Congressional Budget Office

August 10, 2020

Monthly Budget Review for July 2020

The federal budget deficit in July 2020 was $61 billion, CBO estimates, compared with a deficit of $120 billion in the same month last year. That decrease, following three months of substantially larger deficits, occurred because payment deadlines for individual and corporate income taxes were delayed from April and June to July, so tax receipts were unusually large this July. All told, for the period from April through July, revenues were down 10 percent from last year's amounts.

A shift in the timing of certain payments had the opposite effect—increasing the deficit in July. Federal payments totaling $57 billion were made in July rather than August because August 1 fell on a weekend; no such shift occurred in July 2019. Even without those timing shifts, federal spending was much higher this July than it was last year. Outlays for unemployment compensation contributed significantly to the deficit this July, accounting for more than half of the increase in government spending (excluding the timing shifts).

Budget Totals for July

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	251	563	312	312	124
Outlays	371	624	253	197	53
Deficit (–)	–120	–61	58	115	–96

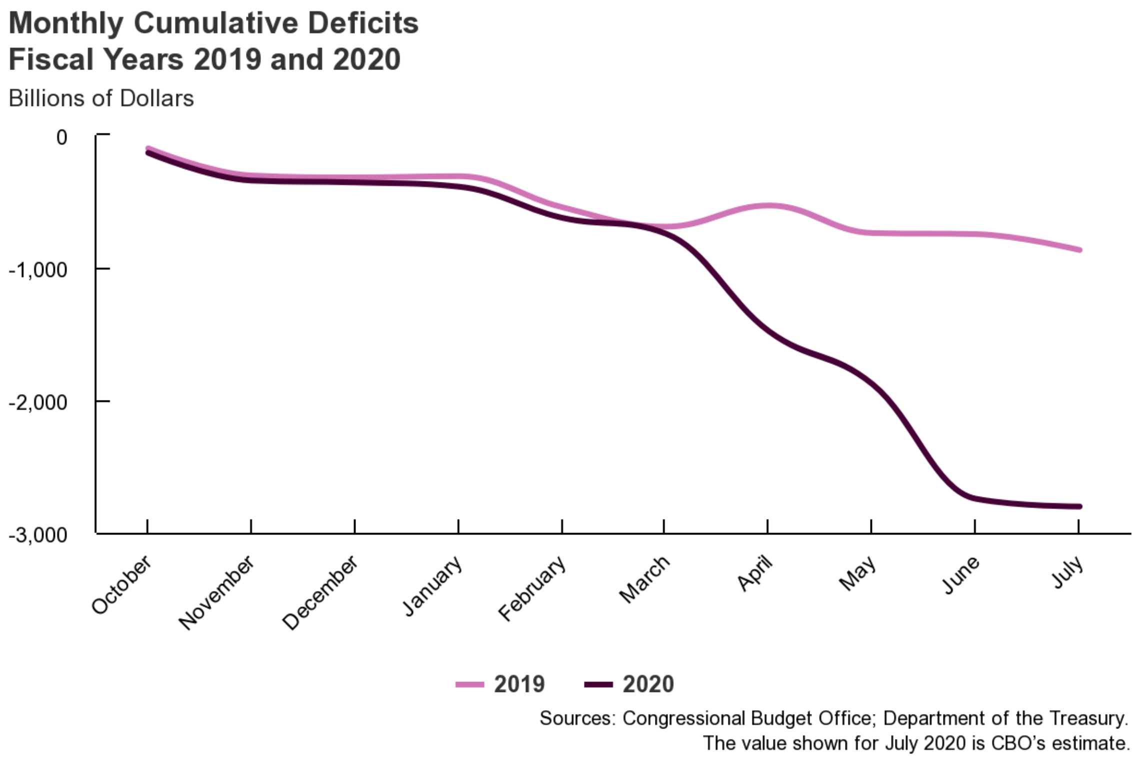
Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

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

The cumulative federal budget deficit for the first 10 months of fiscal year 2020 reached $2.8 trillion, CBO estimates, $1.9 trillion more than the deficit recorded during the same period last year (see Figure 1). Revenues were 1 percent lower and outlays were 51 percent higher through July 2020 than during the same 10-month period in fiscal year 2019.

