



Monthly Budget Review: February 2026

March 9, 2026

The federal budget deficit totaled \$1.0 trillion in the first five months of fiscal year 2026, the Congressional Budget Office estimates. That amount is \$142 billion less than the deficit recorded during the same period last fiscal year. Revenues rose by \$206 billion (or 11 percent), and outlays were \$64 billion (or 2 percent) higher.

Outlays in the first five months of each year were boosted by shifts of certain payments that otherwise would have been due on March 1, which fell on a weekend both years. If not for those shifts, the deficit thus far would have been \$919 billion, \$144 billion less than the shortfall for the same period in fiscal year 2025.

Table 1.
Budget Totals, October–February

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	1,893	2,098	206	206	11
Outlays	<u>3,039</u>	<u>3,103</u>	<u>64</u>	<u>61</u>	2
Deficit (-)	-1,147	-1,005	142	144	-14

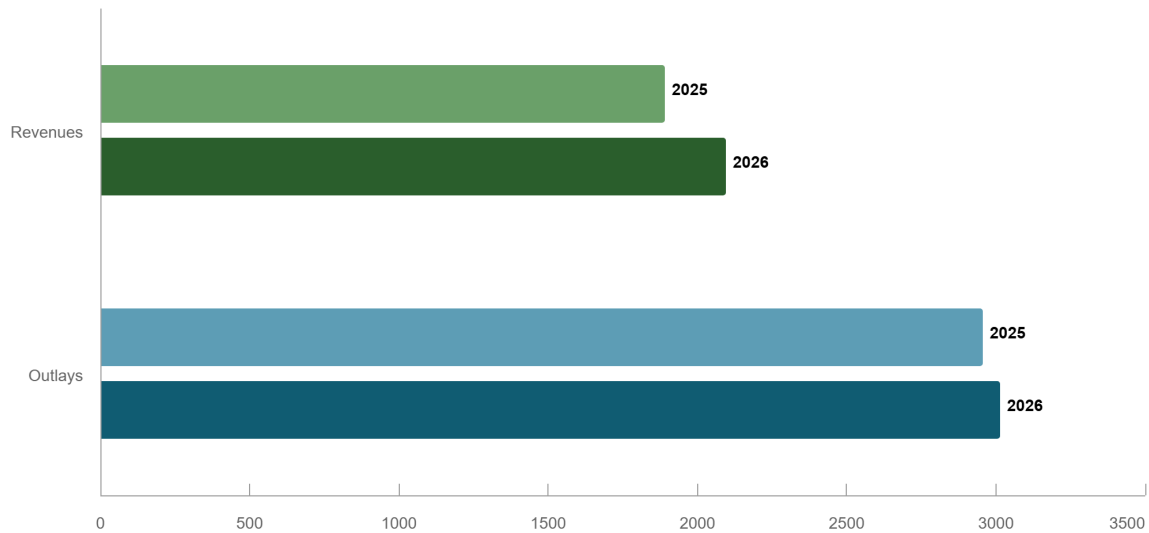
Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for January 2026 and the *Daily Treasury Statements* for February 2026.

FY = fiscal year.

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

October–February Revenues and Outlays Fiscal Years 2025 and 2026

Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for February 2026 are CBO's estimates.
Outlays have been adjusted to exclude the effects of timing shifts.

Total Receipts: Up by 11 Percent in Fiscal Year 2026

Receipts totaled \$2.1 trillion during the first five months of fiscal year 2026, CBO estimates—\$206 billion more than during the same period a year ago. Larger collections of individual income and payroll taxes account for about two-thirds of that total. In addition, changes in tariff rates implemented in 2025 led to larger collections of customs duties during the first five months of this fiscal year. Collection of some of those tariffs ended late in February 2026. Increases in receipts were partially offset by a decline in corporate tax collections.

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

- Individual **income** and **payroll (social insurance) taxes** together increased by \$132 billion (or 8 percent).
 - Nonwithheld payments of income and payroll taxes increased by \$77 billion (or 30 percent) relative to payments in the same period in fiscal year 2025. Amounts collected so far this year include final payments of taxes for 2024 that were made after the typical filing season and estimated and final payments of taxes for 2025.
 - Amounts withheld from workers' paychecks rose by \$52 billion (or 4 percent), a reflection of rising wages and salaries.
 - Individual income tax refunds were \$1 billion (or 1 percent) less than during the same period in 2025. (A portion of the refunds attributable to refundable tax credits are classified as outlays and do not affect net receipts.) Refunds typically are paid during the period from February through May.

Table 2.
Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	959	1,057	99	10
Payroll Taxes	688	722	34	5
Corporate Income Taxes	144	111	–33	–23
Customs Duties (Including tariffs)	35	144	109	308
Other Receipts	<u>67</u>	<u>64</u>	<u>–3</u>	–4
Total	1,893	2,098	206	11
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,482	1,535	52	4
Other, net of refunds	<u>165</u>	<u>244</u>	<u>80</u>	48
Total	1,647	1,779	132	8

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

FY = fiscal year.

- Collections of **customs duties**, including those from tariffs, were more than four times the amount recorded in the first five months of last year—an increase of \$109 billion. After a ruling by the Supreme Court on February 20, 2026, the Administration ended collections of certain tariffs that had been put in place in 2025.¹ Subsequently, the Administration imposed new tariffs on numerous goods from many countries.²
- Receipts from **corporate income taxes** decreased by \$33 billion (or 23 percent). The enactment of the 2025 reconciliation act allowed corporations to take larger deductions for certain investments, thereby reducing some payments and offsetting the underlying growth in such receipts.
- Receipts from **other sources** declined by \$3 billion (or 4 percent) relative to collections during the same period last year, primarily reflecting a decrease in excise taxes of \$3 billion (or 7 percent).

