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

Monthly Budget Review: January 2021

February 8, 2021

The federal budget deficit was $738 billion in the first four months of fiscal year 2021, the Congressional Budget Office estimates—$348 billion more than the deficit recorded during the same period last year. Outlays were 23 percent higher and revenues were 1 percent higher from October through January than during the same perod in fiscal year 2020.

Outlays during the first four months of fiscal year 2020 were boosted by shifts in the timing of certain payments that otherwise would have been due at the beginning of February 2020, which fell on a weekend. Those shifts increased outlays through January 2020 by $55 billion. If not for those shifts, the deficit this year (through January 2021) would have been more than twice the $335 billion shortfall during the same period in fiscal year 2020. That substantial difference is largely the result of the economic disruption caused by the 2020–2021 coronavirus pandemic and the federal government's response to it.

Table 1.

Budget Totals, October–January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Billions of Dollars	Percent
Receipts	1,179	1,191	12	12	1
Outlays	1,568	1,928	360	415	27
Deficit (−)	−389	−738	−348	−403	120

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2020 and the *Daily Treasury Statements* for January 2021.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or weekend. If not for those shifts, the budget would have shown a deficit of $335 billion from October 2019 through January 2020, CBO estimates.

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.

Estimated Deficit in January 2021: $165 Billion

The federal government incurred a deficit of $165 billion in January 2021, CBO estimates—$132 billion more than the deficit in January 2020. Outlays in January of each year were affected by shifts in the timing of certain federal payments that otherwise would have been due on a holiday or weekend. Payment shifts from January into December *decreased* outlays by $47 billion in January 2021. By contrast, shifts in January 2020—both into and out of the month—had the net effect of *increasing* outlays by $32 billion. If not for those shifts, the deficit in January 2021 would have been $211 billion, compared with less than $1 billion in January 2020.

Table 2.

Budget Totals for January

Billions of Dollars

	Actual, FY 2020	Preliminary, FY 2021	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	372	387	15	15	4
Outlays	405	552	147	226	61
Deficit (−)	−33	−165	−132	−211	n.m.

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

FY = fiscal year; n.m. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or weekend. If not for those shifts, the budget would have shown a deficit of $211 billion in January 2021 and a deficit of $0.3 billion in January 2020, CBO estimates.

Receipts Up by $15 Billion in January 2021

CBO estimates that receipts in January 2021 totaled $387 billion—about $15 billion (or 4 percent) more than in January 2020. That difference is the result of the following changes in revenues:

- **Individual income** and **payroll (social insurance) taxes** together rose by $14 billion (or 4 percent).
  - Nonwithheld payments of income and payroll taxes rose by $21 billion (or 20 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.
  - Amounts withheld from workers' paychecks fell by $6 billion (or 3 percent), partly because of a decline in wages but also because of legislation enacted in response to the pandemic. Last year, the Families First Coronavirus Response Act (FFCRA) provided refundable credits against payroll taxes to compensate employers for paid sick leave and for family and medical leave; the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided a refundable credit against payroll taxes for employee retention. The Consolidated Appropriatons Act, 2021 (CAA), enacted in December 2020, extended the availability of those refundable credits into 2021. Moreover, January 2021 had fewer business days than January 2020 did, which further reduced receipts.
  - Individual income tax refunds rose by less than $1 billion, decreasing net receipts. Most refunds are typically paid during the period from February through April.
- **Corporate income taxes** increased, on net, by $5 billion (or 50 percent).

- Receipts from **other sources,** on net, decreased by $4 billion (or 16 percent).
  - Excise taxes fell by $2 billion (or 30 percent).
  - Federal Reserve remittances fell by $1 billion.
  - Customs duties decreased by $1 billion, largely reflecting a drop in imports.
  - Estate and gift taxes declined by $1 billion.

More Spending in January in Response to the Pandemic

Total spending in January 2021 was $552 billion, CBO estimates. If not for timing shifts that *increased* spending in January 2020 and *decreased* spending in January 2021, outlays in January 2021 would have been $226 billion more than in January 2020, an increase of about 60 percent.

The largest changes in outlays compared with last year stem from coronavirus legislation. January 2021 is the first month in which there were significant budgetary effects from the additional funding provided in the CAA for new and existing programs in response to the pandemic.

