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

Monthly Budget Review: March 2021

April 8, 2021

The federal budget deficit was $1.7 trillion in the first six months of fiscal year 2021, the Congressional Budget Office estimates—almost $1 trillion more than the deficit recorded during the same period last year. Outlays were 45 percent higher and revenues were 6 percent higher from October through March than during the same period in fiscal year 2020. Most of that difference arises from spending for three purposes, largely in response to the coronavirus pandemic: refundable tax credits, unemployment compensation, and the Small Business Administration's Paycheck Protection Program.

Table 1.

Budget Totals, October–March

Billions of Dollars

	Actual, FY 2020	Preliminary, FY 2021	Estimated Change
Receipts	1,604	1,703	100
Outlays	2,347	3,408	1,061
Deficit (−)	−743	−1,705	−961

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2021 and the *Daily Treasury Statements* for March 2021.

FY = fiscal year.

Total Receipts: Up by 6 Percent in the First Half of the Fiscal Year

Receipts totaled $1,703 billion during the first half of fiscal year 2021, CBO estimates—$100 billion (or 6 percent) more than during the same period last year. Changes between last year and this year are described below.

- **Individual income** and **payroll (social insurance) taxes** together rose by $78 billion (or 6 percent).
  - Nonwithheld payments of income and payroll taxes rose by $38 billion (or 20 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due on January 15. (That payment was for 2020 tax liabilities.)

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.

Table 2.

Receipts, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	769	825	55	7.2
Payroll Taxes	618	641	23	3.7
Corporate Income Taxes	84	104	20	23.6
Other Receipts	131	133	2	1.4
Total	**1,604**	**1,703**	**100**	**6.2**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,340	1,348	8	0.6
Other, net of refunds	48	118	70	145.7
Total	**1,388**	**1,466**	**78**	**5.6**

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

FY = fiscal year.

- Individual income tax refunds declined by $27 billion (or 17 percent), increasing net receipts. That decline probably occurred because the start of tax-filing season was delayed by two weeks this year, to February 12. The delay gave the Internal Revenue Service time to program its systems to account for the tax law changes included in the Consolidated Appropriations Act, 2021 (CAA), that provided a second round of recovery rebates. The precise timing of refund payments varies from year to year, but typically, most are paid from February through the month in which tax returns are due, which is May this year.
- Amounts withheld from workers' paychecks increased by $8 billion (or 1 percent). Through January, each month's withholding was below that of the prior year because of a decline in wages and because of certain effects of legislation enacted in response to the coronavirus pandemic. Withholding has recovered this year as employment and wages have increased.
- Unemployment insurance receipts (one type of payroll tax) rose by $5 billion (or 46 percent). States are replenishing the balances in their unemployment insurance trust funds, at least in part by collecting more in unemployment taxes from employers; such receipts are recorded as revenues in the federal budget. Those trust funds were depleted as a result of unusually high unemployment during the past year.

■ **Corporate income taxes** increased, on net, by $20 billion (or 24 percent). That change reflects just one estimated payment in the fiscal year so far for most corporations. After more payments are made, it will become clearer how those receipts for this year compare with the amounts collected last year.

■ Receipts from **other sources,** on net, increased by $2 billion (or 1 percent).

- Federal Reserve remittances to the Treasury rose by $10 billion (or 33 percent), in part as a result of lower short-term interest rates. The Federal Reserve sets targets for those rates by adjusting the interest rate that it pays on bank reserves. Lower rates this year have reduced those interest expenses and therefore increased remittances. As part of its efforts to carry out monetary policy in response to the pandemic, the Federal Reserve also has significantly increased its holdings of assets, an action that tends to further increase remittances while short-term interest rates are low.

- Excise taxes declined by $10 billion (or 24 percent) because certain aviation excise taxes were suspended through the end of calendar year 2020 and because of a general reduction in economic activity.
- Customs duties decreased by $3 billion (or 7 percent), largely reflecting a drop in imports.
- Estate and gift taxes increased by $1 billion (or 14 percent) and other miscellaneous receipts increased by $2 billion (or 21 percent).

Total Outlays: Up by 45 Percent in the First Six Months of the Fiscal Year

Outlays in the first six months of fiscal year 2021 were $3,408 billion, $1,061 billion more than they were during the same period last year, CBO estimates. The budgetary effects of federal responses to the pandemic account for many of the largest year-to-date increases.

