



Monthly Budget Review: January 2026

February 9, 2026

The federal budget deficit totaled \$696 billion in the first four months of fiscal year 2026, the Congressional Budget Office estimates. That amount is \$143 billion less than the deficit recorded during the same period last fiscal year. Revenues rose by \$189 billion (or 12 percent), and outlays were \$45 billion (or 2 percent) higher.

Outlays in the first four months of each year were boosted by shifts of certain payments that otherwise would have been due on February 1, which fell on a weekend. If not for those shifts, the deficit thus far would have been \$600 billion, \$152 billion less than the shortfall for the same period in fiscal year 2025.

On February 11, CBO will publish *The Budget and Economic Outlook: 2026 to 2036*, which will describe CBO’s assessments of the budgetary effects of the 2025 reconciliation act, tariffs, and changes in federal approaches to immigration, among other areas.

Table 1.
Budget Totals, October–January

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	1,596	1,785	189	189	12
Outlays	<u>2,436</u>	<u>2,481</u>	<u>45</u>	<u>36</u>	2
Deficit (-)	-840	-696	143	152	-20

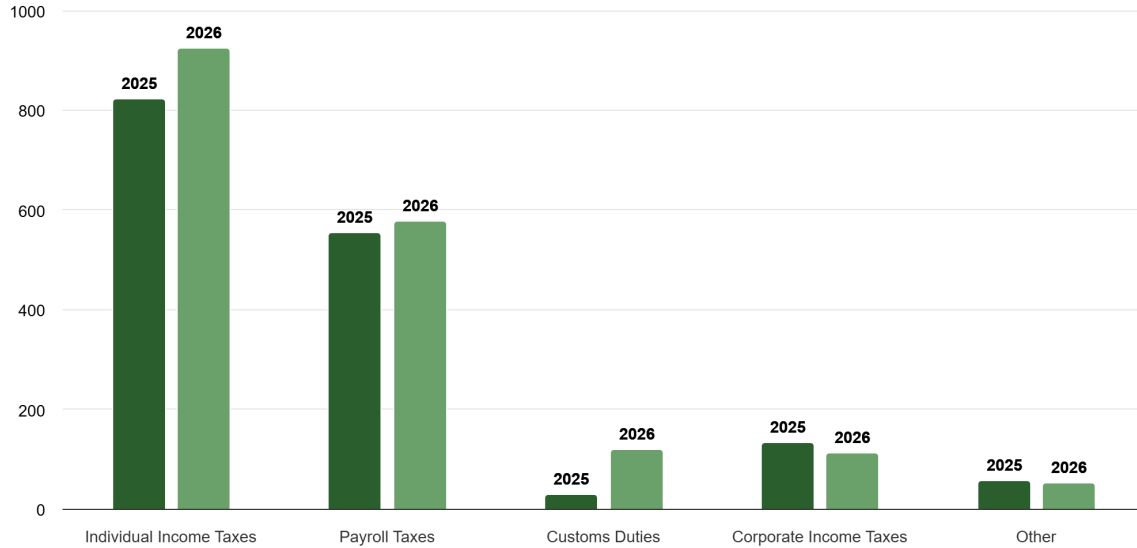
Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2025 and the *Daily Treasury Statements* for January 2026.

FY = fiscal year.

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

October–January Revenues Fiscal Years 2025 and 2026

Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for January 2026 are CBO's estimates.

Total Receipts: Up by 12 Percent in Fiscal Year 2026

Receipts totaled \$1.8 trillion during the first four months of fiscal year 2026, CBO estimates—\$189 billion more than during the same period a year ago. Most of that change stems from 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 \$124 billion (or 9 percent).
 - Nonwithheld payments of income and payroll taxes increased by \$77 billion (or 33 percent) relative to payments in the same period in fiscal year 2025. Amounts collected so far this year consist of estimated payments of 2025 taxes and final payments of 2024 taxes that were made after the end of the 2024 filing season.
 - Amounts withheld from workers' paychecks rose by \$42 billion (or 4 percent), a reflection of rising wages and salaries.
 - Individual income tax refunds were \$7 billion (or 15 percent) less than during the same period in 2025, boosting net receipts. Most refunds typically are paid during the period from February through May.
- **Customs duties**, including tariff revenues, collected this year were more than four times the amount recorded in the first four months of last year, an increase of \$90 billion.
- Receipts from **corporate income taxes** decreased by \$22 billion (or 16 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 \$4 billion (or 7 percent) relative to collections during the same period last year, primarily reflecting a decrease in excise taxes of \$5 billion (or 15 percent).

