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

Monthly Budget Review: February 2025

March 10, 2025

The federal budget deficit totaled $1.1 trillion in the first five months of fiscal year 2025, the Congressional Budget Office estimates. That amount is $319 billion more than the deficit recorded during the same period last fiscal year. Revenues were $37 billion (or 2 percent) higher, and outlays were $356 billion (or 13 percent) higher.

Table 1.

Budget Totals, October–February

Billions of Dollars

	Actual, FY 2024	Preliminary, FY 2025	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	1,856	1,893	37	37	2
Outlays	2,684	3,040	356	200	7
Deficit (−)	−828	−1,147	−319	−163	18

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

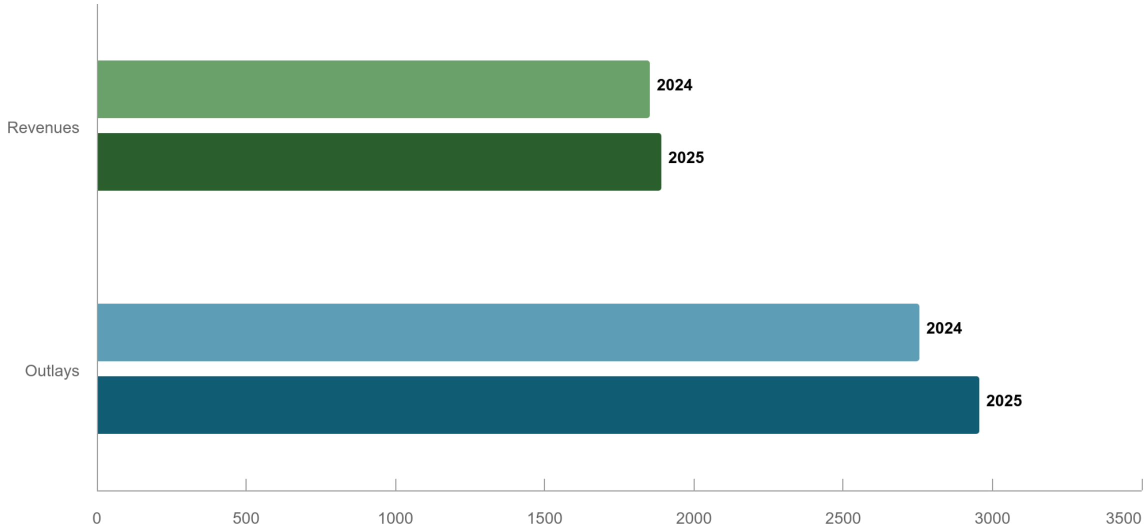
FY = fiscal year.

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 five 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 five months of 2025 rose, on net, because payments due on March 1, 2025, a Saturday, were made in February. If not for those shifts, the deficit so far this fiscal year would have been $1,064 billion, or $163 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–February Revenues and Outlays
Fiscal Years 2024 and 2025
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for February 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. Later this month, CBO will publish its estimate of how long the government could continue to finance its operations under those measures.

Total Receipts: Up by 2 Percent in Fiscal Year 2025

Receipts totaled $1.9 trillion during the first five months of fiscal year 2025, CBO estimates—$37 billion (or 2 percent) more than during the same period a year ago. Receipts had been boosted by about $70 billion in the first quarter of 2024 because the Internal Revenue Service (IRS) had postponed 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 $55 billion (or 3 percent).
  - Amounts withheld from workers' paychecks rose by $82 billion (or 6 percent), a reflection of rising wages and salaries.
  - Nonwithheld payments of income and payroll taxes declined by $31 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.

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

- Individual income tax refunds decreased by $5 billion (or 5 percent). (A portion of refunds stemming from refundable tax credits are classified as outlays and discussed separately below.)

Table 2.

Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2024	Preliminary, FY 2025	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	928	959	30	3
Payroll Taxes	663	688	25	4
Corporate Income Taxes	174	143	−32	−18
Other Receipts	90	104	14	15
Total	**1,856**	**1,893**	**37**	**2**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,398	1,479	82	6
Other, net of refunds	194	167	−26	−14
Total	**1,591**	**1,647**	**55**	**3**

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

FY = fiscal year.

- Receipts from **corporate income taxes** decreased by $32 billion (or 18 percent) compared with the same period in fiscal year 2024. During fiscal year 2023, for many corporations in areas affected by natural disasters, particularly in California, the IRS postponed the deadline to make payments that ordinarily would have been due by the end of that fiscal year. Most of those payments were made in the first month of fiscal year 2024.
- Receipts from **other sources** rose by $14 billion (or 15 percent) compared with the same period last year.
  - Excise taxes increased by $6 billion (or 18 percent).
  - Miscellaneous fees and fines increased by $5 billion (or 50 percent).
  - Customs duties increased by $4 billion (or 13 percent). Early in February, the Administration increased tariffs by 10 percent on goods imported from China.
  - Estate and gift taxes decreased by $2 billion (or 15 percent).

