Congressional Budget Office

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Monthly Budget Review for March 2019

The federal budget deficit was $693 billion for the first half of fiscal year 2019, the Congressional Budget Office estimates, $94 billion more than the deficit recorded during the same period last year. Revenues were $9 billion (or 1 percent) higher and outlays were $103 billion (or 5 percent) higher than during the first half of 2018.

Budget Totals, October–March
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	1,497	1,506	9
Outlays	2,097	2,200	103
Deficit (–)	–600	–693	–94

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2019 and the *Daily Treasury Statements* for March 2019.

FY = fiscal year.

Total Receipts: Up Slightly in the First Half of Fiscal Year 2019
Receipts totaled $1,506 billion during the first half of fiscal year 2019, CBO estimates—$9 billion (or 1 percent) more than during the same period last year. That slight increase was the result of offsetting changes in receipts from the following sources:

- **Individual income** and **payroll (social insurance) taxes** together rose by $14 billion (or 1 percent).
    - Amounts withheld from workers' paychecks fell by $6 billion (or less than 1 percent). That change reflects a decline in the share of income withheld for taxes, which more than offset increases in wages and salaries. The Internal Revenue Service (IRS) issued new withholding tables last January to reflect changes made by the 2017 tax act (Public Law 115-97). All employers were required to begin using the new tables by February 15, 2018. Hence, the new withholding rates were in effect during the first six months of this fiscal year but for only a small portion of the same period last year.
    - Nonwithheld payments of income and payroll taxes rose by $9 billion (or 5 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due on January 15. (That payment was for 2018 tax liabilities.) Most taxpayers will not make their final payment of income taxes for 2018 until this month, when individual tax returns are due.

Note: 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.

- Income tax refunds were down by $14 billion (or 9 percent), boosting net receipts. Those amounts exclude refundable tax credits that are classified as outlays and reported separately below. The precise timing of refund payments varies from year to year, but most will be paid from February through April.
- Unemployment insurance receipts (one kind of payroll tax) declined by $3 billion (or 20 percent).

■ **Corporate income taxes** fell by about $11 billion (or 15 percent). That decline largely reflects changes made by the 2017 tax act, which lowered the income tax rate for most corporations to 21 percent from the prior top statutory rate of 35 percent. For most corporations, final payments of taxes for 2018 and the first estimated payments for tax year 2019 are due in April.

■ Revenues from **other sources** resulted in a net increase of $7 billion (or 6 percent), mostly because of increased excise taxes and customs duties.

- Excise taxes increased by $8 billion (or 19 percent), partly because of payments received in October for the tax on health insurance providers. In 2017, that tax was subject to a one-year moratorium, which was lifted for 2018. The moratorium is in effect again for 2019.
- Customs duties increased by $16 billion (or 86 percent), primarily because of new tariffs imposed by the Administration during the past year.
- Those revenue increases were partially offset by smaller remittances from the Federal Reserve to the Treasury. Those amounts declined by $14 billion (or 35 percent), mainly because short-term interest rates were higher, leading the central bank to pay depository institutions more interest on reserves. The resulting reduction in the Federal Reserve's net earnings led to smaller remittances to the Treasury.
- Estate and gift taxes decreased by $3 billion (or 25 percent). At least some of that decline is probably the result of changes made by the 2017 tax act, which doubled the value of the estate tax exemption.

Receipts, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	736	724	–12	–1.7
Payroll Taxes	560	587	26	4.7
Corporate Income Taxes	79	67	–11	–14.5
Other Receipts	122	129	7	5.6
Total	**1,497**	**1,506**	**9**	**0.6**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,273	1,266	–6	–0.5
Other, net of refunds	24	44	20	84.0
Total	**1,297**	**1,311**	**14**	**1.1**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 5 Percent in the First Half of Fiscal Year 2019

Outlays for the first half of fiscal year 2019 were $2,200 billion, $103 billion more than during the same period last year, CBO estimates. The largest increases were in the following categories:

