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

Monthly Budget Review: December 2025

January 9, 2026

The federal budget deficit totaled $601 billion in the first quarter of fiscal year 2026, the Congressional Budget Office estimates. That amount is $110 billion less than the deficit recorded during the same period last fiscal year. Revenues rose by $141 billion (or 13 percent), and outlays were $31 billion (or 2 percent) higher.

That change in the deficit was marginally influenced by the timing of outlays. Certain payments due each year on January 1, a holiday, are made in December, and the resulting increases in first-quarter outlays for fiscal years 2025 and 2026 were similar. If not for those shifts, the deficit so far in fiscal year 2026 would have been $112 billion less, rather than $110 billion less, than the first-quarter shortfall last year.

Table 1.

Budget Totals, October–December

Billions of Dollars

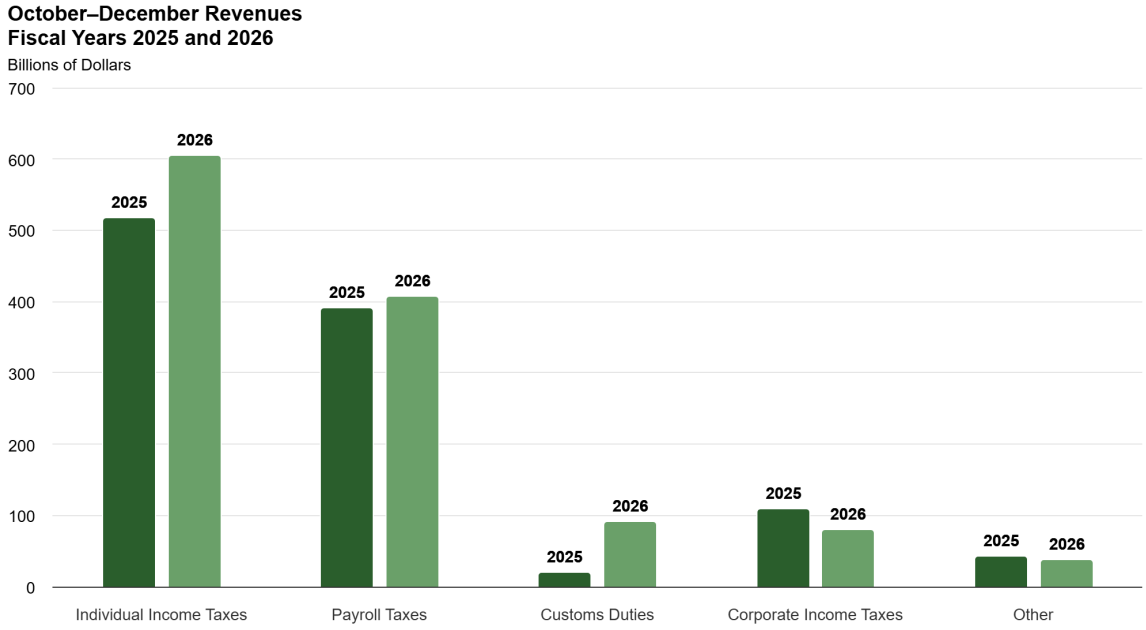
	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	1,083	1,224	141	141	13
Outlays	1,794	1,825	31	29	2
Deficit (−)	−711	−601	110	112	−16

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

FY = fiscal year.

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

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.



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for December 2025 (in fiscal year 2026) are CBO's estimates.

Total Receipts: Up by 13 Percent in Fiscal Year 2026

Receipts totaled $1.2 trillion during the first quarter of fiscal year 2026, CBO estimates—$141 billion more than during the same period a year ago. That change is partly the result of increases in individual income and payroll taxes. In addition, the Administration changed tariff rates beginning in February 2025. Those rates fluctuated throughout the year for a variety of imported goods, substantially increasing revenues from customs duties.