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.



Receipts More Than Doubled in July

CBO estimates that receipts in July totaled $563 billion—$312 billion (or 124 percent) more than those in July 2019. Receipts increased primarily because of the delayed payment deadlines for individual and corporate income taxes.

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

- **Individual income** and **payroll (social insurance) taxes** more than doubled, together increasing by $248 billion. Most of that rise is attributable to an increase in nonwithheld individual income taxes resulting from the delayed payment deadlines.
    - Nonwithheld taxes totaled $292 billion, compared with $12 billion last July, an increase of $280 billion. Most of those payments would normally have been received from April through June.
    - Amounts withheld decreased by $14 billion (or 7 percent), reflecting a decline in wages and the effects of recently enacted legislation.
    - Individual income tax refunds, which reduce net receipts of individual income taxes, were about five times what they were last July (an increase of $17 billion). That increase reflects refunds that would have been paid in April if the Administration had not delayed the tax-filing deadline.
- **Corporate income taxes,** on net, totaled $68 billion, compared with just $7 billion in the same month last year, an increase of $61 billion, because of the delay in deadlines from April and June to July.
- Receipts from **other sources** increased by $2 billion (or 8 percent). That change is primarily explained by a $3 billion (or 59 percent) increase in remittances from the Federal Reserve, reflecting earnings on more assets held by the central bank. Estate and gift taxes increased by $1 billion, but excise taxes and customs duties declined by $1 billion each.

Spending in July Rose by 68 Percent in Response to the Pandemic

Total spending in July 2020 was $624 billion, CBO estimates—$253 billion more than outlays in July 2019—largely stemming from legislation enacted in response to the novel coronavirus pandemic.[1] If not for the shift of some federal payments from August 2020 to July 2020, total spending would have been $197 billion (or 53 percent) more than in the same month last year.

Major pandemic-related changes in outlays in July were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Outlays for **unemployment compensation** increased from $3 billion in July 2019 to $110 billion this year. More than half of that rise is attributable to a $600 increase in the weekly benefit amount provided under the CARES Act. Benefits for regular unemployment compensation rose as well.
- Outlays by the **Small Business Administration** increased from $103 *million* to $26 *billion*, primarily because of loans and loan guarantees to small businesses through the Paycheck Protection Program authorized by the CARES Act and PPPHCEA.
- Outlays for the **Public Health and Social Services Emergency Fund** totaled $17 *billion* this July, compared with $243 *million* last July. Funding was increased by recent legislation to reimburse health care providers (such as hospitals) for health care costs or for revenues lost as a result of the pandemic. That fund also provides money for testing for and treatment of COVID-19, the disease caused by the coronavirus.
- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** increased from –$62 *million* to $8 *billion,* almost entirely because of equity investments in certain Federal Reserve facilities, which provide liquidity for a wide range of economic activities. Those facilities are designed to address financial strain caused by the pandemic. CBO expects that the increase in the deficit caused by those outlays will probably be offset in future years by payments to the Treasury from the facilities' proceeds.
- Spending for **Medicaid** was $7 billion higher this July than last July for three reasons: increased enrollment; the 6.2 percentage-point increase in federal matching rates that states began to access in April 2020 (enacted in FFCRA); and FFCRA's requirement that states retain enrollees on Medicaid until the end of the public-health emergency.
- Spending for the **Food and Nutrition Service** was $5 billion higher—$12 billion in July 2020 compared with $7 billion in July 2019—largely because of the increase in Supplemental Nutrition Assistance Program benefits authorized by FFCRA but also because more people were receiving such benefits this July, CBO estimates.
- Spending by the Department of the Treasury for **aviation worker relief** totaled $3 billion in July. The CARES Act authorized that assistance for payroll support in the form of grants and loans.

Other major changes in outlays in July were as follows:

- **Social Security** benefits rose by $4 billion (or 5 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- Outlays for **net interest on the public debt** decreased from $37 billion in July 2019 to $30 billion this year. Although the debt was greater this July, inflation was considerably lower, resulting in smaller adjustments to inflation-protected securities, and interest rates were lower as well.

