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

Monthly Budget Review: February 2021

March 8, 2021

The federal budget deficit was $1,048 billion in the first five months of fiscal year 2021, the Congressional Budget Office estimates—$423 billion more than the deficit recorded during the same period last year. Outlays were 25 percent higher and revenues were 5 percent higher from October through February than during the same period in fiscal year 2020.

Outlays during the first five 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 March 2020, which fell on a weekend. Those shifts increased outlays through February 2020 by $52 billion. If not for those shifts, the deficit this year (through February 2021) would have been $476 billion more than in the same period in fiscal year 2020. Three-quarters of that difference is the result of three types of spending in response to the coronavirus pandemic—unemployment compensation, refundable tax credits (consisting of the recovery rebates, the earned income tax credit, and the child tax credit), and the Small Business Administration's Paycheck Protection Program.

Table 1.

Budget Totals, October–February

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	1,367	1,434	68	68	5
Outlays	1,991	2,482	491	543	28
Deficit (−)	−624	−1,048	−423	−476	83

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

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 $572 billion from October 2019 through February 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.

Total Receipts: Up by 5 Percent in the First Five Months of the Fiscal Year

Receipts totaled $1,434 billion during the first five months of fiscal year 2021, CBO estimates—$68 billion (or 5 percent) more than during the same period last year. Changes between last year and this year are described below.

Table 2.

Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	671	705	33	5.0
Payroll Taxes	511	534	24	4.7
Corporate Income Taxes	74	88	14	19.0
Other Receipts	111	107	−4	−3.3
Total	**1,367**	**1,434**	**68**	**4.9**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,086	1,063	−23	−2.1
Other, net of refunds	96	176	80	83.9
Total	**1,182**	**1,239**	**57**	**4.8**

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

FY = fiscal year.

- **Individual income** and **payroll (social insurance) taxes** together rose by $57 billion (or 5 percent).
  - Individual income tax refunds declined by $41 billion (or 47 percent), increasing net receipts. That decline through February probably occurred because the 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 April.
  - Nonwithheld payments of income and payroll taxes rose by $35 billion (or 20 percent).
  - Amounts withheld from workers' paychecks fell by $23 billion (or 2 percent) because of a decline in wages and because of legislation enacted in response to the coronavirus pandemic. The Coronavirus Aid, Relief, and Economic Security (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. In addition, the Families First Coronavirus Response Act provided refundable credits against payroll taxes to compensate employers for paid sick leave and for family and medical leave; the CARES Act provided a refundable credit against payroll taxes for employee retention. The CAA, which was enacted in December 2020, extended the availability of those refundable credits into 2021.

- Unemployment insurance receipts (one type of payroll tax) rose by $4 billion (or 39 percent).

■ **Corporate income taxes** increased, on net, by $14 billion (or 19 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, decreased by $4 billion (or 3 percent).

- Federal Reserve remittances to the Treasury rose by $8 billion (or 32 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 $9 billion (or 28 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 $5 billion (or 13 percent), largely reflecting a drop in imports.
- Other miscellaneous receipts increased by $2 billion (or 19 percent).

Total Outlays: Up by 25 Percent in the First Five Months of the Fiscal Year

Outlays in the first five months of fiscal year 2021 were $2,482 billion, $491 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 March to February 2020, the increase in outlays from fiscal year 2020 to fiscal year 2021 would have been $543 billion, or about 28 percent. The discussion below reflects adjustments to exclude the effects of those timing shifts.

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

■ Outlays for **unemployment compensation** rose by $146 billion this year compared with the first five months of 2020. That increase is attributable to enhanced benefits authorized by the CARES Act that were extended by the CAA and to an increase in the number of people receiving regular unemployment benefits.

■ Outlays for certain **refundable tax credits** were $123 billion higher than in the first five 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. Spending for the recovery rebates was partially offset by a decrease in February in outlays for the earned income tax credit and the child tax credit. The decline was probably the result of the two-week delay in the start of the filing season.

■ The **Small Business Administration's** outlays were $97 *billion,* compared with about $450 *million* during the same period last year. The CAA authorized additional loans and loan guarantees to small businesses under the Paycheck Protection Program established by the CARES Act.

1. Those tax credits are the recovery rebates, earned income tax credit, and child tax credit.

Table 3.

Outlays, October–February

Billions of Dollars

Major Program or Category	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
Social Security Benefits	445	463	18	18	4.1
Medicare[b]	304	286	−18	12	4.4
Medicaid	173	205	32	32	18.3
Subtotal, Largest Mandatory Spending Programs	**922**	**954**	**32**	**62**	**6.9**
Unemployment Compensation	14	159	146	146	n.m.
Refundable Tax Credits[c]	55	179	123	123	223.5
Small Business Administration	*	97	97	97	n.m.
DoD—Military[d]	290	299	9	13	4.7
Net Interest on the Public Debt	165	142	−23	−23	−13.9
Other	544	652	108	125	23.8
Total	**1,991**	**2,482**	**491**	**543**	**28.0**

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

DoD = Department of Defense; FY = fiscal year; 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 would have been $1,939 billion in fiscal year 2020.

