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

Monthly Budget Review: January 2025

February 10, 2025

The federal budget deficit totaled $838 billion in the first four months of fiscal year 2025, the Congressional Budget Office estimates. That amount is $306 billion more than the deficit recorded during the same period last fiscal year. Revenues were $11 billion (or 1 percent) higher, and outlays were $317 billion (or 15 percent) higher.

Table 1.

Budget Totals, October–January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2024	Preliminary, FY 2025	Estimated Change	Billions of Dollars	Percent
Receipts	1,585	1,596	11	11	1
Outlays	2,117	2,434	317	157	7
Deficit (−)	−532	−838	−306	−146	24

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2024 and the *Daily Treasury Statements* for January 2025.

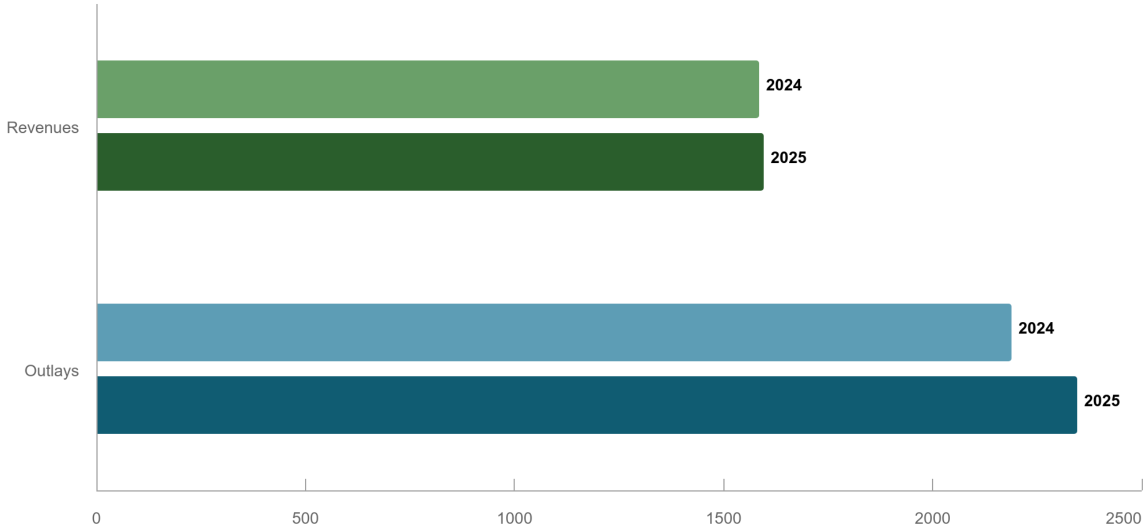
FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or a holiday.

The change in the deficit was influenced by the timing of outlays and revenues, which decreased the deficit during the first four months of fiscal year 2024 but increased it during the same period this fiscal year. Outlays in October 2023 were reduced by shifts in the timing of payments that were due on October 1, 2023, a Sunday. (The payments were made that September.) Outlays in the first four months of 2025 rose, on net, because payments due on February 1, 2025, a Saturday, were made in January. If not for those shifts, the deficit so far this fiscal year would have been $750 billion, or $146 billion more than the shortfall at this point last year. Part of the deficit increase in 2025 also arises from the postponement of some tax deadlines from 2023 to 2024 (described below), which boosted receipts in 2024.

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.

October–January Revenues and Outlays
Fiscal Years 2024 and 2025
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for January 2025 are CBO's estimates.
Outlays have been adjusted to exclude the effects of timing shifts.

In January 2025, CBO projected a deficit of $1.9 trillion for fiscal year 2025, the same as the actual deficit for fiscal year 2024.[1]

The statutory debt limit was reinstated on January 2, 2025, and set at $36.1 trillion, matching the amount of total debt that was outstanding on the prior day. On January 21, 2025, the Department of the Treasury announced a "debt issuance suspension period" and began taking "extraordinary measures" to continue financing government operations without breaching the debt limit. In the future, CBO will publish its estimate of how long the government could continue to finance its operations under those measures.

Total Receipts: Up by 1 Percent in Fiscal Year 2025

Receipts totaled $1.6 trillion during the first four months of fiscal year 2025, CBO estimates—$11 billion (or 1 percent) more than during the same period a year ago. Receipts had been boosted by about $70 billion in the first quarter of 2024 by the Internal Revenue Service's postponement of certain 2023 tax deadlines until early in fiscal year 2024 for some taxpayers in federally declared disaster areas.