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

1. Those laws are the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA).

Fiscal Year to Date: Deficit More Than Tripled in the First 10 Months

The federal budget deficit was $2.8 trillion in the first 10 months of fiscal year 2020, CBO estimates, compared with $0.9 trillion during the same period last year. Revenues were lower and outlays were higher than during the same period in fiscal year 2019. Shifts in the timing of certain payments increased outlays in the first 10 months of this year by $57 billion. If not for those shifts, the increase in the deficit so far this fiscal year would have been $1,882 billion.

Budget Totals for October Through July

Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Percent
Receipts	2,860	2,823	–37	–37	–1.3
Outlays	3,727	5,629	1,902	1,845	49.5
Deficit (–)	–867	–2,806	–1,939	–1,882	217.1

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

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, outlays in 2020 would have been $5,572 billion, CBO estimates.

Revenue collections and outlays in fiscal year 2020 can be divided into two periods: before and after the start of the economic disruption caused by the pandemic. For that later period, from April through July, the deficit this year was an estimated $2.1 trillion, compared with $176 billion during the same period last year. If not for the shift of some payments from August into July this year, the deficit for April through July would have been $2.0 trillion.

Budget Totals Before and Since April

Billions of Dollars

	Actual, FY 2019		Preliminary, FY 2020		Estimated Change	
	Oct-March	April-July	Oct-March	April-July	Oct-March	April-July
Receipts	1,507	1,353	1,604	1,220	96	–133
Outlays	2,198	1,529	2,347	3,282	149	1,753
Deficit (–)	–691	–176	–743	–2,062	–52	–1,887

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

If the effects of shifts in the timing of certain payments were excluded, the estimated change in the deficit for April through July would be –$1,830 billion.

FY = fiscal year.

Total Receipts: Down by 1 Percent in the First 10 Months of Fiscal Year 2020

Receipts totaled $2,823 billion during the first 10 months of fiscal year 2020, CBO estimates—$37 billion less than during the same period last year. Through March, receipts were running 6 percent above last year's amounts; and from April through July, they were 10 percent below last year's amounts.

October Through March. Revenues in the first six months of the fiscal year—October 2019 through March of 2020—were 6 percent higher than in the previous fiscal year. The increase in revenues stemmed primarily from increases in individual income and payroll tax collections, which were driven by higher wages and salaries. An increase in corporate income tax collections reflected quarterly estimated payments for tax year 2019. For other sources of revenue, increases in Federal Reserve remittances and customs duties were partly offset by a decline in excise taxes.

April Through July. Revenues collected in April through July decreased by 10 percent compared with the same period last year. That decrease reflects the combined effects of declines in wages and in other economic activity, recently enacted legislation, and administrative actions. The Administration's delay of various tax-filing deadlines resulted in lower receipts during the period from April through June but much larger collections in July.

Major changes in revenues from April through July 2020, compared with the same four-month period in 2019, are linked to the pandemic and the government's response to it:

- **Individual income** and **payroll (social insurance) taxes** together decreased by $100 billion (or 9 percent).
  - Nonwithheld payments of income and payroll taxes fell by $42 billion (or 10 percent). That decline probably reflects declines in economic activity as well as the effects of recently enacted legislation. The CARES Act included several provisions expected to reduce estimated payments of individual income taxes this year, most significantly a provision that temporarily allows taxpayers to offset more nonbusiness income with business losses.
  - Individual income tax refunds, largely for 2019 taxes, decreased by $16 billion (or 18 percent).
  - Amounts withheld from workers' paychecks decreased by $74 billion (or 9 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 for family and medical leave, and the CARES Act provides a refundable credit against payroll taxes for employee retention.
- **Corporate income taxes** fell by $27 billion (or 26 percent), largely driven by the economic disruption caused by the pandemic. Also, the CARES Act included provisions to reduce corporate income tax payments this year, most significantly a provision that temporarily allows expanded use of net operating losses to offset taxable income and generate refunds.
- Receipts from **other sources** decreased by $7 billion (or 7 percent), largely as a result of offsetting changes.
  - Excise taxes fell by $17 billion (or 56 percent), in part because the CARES Act suspended the collection of certain aviation excise taxes for the rest of the calendar year. The Administration also delayed payment dates for other excise taxes, including those on wine, beer, distilled spirits, tobacco products, firearms, and ammunition. A general reduction in economic activity also contributed to the decline.
  - Collections of customs duties decreased by $4 billion (or 20 percent).
  - Federal Reserve remittances increased by $13 billion (or 63 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.

