Congressional Budget Office

May 8, 2020

Monthly Budget Review for April 2020

The federal budget typically records a surplus in April because final tax payments for the prior year and estimated payments for the current year are usually due on April 15. But this year, the government incurred a *deficit* of $737 billion in April, the Congressional Budget Office estimates, compared with a *surplus* of $160 billion last year. That substantial difference stems from the economic disruption caused by the novel coronavirus pandemic and from the federal government's response to it, including actions by the Administration and enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Families First Coronavirus Response Act (FFCRA).

Budget Totals for April

Billions of Dollars

			Estimated Change	
	Actual, FY 2019	Preliminary, FY 2020	Billions of Dollars	Percent
Receipts	536	239	–296	–55
Outlays	375	976	601	160
Surplus or Deficit (–)	160	–737	–897	n.a.

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year; n.a. = not applicable.

All told, the federal budget deficit was about $1.5 trillion in the first seven months of fiscal year 2020, by CBO's estimate, $949 billion more than the deficit recorded during the same period last year. Revenues were 10 percent lower and outlays were 29 percent higher through April of this year than during the same seven-month period in fiscal year 2019.

Overall, if laws currently in place governing spending and revenues generally remained unchanged and no significant additional emergency funding was provided, the federal deficit would be roughly $3.7 trillion in fiscal year 2020 and $2.1 trillion next year, according to CBO's preliminary estimates. In CBO's March baseline projections, deficits were just over $1 trillion in each of those years. In an April blog post, CBO outlined its recent assessment of the economy and the budget (see www.cbo.gov/publication/56335).

Total Receipts: Down by 55 Percent in April

April is typically the month in which the largest share of revenues are recorded. This year, however, several major factors have sharply reduced receipts: administrative actions (including delayed tax-filing deadlines), declines in wages and other economic activity, and recently enacted legislation.

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.

CBO estimates that receipts in April 2020 totaled $239 billion—$296 billion (or 55 percent) less than those in the same month last year—reflecting the disruption of the economy stemming from the pandemic and the government's actions in response. Most significantly, the Administration's delay of tax-filing and payment deadlines for final and estimated payments for individuals and corporations until July 15 is expected to delay many receipts that would have been collected in April. CBO expects much of that deferred revenue to be collected in future months (including some in future fiscal years). However, because some individuals or businesses may become insolvent and fail to remit the future payments, the government may not collect all of those deferred taxes. Other changes, including the sharp decline in economic activity and legislative changes, further reduced receipts in April and will continue to do so in future months.

The estimated changes in April relative to last year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together decreased by $258 billion (or 55 percent).
    - Nonwithheld payments of income and payroll taxes fell by $282 billion (or 90 percent). That decline was largely a result of the delay in the tax-filing deadline.
    - Individual income tax refunds decreased by $55 billion (or 85 percent). That decline also is probably the result of the later tax-filing deadline. (CBO anticipates that the recovery rebates for individuals, provided under the CARES Act and considered tax refunds, will be recorded as outlays, as discussed below.)
    - Amounts withheld from workers' paychecks decreased by $31 billion (or 15 percent), as a result of a decline in wages and recently enacted legislation. The CARES Act allows most employers to defer payment of their portion of the Social Security payroll tax and certain Railroad Retirement taxes on wages paid from March 27, 2020, through December 31, 2020. In addition, FFCRA provides refundable credits against payroll taxes to compensate employers for paid sick leave and family and medical leave, and the CARES Act provides a refundable credit against payroll taxes for employee retention.
- **Corporate income taxes** fell by $41 billion (or 92 percent), largely because of the delay in the tax-filing deadline for corporations. The CARES Act included temporary modifications to the treatment of net operating losses, which are expected to increase corporate tax refunds. However, those additional refunds were not yet apparent in April, possibly because the Internal Revenue Service's processing centers were closed.
- Receipts from **other sources** increased by $3 billion (or 13 percent). That increase was the net result of offsetting changes in the following sources:
    - Federal Reserve remittances increased by $6 billion (or 146 percent), in part because of lower short-term interest rates, which reduce the Federal Reserve's interest expenses and therefore increase its remittances to the Treasury. 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, which tends to further increase remittances.
    - Miscellaneous fees and fines increased by $4 billion (or 100 percent), in part because of a $5 billion payment resulting from a settlement agreement between Facebook and the Federal Trade Commission.
    - Excise taxes fell by $4 billion (or 58 percent), in part because the CARES Act suspended the collection of certain aviation excise taxes for the rest of the calendar year. The general reduction in economic activity also contributed to the decline.
    - Estate and gift taxes decreased by $2 billion (or 98 percent).

CBO's estimates for specific sources of revenue are more uncertain this month than in previous months because of uncertainty concerning the budgetary classification of certain items. In particular, although the recovery rebates are paid as individual income tax refunds and a portion of those rebates offsets individuals' tax liability, their budgetary classification will not be apparent until the release of the *Monthly Treasury Statement*. CBO anticipates that those payments will be recorded entirely as outlays. The way the rebates ultimately are classified will not affect the deficit.