Several major spending increases, including the following, resulted primarily from legislation and administrative actions related to the pandemic:

- Outlays for certain **refundable tax credits** were $470 billion higher than in the first six months of 2020.[1] That increase was driven by spending for the recovery rebates that were provided by the CAA; they began in January 2021.
- Outlays for **unemployment compensation** rose by $190 billion this year compared with the first six months of 2020. That increase is attributable to enhanced benefits authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act that were extended by the CAA and to an increase in the number of people receiving regular unemployment benefits.
- The **Small Business Administration's** outlays were $184 billion, compared with negative outlays of $1 billion during the same period last year (the result of a $1 billion downward revision to the estimated net subsidy costs of loans and loan guarantees issued in prior years). The CAA authorized additional loans and loan guarantees to small businesses under the Paycheck Protection Program established by the CARES Act.
- Outlays for the **Public Health and Social Services Emergency Fund** increased by $37 billion (shown in "Other" in Table 3) compared with the first six months of 2020. Five separate laws increased funding. The largest amounts were provided by the Paycheck Protection Program and Health Care Enhancement Act and the CAA to reimburse health care providers (such as hospitals) for health care costs incurred or revenues lost as a result of the pandemic. The fund also provides money for testing for and treatment of COVID-19, the disease caused by the coronavirus.
- Spending by the **Department of Agriculture** increased by $29 billion (or 32 percent, shown in "Other"), largely because of payments made to farmers under the Coronavirus Food Assistance Program to cover increased marketing costs associated with the pandemic and because spending on the Supplemental Nutrition Assistance Program increased.

1. Those tax credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and the American Opportunity Tax Credit.

Table 3.

Outlays, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	536	557	21	3.9
Medicare[a]	329	344	15	4.6
Medicaid	208	250	42	20.5
Subtotal, Largest Mandatory Spending Programs	**1,072**	**1,151**	**78**	**7.3**
Refundable Tax Credits[b]	98	568	470	n.m.
Unemployment Compensation	18	209	190	n.m.
Small Business Administration	−1	184	184	n.m.
DoD—Military[c]	348	363	15	4.3
Net Interest on the Public Debt	203	176	−28	−13.6
Other	608	759	151	24.8
Total	**2,347**	**3,408**	**1,061**	**45.2**

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

DoD = Department of Defense; FY = fiscal year; n.m. = not meaningful.

a. Medicare outlays are net of offsetting receipts.

b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

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

- Payments for **emergency rental assistance** have totaled $25 billion (shown in “Other”) in fiscal year 2021. State and local governments use grants provided under the CAA to aid low-income households unable to pay rent because of the pandemic. There was no such spending in the first six months of fiscal year 2020.
- Spending by the **Department of Homeland Security** was $18 billion (or 60 percent, shown in “Other”) higher than in the same period in 2020. That increase is mostly the result of higher spending from the Disaster Relief Fund related to the pandemic, including the costs of paying unemployment benefits under the provisions of a Presidential memorandum issued in August 2020.[2]

Outlays for the largest mandatory spending programs increased by 7 percent:

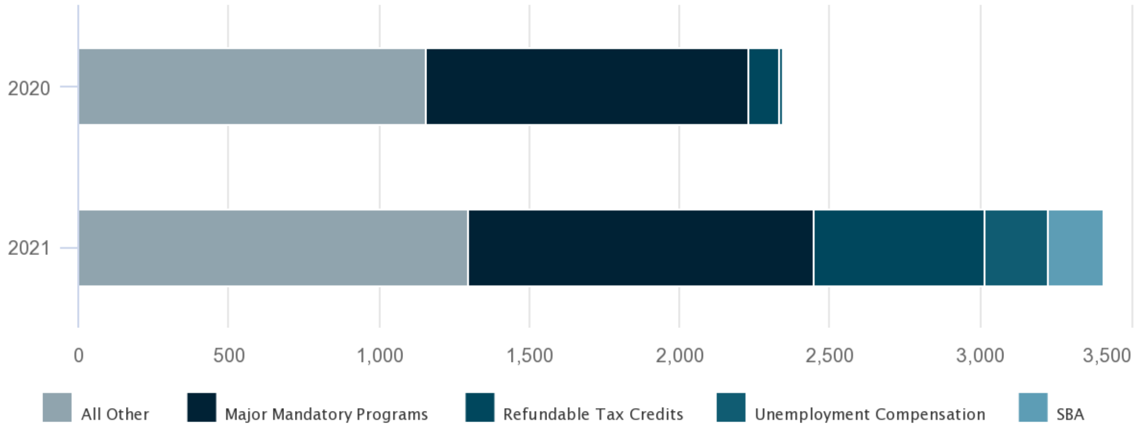
- **Social Security** benefits rose by $21 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays grew by $15 billion (or 5 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.