Table 2.
Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	823	925	102	12
Payroll Taxes	554	577	23	4
Corporate Income Taxes	134	112	-22	-16
Customs Duties (Including tariffs)	28	119	90	321
Other Receipts	<u>57</u>	<u>53</u>	<u>-4</u>	-7
Total	1,596	1,785	189	12

Memorandum:

Combined Individual Income and
Payroll Taxes

Withheld taxes	1,180	1,222	42	4
Other, net of refunds	<u>198</u>	<u>280</u>	<u>82</u>	42
Total	1,377	1,502	124	9

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 four months of fiscal year 2026 were \$2.5 trillion, CBO estimates, \$45 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 \$36 billion (or 2 percent) greater than outlays during the same four 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 \$84 billion (or 8 percent):

- Spending for **Social Security** benefits rose by \$38 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 \$6 billion of the \$38 billion increase.
- **Medicare** outlays increased by \$29 billion (or 9 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 8 percent), largely because of rising costs per enrollee.

Table 3.
Outlays, October–January

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	500	538	38	38	8
Medicare ^b	366	402	36	29	9
Medicaid	<u>211</u>	<u>228</u>	<u>17</u>	<u>17</u>	8
Subtotal, Largest Mandatory Spending Programs	1,077	1,168	91	84	8
Environmental Protection Agency	26	6	-20	-20	-77
Department of Agriculture	87	73	-15	-15	-17
Department of Homeland Security	41	30	-11	-11	-27
Department of Education	63	53	-10	-10	-15
DoD—Military ^c	318	324	6	6	2
Net Interest on the Public Debt	326	351	25	25	8
Other	<u>498</u>	<u>476</u>	<u>-21</u>	<u>-24</u>	-5
Total	2,436	2,481	45	36	2

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

DoD = Department of Defense; FY = fiscal year.

- 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 \$2,348 billion during the first four months of fiscal year 2025 and \$2,385 billion in fiscal year 2026.
- Medicare outlays are net of offsetting receipts.
- Excludes a small amount of spending by DoD on civil programs.

Outlays for **net interest on the public debt** rose by \$25 billion (or 8 percent) because the debt was larger than it was in the first four months of fiscal year 2025 and because of higher long-term interest rates. 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 \$20 billion (or 77 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.
- Outlays of the **Department of Agriculture** decreased by \$15 billion (or 17 percent) largely because the lapse in federal appropriations during October and November 2025 disrupted spending for disaster relief and farm loan programs.
- Spending by the **Department of Homeland Security** decreased by \$11 billion (or 27 percent) primarily because the Federal Emergency Management Agency spent more in response to disasters during the same period last fiscal year.

- Outlays of the **Department of Education** decreased by \$10 billion (or 15 percent) largely because spending from the Education Stabilization Fund declined. CBO expects that the decline was partly offset by outlays of about \$4 billion stemming from the recording of the estimated costs of delaying collections on delinquent student loans.

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

Estimated Deficit in January 2026: \$94 Billion

The federal government incurred a deficit of \$94 billion in January 2026, CBO estimates—\$35 billion less than the deficit recorded for the previous January. Revenues were \$47 billion more in January 2026 than they were in January 2025; outlays increased by \$12 billion.

Shifts in the timing of certain federal payments affect that comparison. Outlays in January of both fiscal years were boosted because some payments that were due on February 1 were made in January. In addition, because of the January 1 holiday, payments that would have been made on that day were made in December in both years. If not for those shifts, the deficit for January 2026 would have been \$42 billion less than the deficit in January 2025.

Table 4.

Budget Totals for January

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	513	560	47	47	9
Outlays	<u>642</u>	<u>654</u>	<u>12</u>	<u>5</u>	1
Deficit (-)	-129	-94	35	42	-58

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 \$72 billion in January 2025 and \$30 billion in January 2026, CBO estimates.

CBO estimates that receipts in January 2026 totaled \$560 billion—\$47 billion (or 9 percent) more than the amounts recorded in the same month the year before. That increase was driven by collections of customs duties, which were \$21 billion more than they were in the previous year (a 289 percent increase), and by collections of income and payroll taxes, which were \$19 billion (or 4 percent) more than in January 2025. In addition, receipts from corporate income taxes increased by \$6 billion (or 24 percent).

Total spending in January 2026 was \$654 billion, CBO estimates—\$12 billion more than in the previous January. If not for the timing shifts discussed above, outlays in January 2026 would have been \$5 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:

- Outlays for **Social Security** increased by \$10 billion (or 8 percent).
- Outlays for **Medicare** increased by \$7 billion (or 9 percent).

The largest decreases were as follows:

- Net outlays for **interest on the public debt** decreased by \$6 billion (or 7 percent).
- Outlays for the **Department of Agriculture** decreased by \$3 billion (or 13 percent).

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

Actual Deficit in December 2025: \$145 Billion

The Treasury Department reported a deficit of \$145 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 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. Nathaniel Frenz and Aldo Prospero 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 Brittany Phillips. An electronic version is available on CBO's website, www.cbo.gov/publication/61977.



Phillip L. Swagel
Director