Total Outlays: Up by 13 Percent in Fiscal Year 2025

Outlays in the first five months of fiscal year 2025 were $3.0 trillion, CBO estimates, $356 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 $200 billion (or 7 percent) greater than outlays during the same five months in fiscal year 2024. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 3.

Outlays, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2024	Preliminary, FY 2025	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Percent
Social Security Benefits	590	628	38	38	6
Medicare[b]	323	441	118	20	5
Medicaid	248	263	15	15	6
Subtotal, Largest Mandatory Spending Programs	**1,161**	**1,332**	**172**	**73**	**6**
FDIC	58	−9	−68	−68	−116
Refundable Tax Credits[c]	89	114	26	26	29
Environmental Protection Agency	5	27	22	22	d
Department of Veterans Affairs	122	170	48	22	16
Department of Homeland Security	36	52	16	16	45
DoD—Military[e]	344	381	37	27	8
Net Interest on the Public Debt	359	402	44	44	12
Other	511	571	61	39	7
Total	**2,684**	**3,040**	**356**	**200**	**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 $2,757 billion in fiscal year 2024 and $2,957 billion in 2025.

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

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

Outlays for the largest mandatory spending programs increased by $73 billion (or 6 percent):

- Spending for **Social Security** benefits rose by $38 billion (or 6 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 $20 billion (or 5 percent) because of increased enrollment and higher payment rates for services.
- **Medicaid** outlays increased by $15 billion (or 6 percent), largely because of rising costs per enrollee.

Other areas with large increases were the following:

- Outlays for **net interest on the public debt** increased by $44 billion (or 12 percent) primarily because the debt was larger than it was in the first five months of fiscal year 2024.
- Spending by the **Department of Defense** was $27 billion (or 8 percent) greater than in the same period in fiscal year 2024; the largest increases were for operation and maintenance and procurement.

- Outlays for certain **refundable tax credits** increased by $26 billion (or 29 percent), primarily because of increased enrollment in health insurance purchased through the marketplaces established under the Affordable Care Act.[2]
- Spending by the **Environmental Protection Agency** (EPA) increased by $22 billion 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 $22 billion (or 16 percent), because more people used veterans' benefits and because of increased spending per person.
- Outlays of the **Department of Homeland Security** increased by $16 billion (or 45 percent), driven mostly by spending in response to Hurricanes Helene and Milton.

The largest decrease was in outlays of the **Federal Deposit Insurance Corporation** (FDIC), which declined by $68 billion. The FDIC's spending on the resolution of bank failures was significantly greater in the first five months of fiscal year 2024 than during the same period this fiscal year. The liquidation of failed banks' assets has continued this year; the proceeds are recorded in the budget as offsetting collections (that is, as reductions in outlays).

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

Estimated Deficit in February 2025: $308 Billion

The federal government incurred a deficit of $308 billion in February 2025, CBO estimates—$11 billion more than the deficit recorded last February. Shifts in the timing of certain federal payments affect that comparison. Because both February 1 and March 1 fell on a Saturday this year, certain payments due on those days were instead made in the previous months. If not for those shifts, the deficit in February 2025 would have been $15 billion greater than in the same month last year.

Table 4.

Budget Totals for February

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	271	297	26	26	10
Outlays	567	605	37	41	7
Deficit (−)	−296	−308	−11	−15	5

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. If not for those timing shifts, the budget would have shown a deficit of $312 billion in February 2025, CBO estimates.

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.

CBO estimates that receipts in February 2025 totaled $297 billion—$26 billion (or 10 percent) more than the amounts recorded in the same month last year. That increase was driven mostly by collections of income and payroll taxes, which rose by $19 billion (or 8 percent). Collections of corporate income taxes were $4 billion (or 79 percent) more than last year. Collections of customs duties were $1 billion (or 24 percent) greater than last year.

Total spending in February 2025 was $605 billion, CBO estimates—$37 billion more than in February 2024. If not for the timing shifts discussed above, outlays in February 2025 would have been $41 billion greater than in the same month last year. The discussion below reflects adjustments to exclude the effects of timing shifts.

The largest changes were as follows:

- Outlays for **refundable tax credits** increased by $15 billion (or 29 percent).
- Net outlays for **interest on the public debt** increased by $7 billion (or 10 percent).
- Outlays for **Social Security** increased by $7 billion (or 6 percent).
- Outlays for **Medicare** increased by $6 billion (or 8 percent).
- Spending by the **Department of Education** decreased by $5 billion (or 39 percent).
- Spending by the **Department of Veterans Affairs** increased by $4 billion (or 15 percent).
- Spending by the **Department of Homeland Security** increased by $4 billion (or 50 percent).
- Outlays by the **Department of State** decreased by $2 billion (or 53 percent).

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

Actual Deficit in January 2025: $129 Billion

The Treasury Department reported a deficit of $129 billion for January—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: January 2025*.

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. Amber Marcellino and Jennifer Shand 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/91196.

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