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

Monthly Budget Review: September 2026

October 8, 2026

The federal budget deficit totaled $2.0 trillion in fiscal year 2026, the Congressional Budget Office estimates, $218 billion more than the deficit recorded in fiscal year 2025. Although revenues rose by $169 billion (or 3 percent), outlays rose more—by an estimated $386 billion (or 6 percent).

Outlays increased for net interest on the debt, major benefit programs, defense, and education, among others. Those increases were partly offset by decreases recorded in other areas. Growth in revenues was driven by larger collections of individual income and payroll taxes.

Table 1.

Budget Totals, October–September

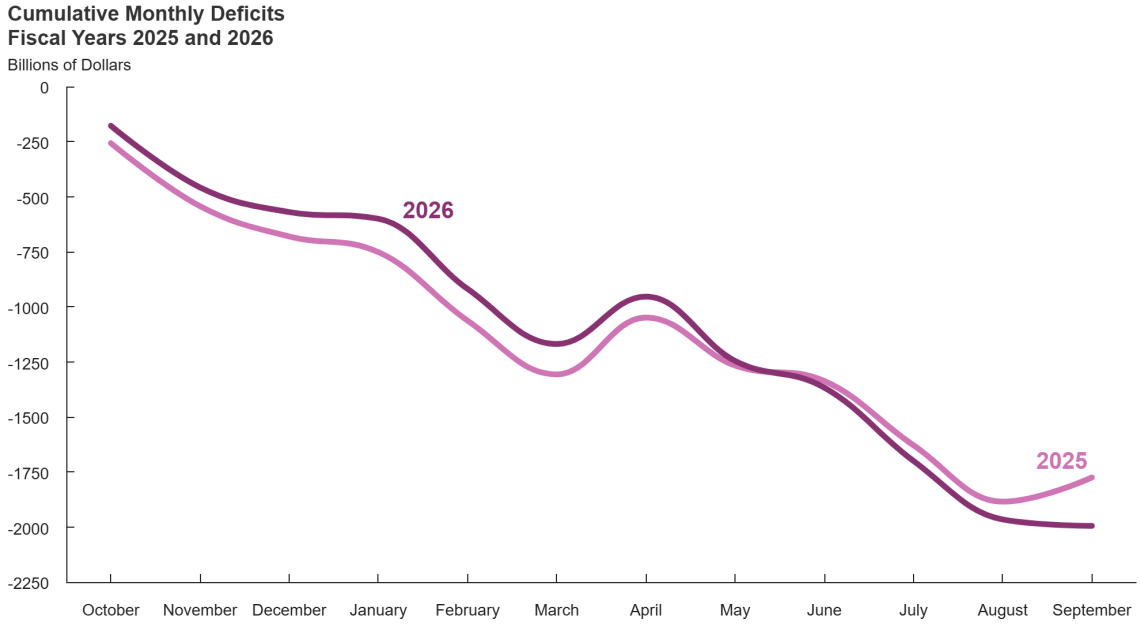
Billions of Dollars

			Estimated Change	
	Actual, FY 2025	Preliminary, FY 2026	Billions of Dollars	Percent
Receipts	5,235	5,403	169	3
Outlays	7,010	7,396	386	6
Deficit (−)	−1,775	−1,993	−218	12

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

FY = fiscal year.

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 value shown for September 2026 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.

Total Receipts: Up by 3 Percent in Fiscal Year 2026

Receipts totaled $5.4 trillion for fiscal year 2026, CBO estimates—$169 billion (or 3 percent) more than in the previous fiscal year. Collections of individual income and payroll taxes rose; collections of corporate income taxes and customs duties declined.

The changes in receipts from 2025 to 2026 were as follows:

- **Individual income** and **payroll (social insurance) taxes** together increased by $255 billion (or 6 percent).
  - Amounts withheld from workers' paychecks rose by $168 billion (or 5 percent), a reflection of rising wages and salaries.
  - Nonwithheld payments of income and payroll taxes increased by $108 billion (or 9 percent). Amounts collected in fiscal year 2026 included 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 $16 billion (or 5 percent), reducing net receipts. (Some refundable tax credits are classified as outlays and do not affect net receipts.) For some taxpayers, refunds were boosted by provisions of the 2025 reconciliation act.
- Receipts from **corporate income taxes** decreased by $70 billion (or 16 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.