Total Outlays: Up by 2 Percent in Fiscal Year 2026

Outlays in the first five months of fiscal year 2026 were \$3.1 trillion, CBO estimates, \$64 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 \$61 billion (or 2 percent) greater than outlays during the same five months in fiscal year 2025. The discussion below reflects adjustments to exclude the effects of those timing shifts.

1. *Learning Res., Inc. v. Trump*, Nos. 24-1287, 25-250, slip op. (S. Ct. Feb. 20, 2026).

2. For more discussion, see Congressional Budget Office, “An Update About CBO’s Projections of the Budgetary Effects of Tariffs,” *CBO Blog* (March 5, 2026), www.cbo.gov/publication/62210.

Table 3.
Outlays, October–February

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	628	676	48	48	8
Medicare ^b	441	475	34	34	9
Medicaid	<u>263</u>	<u>285</u>	<u>22</u>	<u>22</u>	8
Subtotal, Largest Mandatory Spending Programs	1,332	1,436	103	104	8
Environmental Protection Agency	27	7	-20	-20	-74
Department of Agriculture	103	85	-18	-18	-17
Department of Veterans Affairs	169	182	13	11	7
Department of Homeland Security	51	39	-12	-12	-23
Department of Education	71	61	-10	-10	-14
DoD—Military ^c	380	394	14	14	4
Net Interest on the Public Debt	402	433	31	31	8
Other	<u>504</u>	<u>466</u>	<u>-38</u>	<u>-39</u>	-8
Total	3,039	3,103	64	61	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 \$2,956 billion during the first five months of fiscal year 2025 and \$3,017 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 the three largest mandatory spending programs rose by \$104 billion (or 8 percent):

- Spending for **Social Security** benefits rose by \$48 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 starting in March 2025. That law accounted for about \$7 billion of the \$48 billion increase.
- **Medicare** outlays increased by \$34 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 \$22 billion (or 8 percent), largely because of rising costs per enrollee.

Other areas with large increases were the following:

- Outlays for **net interest on the public debt** rose by \$31 billion (or 8 percent) because the debt was larger than it was in the first five 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.
- Spending by the **Department of Defense** was \$14 billion (or 4 percent) greater than in the same period in fiscal year 2025; the largest increase was for military personnel.
- Spending by the **Department of Veterans Affairs** increased by \$11 billion (or 7 percent), because more people used veterans' benefits and because of increased spending per person.

The largest decreases were the following:

- Outlays recorded by the **Environmental Protection Agency** decreased by \$20 billion (or 74 percent), 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 \$18 billion (or 17 percent) largely because the department received more intragovernmental payments in the first five months of fiscal year 2026 compared with the same period last year.
- Spending by the **Department of Homeland Security** decreased by \$12 billion (or 23 percent) primarily because the Federal Emergency Management Agency spent more in response to disasters during the same period last fiscal year. That decline was partly offset by higher outlays associated with increased immigration enforcement in the first five months of fiscal year 2026.
- Outlays of the **Department of Education** decreased by \$10 billion (or 14 percent) largely because spending from the Education Stabilization Fund declined. That decline was partly offset by outlays of about \$4 billion stemming from the recording of the estimated costs of the Administration's decision in January to delay collections on delinquent student loans.

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

Estimated Deficit in February 2026: \$308 Billion

The federal government incurred a deficit of \$308 billion in February 2026, CBO estimates—\$1 billion more than the deficit recorded for the previous February. Revenues were \$17 billion more in February 2026 than they were in February 2025; outlays increased by \$18 billion.

Shifts in the timing of certain federal payments affect that comparison. Because both February 1 and March 1 fell on a weekend in each year, certain payments due on those days were instead made in the months immediately preceding. If not for those shifts, the deficit for February 2026 would have been \$7 billion more than the deficit in February 2025.

Table 4.
Budget Totals for February

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	296	314	17	17	6
Outlays	603	621	18	25	4
Deficit (-)	-307	-308	-1	-7	2

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 \$311 billion in February 2025 and \$318 billion in February 2026, CBO estimates.

CBO estimates that receipts in February 2026 totaled \$314 billion—\$17 billion (or 6 percent) more than the amounts recorded last February. That increase was largely driven by collections of customs duties, which were \$19 billion (roughly three and a half times) more than they were in the previous year. Additionally, income and payroll taxes increased by \$7 billion (or 3 percent). Collections of corporate taxes declined by \$11 billion, with refunds exceeding gross payments, thus reducing the overall increase in receipts for the month.

Total spending in February 2026 was \$621 billion, CBO estimates—\$18 billion more than in the previous February. If not for the timing shifts discussed above, outlays in February 2026 would have been \$25 billion more than in the same month last year. The list below reflects adjustments to exclude the effects of timing shifts.

The largest changes were as follows:

- Outlays for **Social Security** increased by \$10 billion (or 8 percent).
- Spending by the **Department of Defense** increased by \$6 billion (or 9 percent).
- Net outlays for **interest on the public debt** increased by \$6 billion (or 8 percent).
- Outlays for **Medicaid** increased by \$5 billion (or 9 percent).
- Outlays for **Medicare** increased by \$5 billion (or 6 percent).
- Spending by the **Department of Homeland Security** decreased by \$3 billion (or 32 percent).
- Outlays recorded by the **Federal Deposit Insurance Corporation** decreased by \$3 billion largely because of recoveries from prior bank failures.

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

Actual Deficit in January 2026: \$95 Billion

The Treasury Department reported a deficit of \$95 billion for January—\$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: January 2026*.

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. Jennifer Shand and Carolyn Ugolino 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/61978.



Phillip L. Swagel
Director