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

Monthly Budget Review: July 2026

August 10, 2026

The federal budget deficit totaled $1.8 trillion in the first 10 months of fiscal year 2026, the Congressional Budget Office estimates. That amount is $169 billion more than the deficit recorded during the same period last fiscal year. Revenues rose by $139 billion (or 3 percent), and outlays increased by $308 billion (or 5 percent).

That comparison is affected by a shift in the timing of certain payments. Payments that otherwise would have been due on August 1, which fell on a weekend, were shifted into July. If not for those shifts, the deficit thus far would have been $1.7 trillion, $71 billion more than the shortfall for the same period in fiscal year 2025.

Table 1.

Budget Totals, October–July

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	4,347	4,485	139	139	3
Outlays	5,975	6,283	308	209	4
Deficit (−)	−1,629	−1,798	−169	−71	4

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

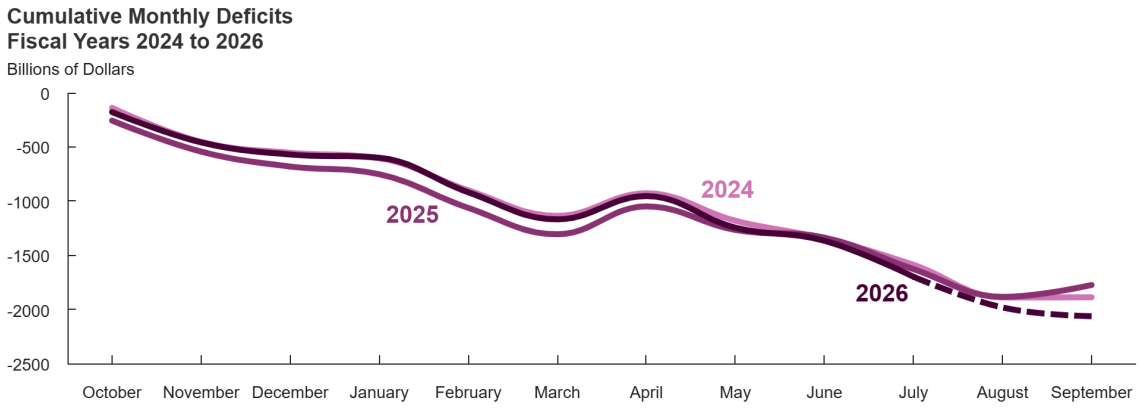
FY = fiscal year.

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

Based on information available through the end of July, CBO estimates that the fiscal year 2026 deficit will be $2.1 trillion—$200 billion more than the $1.9 trillion deficit projection that CBO published on February 11, 2026.[1] CBO expects 2026 outlays to be close to the February baseline amounts. Revenues, by contrast, are anticipated to be about $200 billion below the February projections, mostly because of smaller-than-expected collections of tariff duties—a result of a Supreme Court ruling handed down after CBO's baseline was released.

1. Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), www.cbo.gov/publication/61882.

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.
The values shown for July, August, and September 2026 are CBO's estimates.
Values for all months have been adjusted to exclude the effects of timing shifts.

On February 20, the Supreme Court ruled that the Administration could not impose tariffs under the authority of the International Emergency Economic Powers Act (IEEPA).[2] The Administration ended those tariffs and temporarily imposed new duties under section 122 of the Trade Act of 1974. When the section 122 tariffs expired on July 24, the Administration imposed a new set of tariffs under section 301 of the Trade Act. CBO expects that collections under the tariffs currently in place will replace a substantial share of the revenue that would have been collected from the tariffs in place before the Supreme Court's decision.

CBO now estimates that all tariffs and customs duties collected in 2026 will be about $250 billion (or 60 percent) below earlier projections. So far this year, larger-than-expected collections of individual income and payroll taxes have partially offset the smaller collections of customs duties. CBO now anticipates that income and payroll tax collections will be about $75 billion (or 2 percent) more than estimated in February. On net, the remaining revenue sources are expected to be about $25 billion (or 4 percent) below the February baseline projections.

Total Receipts: Up by 3 Percent in Fiscal Year 2026

Receipts totaled $4.5 trillion during the first 10 months of fiscal year 2026, CBO estimates—$139 billion (or 3 percent) more than during the same period a year ago. Collections of individual income and payroll taxes rose; collections of corporate income taxes declined.