Table 2.

Receipts, October–September

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	2,656	2,844	188	7
Payroll Taxes	1,748	1,815	67	4
Corporate Income Taxes	452	382	−70	−16
Customs Duties (Including tariffs)	195	172	−22	−11
Other Receipts	183	190	6	3
Total	**5,235**	**5,403**	**169**	**3**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	3,519	3,687	168	5
Other, net of refunds	885	972	87	10
Total	**4,404**	**4,659**	**255**	**6**

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

FY = fiscal year.

- Collections of **customs duties** dropped by $22 billion (or 11 percent) relative to the year before. Larger amounts were collected early in the fiscal year, but started to decline in May, when the Administration began to issue refunds related to tariffs imposed under the authority of the International Emergency Economic Powers Act (IEEPA). The refunds were made as a result of a February 2026 decision of the Supreme Court.[1] CBO estimates that during fiscal year 2026 about $130 billion was issued in refunds for tariffs collected under IEEPA.
- Receipts from **other sources** rose by $6 billion (or 3 percent). 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 6 Percent in Fiscal Year 2026

Outlays in fiscal year 2026 were $7.4 trillion, CBO estimates, $386 billion (or 6 percent) more than in fiscal year 2025.

Outlays for the three largest mandatory spending programs rose by $217 billion (or 7 percent):

- Spending for **Social Security** benefits rose by $86 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 beginning in March 2025 that stemmed from the Social Security Fairness Act of 2023, which was enacted in January 2025.

1. *Learning Res., Inc. v. Trump*, Nos. 24-1287, 25-250, slip op. (S. Ct. Feb. 20, 2026). For more discussion, see Congressional Budget Office, "CBO's Updated Budgetary Projections of Tariffs as of July 31, 2026," *CBO Blog* (August 20, 2026), www.cbo.gov/publication/62704.

Table 3.

Outlays, October–September

Billions of Dollars

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	1,569	1,654	86	5
Medicare[a]	992	1,069	77	8
Medicaid	668	723	55	8
Subtotal, Largest Mandatory Programs	**3,229**	**3,446**	**217**	**7**
Department of Education	35	75	41	117
Department of Veterans Affairs	377	416	39	10
Environmental Protection Agency	37	17	−20	−53
HUD	51	68	18	35
Department of Commerce	30	15	−15	−50
U.S. Coronavirus Refundable Credits	18	5	−13	−74
Small Business Administration	1	12	11	b
Food and Nutrition Administration	148	137	−11	−8
DoD—Military[c]	868	916	48	5
Net Interest on the Public Debt	1,028	1,143	115	11
Other	1,189	1,146	−42	−4
Total	**7,010**	**7,396**	**386**	**6**

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

DoD = Department of Defense; FY = fiscal year; HUD = Department of Housing and Urban Development.

a. Medicare outlays are net of offsetting receipts.

b. Outlays of the Small Business Administration were about 14 times the amount in fiscal year 2025.

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

- **Medicare** outlays increased by $77 billion (or 8 percent) because of increased enrollment and higher payment rates for services.
- **Medicaid** outlays increased by $55 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 $115 billion (or 11 percent) because the debt was larger than it was in fiscal year 2025 and because long-term interest rates were higher. Lower short-term rates partially mitigated the overall rise in payments.
- Spending by the **Department of Defense** for military activities was $48 billion (or 5 percent) more than in fiscal year 2025; the largest increases were for research and development and for military personnel.