Receipts From April Through July

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	705	586 [a]	-119	–16.8
Payroll Taxes	457	476 [a]	19	4.2
Corporate Income Taxes	103	76	–27	–26.3
Other Receipts	88	81	–7	–7.5
Total	**1,353**	**1,220**	**–133**	**–9.9**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	809	735	–74	–9.2
Other, net of refunds	353	327	–25	–7.2
Total	**1,162**	**1,062**	**–100**	**–8.6**

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. 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 51 Percent in the First 10 Months of the Fiscal Year

Outlays for the first 10 months of fiscal year 2020 were $5,629 billion, $1,902 billion higher than they were during the same period last year, CBO estimates. Without the shift of certain payments from August to July this year, outlays would have totaled $5,572 billion so far this year, $1,845 billion (or 50 percent) higher than last year's cumulative total.

October Through March. Outlays in the first six months of the fiscal year were $2,347 billion—$149 billion (or 7 percent) higher than they were during the same period last year. The increase reflects greater spending on the largest mandatory programs—Social Security, Medicare, and Medicaid. The Department of Defense and the Department of Veterans Affairs also saw higher costs, and net interest on the public debt increased. In addition, the Treasury received less in payments from Fannie Mae and Freddie Mac, resulting in higher net outlays.

April Through July. Outlays from April through July 2020 were more than twice the amounts in the same period last year: They rose by $1.8 trillion. If not for the shift of payments from August to July this year, the increase over the four-month period would have been $1.7 trillion. Large increases were linked to the pandemic and the federal government's response to it. Specifically, from April through July this year:

- The **Small Business Administration's** outlays were $564 *billion* (mostly for the Paycheck Protection Program), compared with $400 *million* during the same period last year.
- Outlays for **unemployment compensation** were $358 billion more than in the same four months in 2019.
- Payments of **refundable tax credits**—including recovery rebates that began in April under the CARES Act—totaled $269 billion more than in the same months in 2019.
- Outlays totaling $150 billion were made from the new **Coronavirus Relief Fund.**

- **Medicare** outlays were $96 billion more than in the same four months last year, largely because of the 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; CMS began making those payments in April. 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 **Public Health and Social Services Emergency Fund** (included in the "Other" category below) were $97 *billion*, compared with $917 *million* during the same four-month period last year.
- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** (included in "Other") were $31 *billion*, compared with –$200 *million* in those months last year.
- Spending for **Medicaid** was $30 billion higher than in the same period last year. (By comparison, spending in the first six months of fiscal year 2020 was $10 billion more than during the first six months of fiscal year 2019.)
- Spending by the Department of the Treasury for the new **aviation worker relief** program (included in "Other") totaled $26 billion.

Outlays From April Through July

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Percent
Social Security Benefits	349	365	17	17	4.8
Medicare[b]	230	360	130	96	41.7
Medicaid	140	171	30	30	21.7
Subtotal, Largest Mandatory Spending Programs	**719**	**896**	**177**	**143**	**19.9**
Refundable Tax Credits	14	283	269	269	n.m.
Coronavirus Relief Fund	0	150	150	150	n.a.
Unemployment Compensation	10	368	358	358	n.m.
Small Business Administration	*	564	563	563	n.m.
DoD—Military[c]	215	230	15	10	4.8
Net Interest on the Public Debt	160	110	–50	–50	–31.4
Other	410	681	271	253	61.6
Total	**1,529**	**3,282**	**1,753**	**1,696**	**111.0**

Sources: Congressional Budget Office; Department of the Treasury.

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

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays from April through July in 2020 would have been $3,225 billion, CBO estimates.

b. Medicare outlays are net of offsetting receipts.

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

Actual Deficit in June 2020: $864 Billion

The Treasury Department reported a deficit of $864 billion for June—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review for June 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/xfwBH.
In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations.
Dawn Sauter Regan and Jennifer Shand 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/56497.