The changes in receipts from last year to this year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together rose by $34 billion (or 3 percent).
  - Nonwithheld payments of income and payroll taxes declined by $30 billion (or 11 percent) relative to payments in the same period in fiscal year 2024. CBO estimates that the postponement of deadlines for some taxpayers in 2023 shifted $35 billion in nonwithheld income tax payments into the beginning of fiscal year 2024.
  - Amounts withheld from workers' paychecks rose by $61 billion (or 5 percent), a reflection of rising wages and salaries.

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035* (January 2025), www.cbo.gov/publication/60870.

- Individual income tax refunds were $3 billion (or 7 percent) less than during the same period in 2024.

Table 2.

Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2024	Preliminary, FY 2025	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	808	822	14	2
Payroll Taxes	534	554	20	4
Corporate Income Taxes	170	134	−35	−21
Other Receipts	74	86	12	17
Total	**1,585**	**1,596**	**11**	**1**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,111	1,171	61	5
Other, net of refunds	231	204	−26	−11
Total	**1,341**	**1,375**	**34**	**3**

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

FY = fiscal year.

- Receipts from **corporate income taxes** decreased by $35 billion (or 21 percent) compared with the same period in fiscal year 2024. CBO estimates that the postponement of 2023 tax deadlines shifted $35 billion in corporate tax payments into the beginning of fiscal year 2024.
- Receipts from **other sources** rose by $12 billion (or 17 percent) compared with the same period last year.
  - Excise taxes increased by $6 billion (or 22 percent).
  - Fees and fines increased by $4 billion (or 49 percent).
  - Customs duties increased by $3 billion (or 13 percent). Additional purchases made in anticipation of increased tariff rates contributed to that increase.
  - Estate and gift taxes decreased by $2 billion (or 16 percent).

Total Outlays: Up by 15 Percent in Fiscal Year 2025

Outlays in the first four months of fiscal year 2025 were $2.4 trillion, CBO estimates, $317 billion more than during the same period last year. If not for the timing shifts discussed above, outlays so far in fiscal year 2025 would have been $157 billion (or 7 percent) greater than outlays during the same four months in fiscal year 2024. The discussion below reflects adjustments to exclude the effects of those timing shifts.

The largest change was a $68 billion decrease in outlays of the **Federal Deposit Insurance Corporation** (FDIC). The FDIC's spending on the resolution of bank failures was significantly greater in the first four months of fiscal year 2024 than during the same period this fiscal year. In the first four months of fiscal year 2025, the FDIC also continued to liquidate the failed banks' assets. Those proceeds are recorded in the budget as offsetting collections (that is, as reductions in outlays).

Outlays for the largest mandatory spending programs increased by $62 billion (or 6 percent):

- Spending for **Social Security** benefits rose by $31 billion (or 7 percent) because of increases in the average benefit payment (stemming mostly from cost-of-living adjustments) and in the number of beneficiaries.
- **Medicare** outlays increased, on net, by $14 billion (or 5 percent) because of increased enrollment and higher payment rates for services.
- **Medicaid** outlays increased by $17 billion (or 9 percent), largely because of rising costs per enrollee.

Table 3.

Outlays, October–January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
Major Program or Category	**Actual, FY 2024**	**Preliminary, FY 2025**	**Estimated Change**	**Billions of Dollars**	**Percent**
Social Security Benefits	469	500	31	31	7
Medicare[b]	250	366	117	14	5
Medicaid	194	211	17	17	9
Subtotal, Largest Mandatory Spending Programs	**913**	**1,078**	**164**	**62**	**6**
FDIC	59	−9	−68	−68	−115
Environmental Protection Agency	4	26	22	22	c
Department of Veterans Affairs	95	139	44	18	17
Department of Homeland Security	29	41	12	12	43
Refundable Tax Credits[d]	37	48	11	11	29
DoD—Military[e]	283	317	34	24	8
Net Interest on the Public Debt	290	327	37	37	13
Other	408	469	61	39	9
Total	**2,117**	**2,434**	**317**	**157**	**7**

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

DoD = Department of Defense; FDIC = Federal Deposit Insurance Corporation; FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or a holiday. Outlays excluding the effects of the timing shifts would have been $2,189 billion in fiscal year 2024 and $2,347 billion in 2025.

b. Medicare outlays are net of offsetting receipts.

c. Outlays of the Environmental Protection Agency were six times the amount spent during the same period in fiscal year 2024.