2. White House, Presidential Memoranda, “Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019” (August 8, 2020).

Figure 1.

Outlays, October–March, for Selected Programs
Fiscal Years 2020 and 2021

Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
SBA = Small Business Administration.
Values for all months have been adjusted to exclude the effects of timing shifts.
CBO estimated values for March 2021; all other values are actual.
The major mandatory programs are Social Security, Medicare, and Medicaid.
The refundable tax credits consist of the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.
The value for SBA in March 2020 was -$1 billion.

- **Medicaid** outlays increased by $42 billion (or 20 percent), largely because of the legislative response to the pandemic. In particular, federal Medicaid matching rates were raised by 6.2 percentage points and states were required to maintain coverage for all Medicaid recipients enrolled during the emergency period, regardless of changes in circumstances that might otherwise cause some beneficiaries to lose eligibility.

Other major changes in outlays in the first six months of the fiscal year were as follows:

- Spending for military programs of the **Department of Defense** rose by $15 billion (or 4 percent); the largest increases occurred in personnel and operation and maintenance.
- Net outlays for **interest on the public debt** decreased by $28 billion (or 14 percent), largely because of lower interest rates.

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

Estimated Deficit in March 2021: $658 Billion

The federal government incurred a deficit of $658 billion in March 2021, CBO estimates—$539 billion more than the deficit in March 2020. Outlays in March 2020 were affected by shifts in the timing of certain federal payments that otherwise would have been due on March 1, which fell on a weekend (those payments were made in February 2020). If not for those shifts, the deficit in March 2021 would have been $487 billion more than the deficit in March 2020.

Table 4.

Budget Totals for March

Billions of Dollars

	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	237	267	30	30	13
Outlays	356	925	569	517	127
Deficit (−)	−119	−658	−539	−487	284

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 shifts, the budget would have shown a deficit of $171 billion in March 2020, CBO estimates.

CBO estimates that receipts in March 2021 totaled $267 billion—$30 billion (or 13 percent) more than those in the same month last year. Withheld taxes increased by $30 billion (or 12 percent), in part because March this year had one more business day than last March did. Nonwithheld taxes increased by $6 billion (or 35 percent). Individual income tax refunds increased by $17 billion (or 25 percent), reducing net receipts. That increase in refunds resulted from the delay in the start of the tax-filing season, which shifted some refunds from February into March. Corporate income taxes increased by $5 billion and remittances from the Federal Reserve increased by $2 billion. Revenues from other sources increased by $2 billion, on net.

Total spending in March 2021 was $925 billion, CBO estimates. If not for timing shifts that decreased spending in March 2020, outlays in March 2021 would have been $517 billion more than in March 2020, an increase of 127 percent. The largest changes in outlays stem from the economic effects of the pandemic and legislation enacted in response, and were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Payments of **refundable tax credits** were $346 billion higher than in the same month last year, mostly because of the payment of recovery rebates authorized by the CAA.
- Outlays for the **Small Business Administration** were an estimated $87 billion this March compared with negative outlays of $1 billion in the same month last year. That spending reflects significant outlays for the latest round of the Paycheck Protection Program authorized by the CAA.
- Outlays for **unemployment compensation** grew from $5 billion in March 2020 to $49 billion in March 2021. (The significant increase in outlays for unemployment benefits stemming from the pandemic did not begin until April 2020.)

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

Actual Deficit in February 2021: $311 Billion

The Treasury Department reported a deficit of $311 billion for February—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review for February 2021*.

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/xfwBH.
In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Nathaniel Frentz and Amber Marcellino prepared the report with assistance from Aaron Feinstein and 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 Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/57018.

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