The largest changes in outlays were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Payments for **refundable tax credits** were $142 billion higher in January 2021 than in January 2020. That increase was driven primarily by spending for recovery rebates that were provided by the CAA; they began in January 2021.
- Outlays for **unemployment compensation** rose from $3 billion in January 2020 to $34 billion in January 2021. That increase of $31 billion is attributable both to increased regular unemployment compensation and to additional benefits authorized by the CARES Act and extended under the CAA.
- Payments for **emergency rental assistance** were $25 billion in January 2021. The CAA provided the funds in December 2020. State and local governments use the grants to aid low-income households that cannot pay their rent because of the pandemic.
- Outlays for the **Public Health and Social Services Emergency Fund** totaled about $9 billion this January, compared with $440 million last January. Funding was increased by recent legislation to reimburse health care providers (such as hospitals) for health care costs incurred or 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 for **Medicaid** rose by $7 billion (or 19 percent).
- Net outlays for **interest on the public debt** decreased by $6 billion; lower interest rates more than offset the effects of a larger federal debt.

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

Fiscal Year to Date: Deficit Significantly Larger

If not for shifts in the timing of certain payments, the deficit in the first four months of fiscal year 2021 would have been $403 billion more than the shortfall during the same period last year.

Total Receipts: Up by 1 Percent in the First Four Months of the Fiscal Year

Receipts totaled $1,191 billion during the first four months of fiscal year 2021, CBO estimates—$12 billion (or 1 percent) more than the amount during the same period last year. Changes between last year and this year are described below.

Table 3.

Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	602	580	−21	−3.5
Payroll Taxes	411	435	24	6.0
Corporate Income Taxes	76	85	9	11.5
Other Receipts	91	91	*	0.1
Total	1,179	1,191	12	1.0
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	866	837	-30	−3.4
Other, net of refunds	146	179	33	22.6
Total	1,012	1,015	3	0.3

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

FY = fiscal year; * = between zero and $500 million..

The change to total receipts largely reflects increases in corporate and individual income taxes. Corporate income taxes increased, on net, by $9 billion (or 12 percent). Individual income and payroll (social insurance) taxes together rose by $3 billion (or less than 1 percent). That change reflects an increase of $34 billion (or 21 percent) in nonwithheld taxes and an increase of $3 billion (or 34 percent) in unemployment insurance revenues (one type of payroll tax). Those increases were largely offset by a decline of $30 billion (or 3 percent) in the amounts withheld from workers' paychecks and by an increase of $4 billion (or 18 percent) in refunds. Those changes to withheld taxes and refunds stem from lower wages and the effects of the coronavirus legislation. FFCRA and the CARES Act created refundable credits, and the CARES Act allowed 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.

Receipts from other sources, on net, were largely the same as last year. Among the other sources, Federal Reserve remittances rose by $7 billion (or 35 percent), in part as a result of lower short-term interest rates, which reduced the central bank's interest expenses and therefore increased its remittances to the Treasury. Also, as part of its efforts to carry out monetary policy in response to the pandemic, the Federal Reserve has significantly increased its holdings of assets, which tends to further increase remittances while interest rates are low. Other miscellaneous receipts increased by $2 billion (or 28 percent), and estate and gift taxes increased by $1 billion (or 15 percent).

Excise taxes declined by $7 billion (or 25 percent) because certain aviation excise taxes were suspended through the end of calendar year 2020 and because of the general reduction in economic activity. Customs duties decreased by $4 billion (or 13 percent), largely reflecting a drop in imports.

Total Outlays: Up by 23 Percent in the First Four Months of the Fiscal Year

Outlays in the first four months of fiscal year 2021 were $1,928 billion, $360 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 in outlays. If not for the shift of certain payments from February to January 2020, the increase in outlays from fiscal year 2020 to fiscal year 2021 would have been $415 billion, or about 27 percent. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 4.

Outlays, October–January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Billions of Dollars	Percent
Social Security Benefits	355	370	15	15	4.4
Medicare[b]	252	225	−27	5	2.4
Medicaid	136	165	29	29	21.4
Subtotal, Largest Mandatory Spending Programs	742	760	18	50	7.0
Refundable Tax Credits	1	144	144	144	n.m.
Unemployment Compensation	11	115	104	104	n.m.
DoD—Military[c]	238	245	7	12	5.1
Net Interest on the Public Debt	134	115	−19	−19	−14.2
Other	442	549	107	125	29.4
Total	1,568	1,928	360	415	27.4