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

- Individual **income and payroll (social insurance) taxes** together increased by $105 billion (or 12 percent).
  - Nonwithheld payments of income and payroll taxes increased by $48 billion (or 55 percent) relative to payments in the same period in fiscal year 2025. Some final tax payments for 2024 and estimated payments of taxes for 2025 were due in October 2025.
  - Amounts withheld from workers' paychecks rose by $48 billion (or 6 percent), a reflection of rising wages and salaries.
  - Individual income tax refunds were $8 billion (or 19 percent) less than during the same period in 2025, boosting net receipts.
- **Customs duties,** including tariff revenues, collected this year were more than four times the amount recorded in the first three months of last year, an increase of $70 billion.
- Receipts from **corporate income taxes** decreased by $28 billion (or 26 percent). The enactment of the 2025 reconciliation act allowed corporations to take larger deductions for certain investments in 2025, thereby reducing some estimated payments and offsetting the underlying growth in such receipts.
- Receipts from **other sources** declined by $6 billion (or 13 percent) relative to collections during the same period last year, primarily reflecting a decrease in excise taxes of $5 billion (or 18 percent).

Table 2.

Receipts, October–December

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	518	606	88	17
Payroll Taxes	391	408	17	4
Corporate Income Taxes	109	81	−28	−26
Customs Duties (Including tariffs)	21	91	70	335
Other Receipts	43	38	−6	−13
Total	**1,083**	**1,224**	**141**	**13**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	859	907	48	6
Other, net of refunds	50	107	57	115
Total	**909**	**1,014**	**105**	**12**

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

FY = fiscal year.

Total Outlays: Up by 2 Percent in Fiscal Year 2026

Outlays in the first quarter of fiscal year 2026 were $1.8 trillion, CBO estimates, $31 billion more than during the same period last year. If not for the timing shifts noted above, outlays so far in fiscal year 2026 would have been $29 billion (or 2 percent) greater than outlays during the same three months in fiscal year 2025. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Outlays for the three largest mandatory spending programs rose by $67 billion (or 9 percent):

- Spending for **Social Security** benefits rose by $28 billion (or 8 percent) because of increases in average benefits and in the number of beneficiaries. Average benefits increased mostly because of cost-of-living adjustments that affected all beneficiaries and because the Social Security Fairness Act of 2023, enacted in January 2025, increased benefit payments to certain recipients. That law accounted for about $4 billion of the $28 billion increase.
- **Medicare** outlays increased by $22 billion (or 10 percent) because of increased enrollment and higher payment rates for services, including a onetime $16 billion payment to Part D prescription drug plans that was settled in November 2025 to compensate for higher-than-expected spending by those plans in 2024.
- **Medicaid** outlays increased by $17 billion (or 11 percent), largely because of rising costs per enrollee.

Table 3.

Outlays, October–December

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Social Security Benefits	373	401	28	28	8
Medicare[b]	231	254	22	22	10
Medicaid	159	176	17	17	11
Subtotal, Largest Mandatory Spending Programs	**763**	**831**	**67**	**67**	**9**
Environmental Protection Agency	24	4	−19	−19	−81
Department of Homeland Security	31	19	−12	−12	−38
Department of Agriculture	68	56	−12	−12	−18
Department of Education	43	31	−11	−11	−26
DoD—Military[c]	250	254	3	3	1
Net Interest on the Public Debt	245	276	31	31	13
Other	369	354	−16	−18	−5
Total	**1,794**	**1,825**	**31**	**29**	**2**

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 or holiday. Outlays excluding the effects of the timing shifts would have been $1,764 billion during the first three months of fiscal year 2025 and $1,793 billion in fiscal year 2026.

b. Medicare outlays are net of offsetting receipts.

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

Outlays for **net interest on the public debt** rose by $31 billion (or 13 percent) because the debt was larger than it was in the first three months of fiscal year 2025 and because of higher long-term interest rates and an increase in the rate of inflation. Declines in short-term interest rates partially mitigated the overall rise in interest payments.