Total Spending: More Than Doubled in April

Total spending in April 2020 was $976 billion, CBO estimates—more than two-and-a-half times the sum in April 2019. April is the first month which saw significant budgetary effects from the initial wave of federal spending in response to the coronavirus pandemic; all of the largest changes in outlays compared with last year stem from recently enacted legislation, most notably the CARES Act.

The largest changes in outlays were as follows:

- Payments for **refundable tax credits** were $221 billion—24 times the amounts of such outlays in April 2019. That increase was driven primarily by the recovery rebates, which began to be paid in April.
- **Medicare** outlays almost tripled, to $152 billion, largely because of the recent expansion of two programs. First, the CARES Act expanded the Medicare hospital accelerated payment program for Medicare Part A providers during the public health emergency. Second, the Centers for Medicare & Medicaid Services (CMS) expanded the Advance Payment Program to Part B suppliers via regulation; during the month of April, CMS began making those payments. Both programs provide advance payments of Medicare claims that will be recouped from claims over the next year. CBO does not expect the full amount to be recovered during the current fiscal year.
- Outlays for the **Coronavirus Relief Fund,** authorized by the CARES Act to provide grants to state, local, tribal, and territorial governments to offset expenses stemming from the coronavirus pandemic, totaled $142 billion in April.
- Outlays for **unemployment compensation** increased from $3 billion in April 2019 to $49 billion this year. More than half of that increase—$27 billion—stems from a $600 weekly increase in unemployment benefits provided by the CARES Act. Benefits for regular unemployment compensation rose as well.
- Outlays for the **Provider Relief Fund** totaled roughly $40 billion this month. The CARES Act provided $100 billion to the fund to reimburse health care providers (such as hospitals) for expenses related to health care or lost revenues as a result of the coronavirus emergency. The Paycheck Protection Program and Health Care Enhancement Act provided an additional $75 billion to the fund.
- Outlays by the **Small Business Administration** increased from $87 *million* to $15 *billion*, primarily because of loans and loan guarantees to small businesses through the Paycheck Protection Program authorized by the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act. Most of that spending stems from upfront payments to cover the fees of the lenders originating such loans; outlays related to forgiveness of those loans are not anticipated to be recorded until later this year. (CBO estimates that payments for the program will total $670 billion during this fiscal year.)
- Spending by the **Department of the Treasury for aviation worker relief** totaled $12 billion in April. The CARES Act authorized financial assistance to the aviation industry for payroll support in the form of grants and loans.

- Outlays from the **Department of the Treasury's Exchange Stabilization Fund** increased from –$70 *million* to $10 *billion*, almost entirely because of an equity investment in the Federal Reserve's Commercial Paper Funding Facility, which will provide liquidity in commercial paper markets for business debt to finance a wide range of economic activity. That facility was established using the Federal Reserve's emergency lending authority and is designed to address financial strain caused by the coronavirus pandemic. CBO expects that the increase in the deficit caused by those outlays will probably be offset by future payments to the Treasury from the proceeds of the facility.

Fiscal Year to Date: Deficit for the First Seven Months Nearly Tripled in Fiscal Year 2020

The federal budget deficit was $1,480 billion in the first seven months of fiscal year 2020, CBO estimates, $949 billion more than the deficit recorded during the same period last year. Revenues were lower and outlays were higher than during the same period in fiscal year 2019.

Budget Totals, October–April
Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change
Receipts	2,043	1,843	–200
Outlays	2,574	3,323	749
Deficit (–)	–531	–1,480	–949

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for March 2020 and the *Daily Treasury Statements* for April 2020.

FY = fiscal year.

Total Receipts: Down by 10 Percent in the First Seven Months of Fiscal Year 2020

Receipts totaled $1,843 billion during the first seven months of fiscal year 2020, CBO estimates—$200 billion less than during the same period last year. Through March, receipts were running 6 percent above last year's amounts; through April, they were 10 percent below last year's amounts.

During the first seven months of the fiscal year, receipts from individual income and payroll taxes declined by $181 billion (or 10 percent) despite a net increase during the first half of the fiscal year that was attributable in part to higher wages and salaries. But receipts from those sources were $258 billion (or 55 percent) lower this April than in April 2019. Similarly, corporate income taxes rose by $16 billion during the first half of the fiscal year, but then fell by $41 billion in April, for a net reduction of $25 billion (or 22 percent) for the first seven months.

Excise taxes fell by $14 billion (or 24 percent), in part because the 2018 payments of the tax on health insurance providers were received in October of that year (that is, in fiscal year 2019). Remittances from the Federal Reserve increased by $12 billion (or 39 percent), largely because of lower short-term interest rates, which reduce the Federal Reserve's interest expenses and therefore increase its remittances to the Treasury. Miscellaneous fees and fines increased by $5 billion (or 31 percent), in part because of a $5 billion payment made by Facebook in April as part of a settlement agreement with the Federal Trade Commission. Finally, customs duties increased by $4 billion (or 9 percent), in part because of additional tariffs imposed by the Administration during the past year, primarily on imports from China.