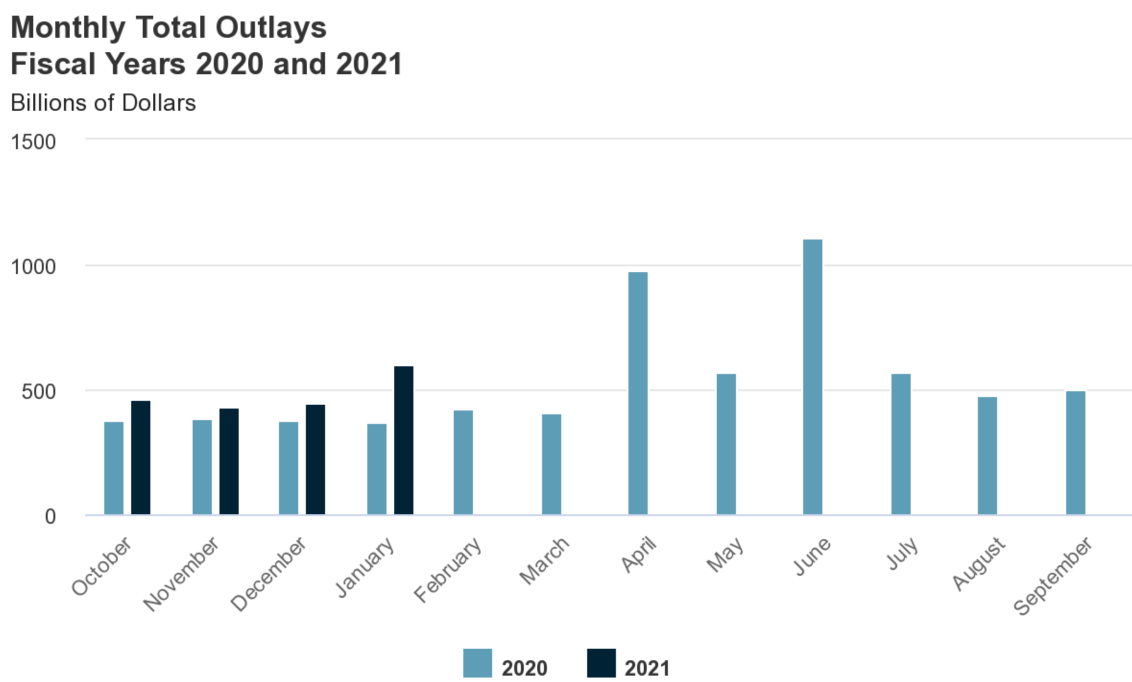
Data sources: Congressional Budget Office; Department of the Treasury.

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

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a holiday or weekend. If not for those timing shifts, outlays would have been $1,513 billion in fiscal year 2020.

b. Medicare outlays are net of offsetting receipts.

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



Data sources: Congressional Budget Office; Department of the Treasury.
The value shown for January 2021 is CBO's estimate.
All months have been adjusted to exclude the effects of timing shifts.

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

- Outlays for **refundable tax credits** totaled $144 billion and outlays for **unemployment compensation** rose by $104 billion this year compared with the first four months of 2020. Taken together, those two sources account for about 60 percent of the increase in outlays in 2021 compared with the same period in 2020. The rise in spending on unemployment compensation is attributable to an increase in the number of people receiving regular unemployment benefits and to enhanced benefits authorized by the CARES Act and extended by the CAA.
- Outlays for the **Public Health and Social Services Emergency Fund** increased by about $26 billion compared with the first four months of 2020.
- Payments for **emergency rental assistance** totaled $25 billion.
- Spending by the **Department of Agriculture** increased by $23 billion (or 36 percent), 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 also increased.
- Spending by the **Department of Homeland Security** was $14 billion (or 69 percent) higher than in the same period in 2020. That increase is mostly the result of spending from the Disaster Relief Fund to pay unemployment benefits under the provisions of a Presidential memorandum issued in August 2020.[1]

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

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

- **Social Security** benefits rose by $15 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays grew by $5 billion (or 2 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
- **Medicaid** outlays increased by $29 billion (or 21 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 first four months were as follows:

- Spending for military programs of the **Department of Defense** rose by $12 billion (or 5 percent); the largest increases occurred in personnel and research and development.
- Net outlays for **interest on the public debt** decreased by $19 billion (or 14 percent), largely because of lower interest rates.

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

Actual Deficit in December 2020: $144 Billion

The Treasury Department reported a deficit of $144 billion for December—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for December 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, this report makes no recommendations. Stephen Rabent 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/56976.

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