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

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

Other areas with large increases were the following:

- Outlays for **net interest on the public debt** increased by $37 billion (or 13 percent) primarily because the debt was larger than it was in the first four months of fiscal year 2024.
- Spending by the **Department of Defense** was $24 billion (or 8 percent) greater than in the same period in fiscal year 2024; the largest increases were for operation and maintenance and personnel.
- Spending by the **Environmental Protection Agency** (EPA) increased by $22 billion, CBO estimates, primarily because in November and December that agency spent $20 billion for a grant program established by the 2022 reconciliation act ($27 billion was provided in that law for the program). EPA selected 68 entities—including nonprofit organizations, state governments, and Indian tribes—to administer grants to finance clean technologies, provide capital for energy-efficiency projects in disadvantaged communities, and support solar power projects in low-income communities.
- Spending by the **Department of Veterans Affairs** increased by $18 billion (or 17 percent), because more people used veterans' benefits and because of increased spending per person.
- Outlays of the **Department of Homeland Security** increased by $12 billion (or 43 percent), driven mostly by spending in response to Hurricanes Helene and Milton.
- Outlays for certain **refundable tax credits** increased by $11 billion (or 29 percent), primarily because of increased enrollment in health insurance purchased through the marketplaces established under the Affordable Care Act.[2]

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

Estimated Deficit in January 2025: $127 Billion

The federal government incurred a deficit of $127 billion in January 2025, CBO estimates—$105 billion more than the deficit recorded last January. Shifts in the timing of certain federal payments affect that comparison. Because February 1, 2025, fell on a Saturday, certain payments due that month were made in January 2025. In addition, because of the January 1 holiday, payments that would have been made on that day were made in December. If not for those shifts, the deficit in January 2025 would have been $20 billion greater than in the same month last year.

CBO estimates that receipts in January 2025 totaled $513 billion—$36 billion (or 8 percent) more than the amounts recorded in January 2024. That increase was driven by collections of income and payroll taxes, which rose by $27 billion (or 6 percent) and by collections of corporate income taxes, which rose by $5 billion (or 27 percent). Excise taxes also rose by $2 billion (or 29 percent).

Total spending in January 2025 was $640 billion, CBO estimates—$141 billion more than in January 2024. If not for the timing shifts discussed above, outlays in January 2025 would have been $55 billion greater than in the same month last year. The discussion below reflects adjustments to exclude the effects of timing shifts.

The largest increases were as follows:

- Net outlays for **interest on the public debt** increased by $13 billion (or 19 percent).
- Outlays for the **Department of Veterans Affairs** increased by $7 billion (or 26 percent).

2. Those credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits (which subsidize the purchase of health insurance under the Affordable Care Act), and American Opportunity Tax Credit.

- Outlays for **Social Security** increased by $7 billion (or 6 percent).
- Spending by the **Department of Defense** increased by $6 billion (or 10 percent).
- Outlays for **Medicaid** increased by $5 billion (or 12 percent).

Table 4.

Budget Totals for January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2024	Preliminary, FY 2025	Estimated Change	Billions of Dollars	Percent
Receipts	477	513	36	36	8
Outlays	499	640	141	55	11
Deficit (−)	−22	−127	−105	−20	39

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 timing shifts, the budget would have shown a deficit of $50 billion in January 2024 and $70 billion in January 2025, CBO estimates.

The largest decrease was in outlays for **Medicare**, which declined by $5 billion (or 6 percent) compared with the same month a year ago. Outlays in January 2024 were larger than normal because of a onetime payment made to hospitals as a result of a November 2023 Supreme Court decision related to the 340B drug-pricing program. That program requires drug manufacturers to supply reduced-cost outpatient drugs to covered entities.

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

Actual Deficit in December 2024: $87 Billion

The Treasury Department reported a deficit of $87 billion for December—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: December 2024*.

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://tinyurl.com/yazr58zb.
In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Nathaniel Frentz and Carolyn Ugolino prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Barry Blom, Chad Chirico, John McClelland, and Sam Papenfuss. The report was reviewed by Mark Hadley, edited by Kate Kelly, and prepared for publication by Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/61195.

Phillip L. Swagel
Director