- Outlays for the largest mandatory spending programs increased by 4 percent:
    - **Social Security** benefits rose by $26 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
    - **Medicare** outlays increased by $10 billion (or 4 percent).
    - **Medicaid** outlays rose by $5 billion (or 3 percent).
- Spending for military programs of the **Department of Defense** rose by $28 billion (or 9 percent), mostly in the categories of operation and maintenance and research and development.
- Outlays for **net interest on the public debt** increased by $22 billion (or 13 percent) because interest rates on short-term debt are substantially higher now than they were during the same period in 2018 and because the amount of federal debt is larger than it was a year ago.
- Outlays for the refundable portion of the **earned income** and **child tax credits** rose by $7 billion (or 11 percent). The 2017 tax act expanded the child tax credit, including the refundable portion, but the amount of refundable outlays paid each February can vary from year to year.
- Outlays for the **Department of Veterans Affairs** (included in the "Other" category below) increased by $3 billion (or 3 percent) because the number of people receiving disability compensation rose and the average benefit payment increased. That increase would have been even larger, $7 billion (or 7 percent), if not for a $3 billion credit reestimate for a program that guarantees mortgages for veterans.

The largest decreases in outlays were in the following categories, included in "Other" below:

- The government received $13 billion more in payments this year from **Fannie Mae** and **Freddie Mac,** resulting in lower net outlays. Their quarterly payments to the Treasury in December were $4 billion more than those made in the previous December. In March of this year, they remitted about $6 billion to the government, whereas in March 2018 they *received* net payments of about $3 billion from the Treasury—a difference of $9 billion. Last March was the first time since 2012 that Fannie Mae and Freddie Mac received such payments from the Treasury.
- Outlays recorded for the **Department of Homeland Security** decreased by $11 billion (or 27 percent), primarily because spending for disaster relief was higher than usual at the beginning of fiscal year 2018.

For other programs and activities, spending increased or decreased by smaller amounts.

Outlays, October–March
Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	482	508	26	5.5
Medicare[a]	298	308	10	3.5
Medicaid	193	198	5	2.7
Subtotal, Largest Mandatory Spending Programs	**972**	**1,015**	**42**	**4.3**
DoD—Military[b]	298	326	28	9.3
Net Interest on the Public Debt	171	193	22	12.9
Other	655	667	11	1.7
Total	**2,097**	**2,200**	**103**	**4.9**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year.

a. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in March 2019: $149 Billion

The federal government incurred a deficit of $149 billion in March 2019, CBO estimates—$60 billion less than the deficit in March 2018. Outlays in March 2018 were affected by shifts in the timing of certain federal payments that otherwise would have been due on April 1, which fell on a weekend; those shifts increased outlays last March by $46 billion. If not for those shifts, the deficit this month would have been $14 billion smaller than the deficit in March 2018.

CBO estimates that receipts in March 2019 totaled $228 billion—$17 billion (or 8 percent) more than those in the same month last year. Withholding of individual income and payroll taxes increased by $8 billion (or 4 percent), thus increasing receipts. Individual income tax refunds declined by $6 billion (or 10 percent), further boosting net receipts. Remittances from the Federal Reserve decreased by $2 billion, or 31 percent.

Budget Totals for March
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts[a]: Percent
Receipts	211	228	17	17	8.1
Outlays	420	377	–43	3	0.8
Deficit	–209	–149	60	14	–8.7

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 $163 billion in March 2018, CBO estimates.

Total spending in March 2019 was $377 billion, CBO estimates—$43 billion (or 10 percent) less than the sum in March 2018. If not for timing shifts, outlays this March would have been $3 billion (or 1 percent) *more* than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

According to CBO's estimates, the largest changes in outlays were as follows:

- **Social Security** benefits rose by $5 billion (or 6 percent).
- Spending for military programs of the **Department of Defense** rose by $4 billion (or 8 percent).
- The government received $9 billion more in payments from **Fannie Mae** and **Freddie Mac** than in March 2018, resulting in lower outlays.
- Spending for the **Department of Veterans Affairs** fell by $4 billion (or 25 percent); however, most of that decline was a result of a $3 billion credit reestimate for mortgage guarantees.

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

Actual Deficit in February 2019: $234 Billion

The Treasury Department reported a deficit of $234 billion for February—$7 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for February 2019*. CBO overestimated receipts by $4 billion and underestimated outlays by $3 billion.

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://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Nathaniel Frentz, David Rafferty, Dawn Sauter Regan, and Jon Sperl prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, Sam Papenfuss, and Joshua Shakin. It was reviewed by Mark Hadley and Robert Sunshine, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/55095.