2. *Learning Res., Inc. v. Trump*, Nos. 24-1287, 25-250, slip op. (S. Ct. Feb. 20, 2026). 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 2.
Receipts, October–July

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	2,204	2,365	161	7
Payroll Taxes	1,480	1,521	41	3
Corporate Income Taxes	387	298	−89	−23
Customs Duties (Including tariffs)	136	154	18	13
Other Receipts	139	147	8	6
Total	**4,347**	**4,485**	**139**	**3**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	2,960	3,100	141	5
Other, net of refunds	725	787	61	8
Total	**3,685**	**3,887**	**202**	**5**

Data sources: Congressional Budget Office; Department of the Treasury.
FY = fiscal year.

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

- Individual **income** and **payroll (social insurance) taxes** together increased by $202 billion (or 5 percent).
  - Amounts withheld from workers' paychecks rose by $141 billion (or 5 percent), a reflection of rising wages and salaries.
  - Nonwithheld payments of income and payroll taxes increased by $89 billion (or 9 percent) relative to the same period in fiscal year 2025. Amounts collected so far this year include final payments of 2024 taxes made after the typical filing season, estimated and final payments of taxes for 2025, and estimated taxes for 2026.
  - Individual income tax refunds increased by $23 billion (or 7 percent), reducing net receipts. (Some refundable tax credits are classified as outlays and do not affect net receipts.) Refunds were larger this year because of provisions in the 2025 reconciliation act.
- Collections of **customs duties** increased by $18 billion (or 13 percent) relative to collections in the same period in fiscal year 2025, driven by changes in tariff rates as a result of executive action. Monthly collections were higher than the year before through April 2026. Net collections of tariffs have declined sharply since May, however, when tariff refunds related to the February Supreme Court ruling began to be paid. About $100 billion has been issued in refunds for tariffs collected under the IEEPA authority.
- Receipts from **corporate income taxes** decreased by $89 billion (or 23 percent). The 2025 reconciliation act allows corporations to take larger deductions for certain investments, thereby reducing some payments and offsetting the increases in those receipts that otherwise would have been expected, given the rise in corporate income.

- Receipts from **other sources** increased by $8 billion (or 6 percent) relative to collections during the same period last year. That increase is the net of larger collections of estate and gift taxes and remittances from the Federal Reserve to the Treasury, and a decline in miscellaneous fees and fines.

Total Outlays: Up by 5 Percent in Fiscal Year 2026

Outlays in the first 10 months of fiscal year 2026 were $6.3 trillion, CBO estimates, $308 billion (or 5 percent) 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 $209 billion (or 4 percent) greater than outlays during the same 10 months in fiscal year 2025. The discussion below reflects adjustments to exclude the effects of the timing shifts.

Outlays for the three largest mandatory spending programs rose by $181 billion (or 7 percent):

- Spending for **Social Security** benefits rose by $70 billion (or 5 percent) because of increases in average benefits and in the number of beneficiaries. That increase would have been greater but for a significant set of onetime retroactive payments that began in March 2025 and stemmed from the Social Security Fairness Act of 2023, which was enacted in January 2025.
- **Medicare** outlays increased by $66 billion (or 8 percent) because of increased enrollment and higher payment rates for services.
- **Medicaid** outlays increased by $45 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 $117 billion (or 14 percent) because the debt was larger than it was in the first 10 months of fiscal year 2025 and because of higher long-term interest rates. Declines in short-term rates partially mitigated the overall rise in interest payments.
- Spending by the **Department of Defense** for military activities was $39 billion (or 5 percent) greater than in the same period in fiscal year 2025; the largest increases were for military personnel and for research and development.
- Outlays from the **Department of Veterans Affairs** increased by $34 billion (or 11 percent), primarily because more people received veterans' benefits and spending per person rose.
- Outlays of the **Department of Housing and Urban Development** rose by $17 billion (or 43 percent) largely because in June 2025 that agency recorded a downward revision to the estimated costs of outstanding housing loan guarantees. No such revision has been recorded this fiscal year.
- Outlays of the **Small Business Administration** increased by $10 billion (to nearly six times last year's amount) mostly because in June 2026 the agency recorded an increase of $10 billion in the estimated costs of its outstanding disaster loans.

Table 3.

Outlays, October–July

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	1,303	1,373	70	70	5
Medicare[b]	820	952	132	66	8
Medicaid	553	598	45	45	8
Subtotal, Largest Mandatory Spending Programs	**2,676**	**2,923**	**247**	**181**	**7**
Department of Education	131	52	−79	−79	−60
Department of Veterans Affairs	310	360	51	34	11
Environmental Protection Agency	33	14	−20	−20	−59
Department of Housing and Urban Development	40	58	17	17	43
U.S. Coronavirus Refundable Credits	17	5	−12	−12	−73
International Assistance Programs	27	17	−10	−10	−36
Small Business Administration	2	12	10	10	c
Department of Commerce	21	12	−9	−9	−42
DoD—Military[d]	719	763	44	39	5
Net Interest on the Public Debt	846	963	117	117	14
Other	1,153	1,105	−48	−60	−5
Total	**5,975**	**6,283**	**308**	**209**	**4**

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 holiday or weekend. Outlays excluding the effects of the timing shifts would have been $6,184 billion in fiscal year 2026.

b. Medicare outlays are net of offsetting receipts.

c. Outlays of the Small Business Administration were about six times the amount spent during the same period in fiscal year 2025.