- Outlays of the **Department of Education** rose by $41 billion (or 117 percent), driven largely by differences in the amounts the Administration recorded for the estimated costs of outstanding student loans. In September 2025, a reduction of $131 billion was recorded because of program modifications authorized in the 2025 reconciliation act that offset most of the department's fiscal year 2025 spending. In 2026, the Administration recorded a net decrease in the estimated costs of outstanding loans, mostly stemming from updated assumptions about borrowers' repayments. That reduction was significantly smaller than the one recorded in 2025, resulting in a year-over-year net increase in outlays. Partially offsetting that net increase for 2026, spending from the Education Stabilization Fund fell by $12 billion and outlays for other components of the department's budget fell by a similar amount.
- Outlays of the **Department of Veterans Affairs** increased by $39 billion (or 10 percent) mainly because more people received veterans' benefits and spending per person rose.
- Outlays of the **Department of Housing and Urban Development** rose by $18 billion (or 35 percent) largely because the agency recorded a larger downward revision to the estimated costs of outstanding housing loan guarantees in fiscal year 2025 than it did in 2026.
- Outlays of the **Small Business Administration** increased by $11 billion mostly because in June 2026 the agency recorded an increase of $10 billion in the estimated costs of its outstanding disaster loans.

The largest decreases were the following:

- Spending by the **Environmental Protection Agency** decreased by $20 billion (or 53 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.
- Spending by the **Department of Commerce** decreased by $15 billion (or 50 percent) mostly because the department spent less to support semiconductor manufacturing in fiscal year 2026 than it did in the previous 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 $13 billion (or 74 percent).
- Spending by the **Food and Nutrition Administration** decreased by $11 billion (or 8 percent) largely because Supplemental Nutrition Assistance Program caseloads decreased; that decline began in the middle of fiscal year 2025 and accelerated near the start of fiscal year 2026.

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

Estimated Deficit in September 2026: $28 Billion

The federal government incurred a deficit of $28 billion in September 2026, CBO estimates, compared with a *surplus* of $198 billion recorded in September 2025—a difference of $226 billion. Revenues were $14 billion more this September than they were last September; outlays increased by $240 billion.

That comparison is affected by shifts in the timing of certain payments. Because September 1, 2025, fell on a holiday, certain federal payments were shifted into August of that year. If not for that, the surplus last September would have been smaller—$110 billion—and the difference between September 2026 and September 2025 would be $138 billion, instead of $226 billion.

Table 4.

Budget Totals for September

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	544	558	14	14	3
Outlays	346	585	240	152	35
Deficit (−)	198	−28	−226	−138	−125

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 holiday. If not for those timing shifts, the budget would have shown a surplus of $110 billion in September 2025, CBO estimates.

CBO estimates that receipts in September 2026 totaled $558 billion—$14 billion (or 3 percent) more than the amount recorded last September. That increase was driven by collections of corporate income taxes, which were $25 billion (or 39 percent) larger than in September 2025, and by collections of individual income and payroll taxes, which were $15 billion (or 4 percent) larger. In contrast, customs duties, which include tariffs, declined by $24 billion (or 83 percent) relative to the same month last year, mainly because of IEEPA refunds.

Total spending in September 2026 was $585 billion, CBO estimates—$240 billion (or 69 percent) more than in September 2025. If not for the timing shifts discussed above, the increase in outlays this September would have been smaller—$152 billion (or 35 percent). The list below reflects adjustments to exclude the effects of the timing shifts.

The largest increases and decreases were as follows:

- Outlays of the **Department of Education** increased by $119 billion primarily because, in September 2025, the Administration recorded a reduction in outlays of $131 billion, reflecting modifications to the student loan program authorized in the 2025 reconciliation act (discussed above). No such reduction was recorded in September 2026.
- Spending for **Social Security** increased by $8 billion (or 6 percent).
- Outlays of the **Department of Labor** increased by $8 billion, primarily because net outlays of the Pension Benefit Guaranty Corporation increased by $6 billion.
- Outlays of the **Federal Deposit Insurance Corporation** increased, on net, by $7 billion, reflecting differences in the costs of resolving failed banks.
- Spending by the **Department of Defense** increased by $7 billion (or 9 percent).
- Outlays of the **Department of Transportation** decreased by $4 billion (or 20 percent).

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

Actual Deficit in August 2026: $167 Billion

The Treasury Department reported a deficit of $167 billion for August—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: August 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. Nathaniel Frentz 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/61985.

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