefits under the provisions of a Presidential memorandum issued in August 2020.[2]

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

Estimated Deficit in December 2021: $20 Billion

The federal government incurred a deficit of $20 billion in December 2021, CBO estimates—$123 billion less than the deficit in December 2020. Outlays in December of both years were affected by shifts in the timing of certain federal payments that otherwise would have been due on a holiday or weekend. Payment shifts from January into December increased outlays by $24 billion in December 2021 and by $47 billion in December 2020. If not for those shifts, there would have been a *surplus* in December 2021 of $4 billion.

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/xHAfP.

Table 4.

Budget Totals for December

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Percent
Receipts	346	486	140	140	41
Outlays	490	507	17	40	9
Deficit (−)	−144	−20	123	101	−104

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

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or a holiday. If not for those shifts, the budget would have shown a surplus of $4 billion in December 2021 and a deficit of $97 billion in December 2020, CBO estimates.

CBO estimates that receipts in December 2021 totaled $486 billion—$140 billion (or 41 percent) more than those in the same month last year. That increase was driven largely by individual income and payroll taxes, which increased by $111 billion (or 43 percent). Some employers chose to defer certain payroll taxes in December 2020, and a portion of the taxes that were deferred in calendar year 2020 were due on December 31, 2021. In addition, corporate income taxes increased by $21 billion (or 33 percent).

Total spending in December 2021 was $507 billion, CBO estimates—$17 billion more than in the same month last year. If not for the shift of outlays in January 2022 and 2021 to the prior months, outlays in December 2021 would have been $483 billion—$40 billion (or 9 percent) more than in December 2020. The largest increases were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Payments of **refundable tax credits** increased by $21 billion.
- Net outlays for **interest on the public debt** increased by $16 billion.
- Spending from the **Public Health Social Services Emergency Fund** increased by $13 billion.
- Spending for the **Food and Nutrition Service** and for the **Department of Education** rose by $7 billion each.
- Spending for **Medicaid** increased by $5 billion.

In addition, outlays for **unemployment compensation** fell by $25 billion.

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

Actual Deficit in November 2021: $191 Billion

The Treasury Department reported a deficit of $191 billion for November—$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: November 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. Justin Latus 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/57667.

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