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

The largest decreases were the following:

- Outlays of the **Department of Education** decreased by $79 billion (or 60 percent) largely because in June 2026 the department recorded a net reduction of $53 billion in the estimated costs of outstanding student loans; a $24 billion *increase* was recorded in July 2025. In addition, spending from the Education Stabilization Fund declined by $12 billion (or 88 percent). The total decline in education spending would have been larger if not for $11 billion in outlays stemming from the recording of the estimated costs of two administrative actions announced in 2026: one delaying collections on delinquent student loans ($4 billion) and the other providing a discount to borrowers who elect to have automatic monthly payments made from their bank accounts ($7 billion).

- Spending by the **Environmental Protection Agency** decreased by $20 billion (or 59 percent), largely because in November and December 2024 that agency recorded $20 billion in outlays 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 related to **U.S. Coronavirus Refundable Credits,** a group of temporary tax credits to help employers cover the costs of sick and family leave, employee retention, and continuation of health insurance for certain workers, decreased by $12 billion (or 73 percent). The Internal Revenue Service continues to process claims for those credits filed before January 31, 2024, although outlays have decreased as the agency winds down that effort.
- Outlays for **international assistance programs** decreased by $10 billion (or 36 percent) primarily because of declining outlays from supplemental funding provided in previous years. Larger receipts for foreign military sales (which are recorded as reductions in outlays) also contributed to the decrease.
- Spending by the **Department of Commerce** decreased by $9 billion (or 42 percent) mostly because the department spent less to support semiconductor manufacturing in the first 10 months of fiscal year 2026 than it did in the same period last year.

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

Estimated Deficit in July 2026: $431 Billion

The federal government incurred a deficit of $431 billion in July 2026, CBO estimates, an increase of $140 billion over the deficit recorded in the same month last year. Revenues were $5 billion less this July than they were the year before, and outlays increased by $135 billion.

That comparison is affected by shifts in the timing of certain federal payments. Because August 1, 2026, fell on a weekend, certain federal payments were shifted into July. If not for those shifts, the deficit would have been $41 billion larger in July 2026 than in July 2025.

Table 4.

Budget Totals for July

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	338	334	−5	−5	−1
Outlays	630	765	135	37	6
Deficit (−)	−291	−431	−140	−41	14

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 $333 billion in July 2026, CBO estimates.

CBO estimates that receipts in July 2026 totaled $334 billion—$5 billion (or 1 percent) less than the amount recorded last July. That decrease was driven by a sharp decline in net collections of customs duties, mostly reflecting tariff refunds resulting from the Supreme Court's February ruling. In July 2026, refunds of customs duties ($36 billion) exceeded gross collections ($26 billion), producing a net outflow of $9 billion—$37 billion below the $28 billion collected

last July. Collections of income and payroll taxes rose by $31 billion (or 11 percent) to partially offset the decline in net receipts of customs duties.

Total spending in July 2026 was $765 billion, CBO estimates—$135 billion (or 21 percent) more than in July 2025. If not for the timing shifts discussed above, outlays in July 2026 would have been $37 billion more than in the same month last year. The list below reflects adjustments to exclude the effects of the timing shifts.

The largest changes were as follows:

- Outlays of the **Department of Housing and Urban Development** increased by $20 billion.
- Outlays for **net interest on the public debt** rose by $19 billion (or 22 percent).
- Outlays for **Medicare** increased by $9 billion (or 9 percent).
- Spending for military activities of the **Department of Defense** rose by $8 billion (or 11 percent).
- Spending for **Social Security** increased by $8 billion (or 6 percent).
- Outlays from the **Department of Veterans Affairs** increased by $7 billion (or 23 percent).
- Outlays of the **Department of Education** decreased by $24 billion as discussed above.
- Spending by the **Department of Agriculture** decreased by $5 billion (or 25 percent).

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

Actual Deficit in June 2026: $120 Billion

The Treasury Department reported a deficit of $120 billion for June—$6 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: June 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/CBOMonthly. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Amber Marcellino and Nathaniel Frentz prepared the report with assistance from Dan Ready 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/61983.

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