Receipts, October–April

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,057	840 [a]	–217	–20.5
Payroll Taxes	722	758 [a]	36	5.0
Corporate Income Taxes	113	88	–25	–22.2
Other Receipts	152	157	6	3.8
Total	**2,043**	**1,843**	**–200**	**–9.8**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,478	1,521	43	2.9
Other, net of refunds	301	77	–223	–74.3
Total	**1,779**	**1,598**	**–181**	**–10.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

a. Provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act reduce payroll taxes. Most significantly, the CARES Act allows most employers to defer payment of their portion of the Social Security payroll tax and certain Railroad Retirement taxes on wages paid from March 27, 2020, through December 31, 2020. Although those provisions affect payroll taxes, at least initially the effects are more likely to be recorded as reductions in individual income tax collections. The Treasury Department does not initially observe a difference between payroll taxes and withheld individual income taxes. Instead, it first allocates withheld taxes to one source or the other on the basis of estimates made in advance. As additional information becomes available, including detailed tax return information, periodic reallocations are made to revise past allocations.

Total Outlays: Up by 29 Percent in the First Seven Months of Fiscal Year 2020

Outlays for the first seven months of fiscal year 2020 were $3,323 billion, $749 billion higher than they were during the same period last year, CBO estimates. The budgetary effects of the federal response to the coronavirus pandemic that began to appear in April account for many of the largest year-to-date increases in outlays. (Some of the larger increases—those for Social Security and the Department of Defense, and those involving payments from Fannie Mae and Freddie Mac—have not been significantly affected by the federal response to the pandemic.)

According to CBO's estimates, the largest increases in outlays were in the following categories:

- Payments for **refundable tax credits** were three-and-a-half times such outlays last year—an increase of $209 billion. That increase was primarily driven by the CARES Act's recovery rebates; payments began in April.
- Outlays for the largest mandatory spending programs increased by 14 percent:
  - **Social Security** benefits rose by $32 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** outlays grew by $117 billion (or 32 percent), largely because of the recent expansion of two programs that provide for advance payments of Medicare claims, as discussed above.
  - **Medicaid** outlays increased by $19 billion (or 8 percent), because of rising costs per capita and because the CARES Act increased the federal matching rate for Medicaid services by 6.2 percentage points, retroactive to January 1, 2020.
- Outlays from the new **Coronavirus Relief Fund** (discussed above) totaled $142 billion in April.

- Outlays for **unemployment compensation** increased nearly threefold—by $48 billion—over last year, because of the increase in unemployment benefits provided by the CARES Act and the increase in regular unemployment benefits.
- Outlays for the new **Provider Relief Fund** (discussed above and included in “Other” in the table below) totaled about $40 billion in April.
- Spending for military programs of the **Department of Defense** rose by $26 billion (or 7 percent); about half of that was for procurement.
- Outlays by the **Small Business Administration** increased from –$9 *million* last year to $15 *billion*, almost entirely because of loans and grants to small businesses as authorized by the CARES Act.
- Spending by the **Department of the Treasury for aviation worker relief** (included in “Other”) began in April and totaled $13 billion.
- The Treasury received $12 billion less in payments from Fannie Mae and Freddie Mac, resulting in higher net outlays (included in “Other”). Those entities’ quarterly payments to the Treasury in December 2019 were $1 billion; in December 2018 they remitted about $8 billion to the government. Similarly, quarterly payments in March 2020 were $5 billion less than the remittances in March 2019. Such payments are recorded as offsetting receipts and thus decrease net outlays, so those smaller receipts in December 2019 and March 2020 caused an increase in federal outlays. (In keeping with directives from the Treasury and from the Federal Housing Finance Agency—Fannie Mae and Freddie Mac’s regulator—starting in September 2019, the housing entities began making smaller payments so they can replenish their capital reserves by retaining their earnings.)
- Outlays for the **Department of Veterans Affairs** (included in “Other”) increased by $10 billion (or 9 percent) for several reasons: The number of people receiving disability benefits rose and benefits amounts increased, on average. In addition, because of treatment for the coronavirus, spending rose for health care provided both at the department’s facilities and others.

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

Outlays, October–April
Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	596	627	32	5.3
Medicare[a]	363	481	117	32.3
Medicaid	234	253	19	8.3
Subtotal, Largest Mandatory Spending Programs	**1,192**	**1,361**	**169**	**14.1**
Refundable Tax Credits	82	292	209	254.4
Coronavirus Relief Fund	0	142	142	n.a.
Unemployment Compensation	19	67	48	245.6
DoD—Military[b]	377	403	26	6.9
Small Business Administration	*	15	15	n.a.
Net Interest on the Public Debt	234	238	4	1.9
Other	669	806	137	20.4
Total	**2,574**	**3,323**	**749**	**29.1**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; n.a. = not applicable; * = between –$500 million and zero.

a. Medicare outlays are net of offsetting receipts.

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

Actual Deficit in March 2020: $119 Billion

The Treasury Department reported a deficit of $119 billion for March—$2 billion higher than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for March 2020*.

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. Amber Marcellino and Nathaniel Frentz 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 Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/56350.