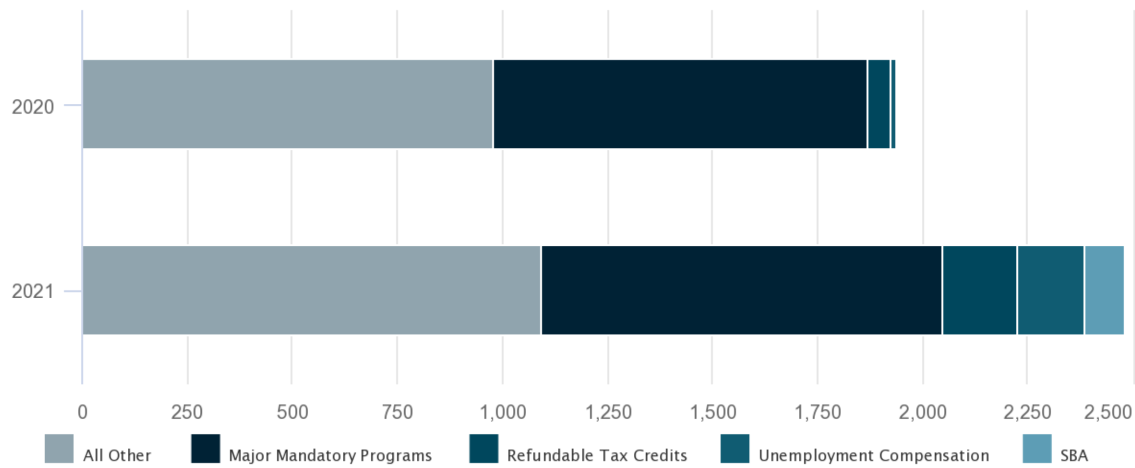
b. Medicare outlays are net of offsetting receipts.

c. Those tax credits are the recovery rebates, earned income tax credit, and child tax credit.

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

- Outlays for the **Public Health and Social Services Emergency Fund** increased by about $30 billion compared with the first five 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.
- Payments for **emergency rental assistance** have totaled $25 billion 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 five months of fiscal year 2020.
- Spending by the **Department of Agriculture** increased by $23 billion (or 30 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 increased.

Outlays, October–February, 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 February 2021; all other values are actual.
The refundable tax credits consist of the recovery rebates, earned income tax credit, and child tax credit.
The major mandatory programs are Social Security, Medicare, and Medicaid.

- Spending by the **Department of Homeland Security** was $14 billion (or 60 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.[2]

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

- **Social Security** benefits rose by $18 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays grew by $12 billion (or 4 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 $32 billion (or 18 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 five months of the fiscal year were as follows:

- Spending for military programs of the **Department of Defense** rose by $13 billion (or 5 percent); the largest increases occurred in personnel and research and development.
- Net outlays for **interest on the public debt** decreased by $23 billion (or 14 percent), largely because of lower interest rates.

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

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).

Estimated Deficit in February 2021: $312 Billion

The federal government incurred a deficit of $312 billion in February 2021, CBO estimates—$77 billion more than the deficit in February 2020. Outlays in Februrary 2020 were affected by shifts in the timing of certain federal payments that otherwise would have been due on February 1 or March 1, both of which fell on a weekend. If not for those shifts, the deficit in February 2021 would have been $74 billion higher than the deficit in February 2020.

Table 4.

Budget Totals for February

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	188	246	58	58	31
Outlays	423	558	135	133	31
Deficit (−)	−235	−312	−77	−74	31

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 $238 billion in February 2020, CBO estimates.

CBO estimates that receipts in February 2021 totaled $246 billion—$58 billion (or 31 percent) more than those in the same month last year. Individual income tax refunds decreased by $43 billion (or 67 percent) as a result of the delay in the start of the tax-filing season, temporarily increasing net receipts. In addition, withheld taxes increased by $8 billion (or 4 percent). Corporate income taxes increased by $5 billion and remittances from the Federal Reserve increased by $1 billion.

Total spending in February 2021 was $558 billion, CBO estimates. If not for timing shifts that decreased spending in February 2020, outlays in February 2021 would have been $133 billion more than in February 2020, an increase of 31 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):

- Outlays for the **Small Business Administration** were an estimated $91 *billion* in February 2021 compared with about $100 *million* 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 $3 billion in February 2020 to $44 billion in February 2021.
- Payments of **refundable tax credits** were $17 billion lower than in the same month last year because of the two-week delay in the start of the tax filing season this year.

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

Actual Deficit in January 2021: $163 Billion

The Treasury Department reported a deficit of $163 billion for January—$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review for January 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 Justin Latus 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/57031.

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