The largest decreases were the following:

- Outlays recorded by the **Environmental Protection Agency** decreased by $19 billion (or 81 percent), CBO estimates, primarily because in November and December 2024 that agency spent $20 billion under a clean energy grant program established by the 2022 reconciliation act ($27 billion was provided in that law for the program). No such outlays have been recorded this fiscal year.
- Spending by the **Department of Homeland Security** decreased by $12 billion (or 38 percent) primarily because the Federal Emergency Management Agency spent more for hurricane relief during the same period last fiscal year.

- Outlays of the **Department of Agriculture** decreased by $12 billion (or 18 percent) largely because the lapse in federal appropriations during October and November 2025 disrupted spending for disaster relief and farm loan programs and curtailed spending by the Commodity Credit Corporation.
- Outlays of the **Department of Education** decreased by $11 billion (or 26 percent) largely because spending from the Education Stabilization Fund declined.

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

Estimated Deficit in December 2025: $143 Billion

The federal government incurred a deficit of $143 billion in December 2025, CBO estimates—$57 billion more than the deficit recorded for the previous December. Revenues were $29 billion more in December 2025 than they were in December 2024; outlays increased by $86 billion.

Shifts in the timing of certain federal payments affect that comparison. Outlays in December of both fiscal years were boosted because some payments that were due on January 1 were made in December. Moreover, because December 1, 2024, fell on a Sunday, certain payments due that month were made in November 2024. On net, the shifts reduced outlays in December 2024 and increased them in December 2025. If not for those shifts, the deficit for December 2025 would have been $27 billion *less* than the deficit in December 2024.

Table 4.

Budget Totals for December

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Billions of Dollars	Percent
Receipts	454	484	29	29	6
Outlays	541	627	86	2	0
Deficit (−)	−87	−143	−57	27	−20

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 holiday. If not for those timing shifts, the budget would have shown a deficit of $138 billion in December 2024 (in fiscal year 2025) and $111 billion in December 2025 (in fiscal year 2026), CBO estimates.

CBO estimates that receipts in December 2025 totaled $484 billion—$29 billion (or 6 percent) more than the amounts recorded in the same month the year before. That increase was driven by collections of income and payroll taxes, which were $36 billion (or 10 percent) more than in December 2024, and by collections of customs duties, which were $22 billion more than they were in the previous year (a 318 percent increase). Partially offsetting those increases were declines in collections of corporate income taxes, which were $28 billion (or 32 percent) lower than they were in December 2024.

Total spending in December 2025 was $627 billion, CBO estimates—$86 billion more than in the previous December. If not for the timing shifts discussed above, outlays in December 2025 would have been $2 billion more than in the same month a year before. The discussion below reflects adjustments to exclude the effects of timing shifts.

The largest increases were as follows:

- Spending by the **Department of Defense** increased by $13 billion (or 16 percent).
- Outlays for **Medicaid** increased by $10 billion (or 19 percent).
- Outlays for **Social Security** increased by $10 billion (or 8 percent).
- Net outlays for **interest on the public debt** increased by $9 billion (or 11 percent).

The largest decrease in outlays was for **international assistance.** In December 2025, a recording anomaly led to more than $20 billion in receipts being recorded for the Foreign Military Sales program. Collections of such amounts are recorded as reductions in outlays. A similar recording anomaly in the opposite direction in November 2025 had indicated a reduction in receipts and therefore an increase in outlays for that month. Transactions for the program for November 2025 and December 2025 largely offset. Receipts recorded for the program in December 2024 were significantly smaller.

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

Actual Deficit in November 2025: $173 Billion

The Treasury Department reported a deficit of $173 billion for November—$18 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: November 2025.* CBO's estimate of outlays was low primarily because of anomalies in the recording of transactions related to the Foreign Military Sales program.

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. Kathleen Burke and Jon Sperl prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Barry Blom, Chad Chirico, Jeff Holland, 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/61880.

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