



Monthly Budget Review: April 2021

May 10, 2021

The federal budget deficit was \$1.9 trillion in the first seven months of fiscal year 2021, the Congressional Budget Office estimates—\$449 billion more than the deficit recorded during the same period last year. Outlays were 22 percent higher and revenues were 16 percent higher from October through April than during the same period in fiscal year 2020. Most of the increases in 2021 arose from spending for refundable tax credits (particularly recovery rebates), unemployment compensation, and the Small Business Administration’s Paycheck Protection Program.

Largely because of the federal government’s response to the coronavirus pandemic, the deficits recorded during the first seven months of both 2020 and 2021 are significantly larger than the deficit recorded during the same period in 2019, which totaled \$531 billion.¹

Table 1.
Budget Totals, October–April

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021	Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays ^a	
					Billions of Dollars	Percent
Receipts	2,043	1,845	2,143	297	297	16.1
Outlays	<u>2,574</u>	<u>3,327</u>	<u>4,074</u>	<u>747</u>	<u>687</u>	20.6
Deficit (-)	-531	-1,481	-1,931	-449	-389	26.3

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statements* for March 2021 and September 2020 and the *Daily Treasury Statements* for April 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 \$1,871 billion from October 2020 through April 2021, CBO estimates.

1. Among the laws enacted in 2020 and 2021 were the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act, 2021 (CAA), and the American Rescue Plan Act of 2021 (ARPA).

Total Receipts: Up by 16 Percent for the Fiscal Year to Date

Receipts totaled \$2,143 billion during the first seven months of fiscal year 2021, CBO estimates—\$297 billion more than during the same period last year. That increase occurred partly because the due dates for some income tax payments were earlier this year.

Table 2.
Receipts, October–April

Billions of Dollars

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021	
				Billions of Dollars	Percent
Individual Income Taxes	1,057	845	1,021	176	20.9
Payroll Taxes	722	758	783	25	3.3
Corporate Income Taxes	113	88	179	91	103.1
Other Receipts	<u>152</u>	<u>155</u>	<u>160</u>	<u>5</u>	3.2
Total	2,043	1,845	2,143	297	16.1
Memorandum:					
Combined Individual Income and Payroll Taxes					
Withheld taxes	1,478	1,521	1,572	51	3.4
Other, net of refunds	<u>301</u>	<u>81</u>	<u>232</u>	<u>150</u>	184.9
Total	1,779	1,603	1,804	201	12.6

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

FY = fiscal year.

- **Individual income and payroll (social insurance) taxes** together rose by \$201 billion (or 13 percent).
 - Nonwithheld payments of income and payroll taxes rose by \$159 billion (or 72 percent). The Internal Revenue Service extended the deadline for final payment of income taxes for 2020 to May 17, 2021; estimated quarterly payments were still due in April. Last year, final and estimated payments were due July 15.
 - Amounts withheld from workers' paychecks rose by \$51 billion (or 3 percent). That increase most likely reflects higher total wages and salaries, particularly among the relatively high-income workers who pay most of the income taxes. Legislation enacted in response to the pandemic may have reduced the amount of taxes withheld since last year. Most employers could choose to defer payment of their portion of certain payroll taxes on wages paid from March 27, 2020 (the date of enactment of the CARES Act) through December 31, 2020. In addition, employers may claim new tax credits for paid leave and employee retention by reducing the amount of withheld taxes they remit.
 - Individual income tax refunds increased by \$14 billion (or 9 percent), decreasing net receipts. The precise timing of refunds varies from year to year, but typically, most are paid from February through the month in which tax returns are due.
- Unemployment insurance receipts (one type of payroll tax) increased by \$6 billion (or 30 percent). Those receipts were up because states were replenishing the balances in their unemployment insurance trust funds, at least in part by collecting more in unemployment

taxes from employers. The funds are collected by the states but count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states. The states' trust funds were depleted as a result of unusually high unemployment during the past year.

- **Corporate income taxes** increased, on net, by \$91 billion—roughly doubling. That change largely reflects earlier payments of estimated and final payments of corporate income taxes. This year those payments were due in April; last year they were due in July.
- Receipts from **other sources**, on net, increased by \$2 billion (or 2 percent).
 - Federal Reserve remittances to the Treasury rose by \$7 billion (or 18 percent), in part as a result of lower short-term interest rates, which reduced the central bank's 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.
 - Estate and gift taxes rose by \$7 billion (or 69 percent).
 - Excise taxes declined by \$5 billion (or 13 percent) because certain aviation excise taxes were suspended through the end of calendar year 2020 and because of a general reduction in economic activity.
 - Miscellaneous fees and fines decreased by \$4 billion (or 22 percent), largely because last year the government received a \$5 billion payment from a settlement agreement between Facebook and the Federal Trade Commission.

Total Outlays: Up by 22 Percent for the Fiscal Year to Date

Outlays in the first seven months of fiscal year 2021 were \$4,074 billion, \$747 billion (or 22 percent) more than they were during the same period last year, CBO estimates. The budgetary effects of federal responses to the pandemic account for the largest increases. If not for the shift of certain payments from May to April 2021, however, the increase in outlays from 2020 to 2021 would be smaller—\$687 billion (or 21 percent). The discussion below reflects adjustments to exclude the effects of those timing shifts.

Several major spending increases, including the following, were largely the result of legislation and administrative actions related to the pandemic:

- Outlays for certain **refundable tax credits** were \$321 billion higher than in the first seven months of 2020.² That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA; they began in January 2021, and nearly \$396 billion in rebates was paid in March and April.
- The **Small Business Administration's** outlays were \$226 billion higher this year than in the same period in 2020. The CARES Act authorized additional loans, loan guarantees, and cash advances to small businesses under the Paycheck Protection Program, the Economic Injury Disaster Loan program, and others. The CAA and ARPA provided additional funding for those programs.

2. Those tax credits are the recovery rebates (also known as economic impact payments), earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

Table 3.
Outlays, October–April

Billions of Dollars

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays ^a	
					Billions of Dollars	Percent
Social Security Benefits	596	627	651	24	24	3.8
Medicare ^b	363	481	436	-45	-81	-16.8
Medicaid	234	253	296	43	43	16.9
Subtotal, Largest Mandatory Spending Programs	1,192	1,361	1,383	22	-14	-1.0
Refundable Tax Credits ^c	111	324	645	321	321	99.2
Small Business Administration	*	15	241	226	226	n.m.
Unemployment Compensation	19	67	248	181	181	270.8
Coronavirus Relief Fund	0	142	1	-141	-141	-99.5
DoD—Military ^d	377	403	430	27	22	5.4
Net Interest on the Public Debt	234	238	213	-25	-25	-10.3
Other	640	777	913	136	117	15.0
Total	2,574	3,327	4,074	747	687	20.6

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

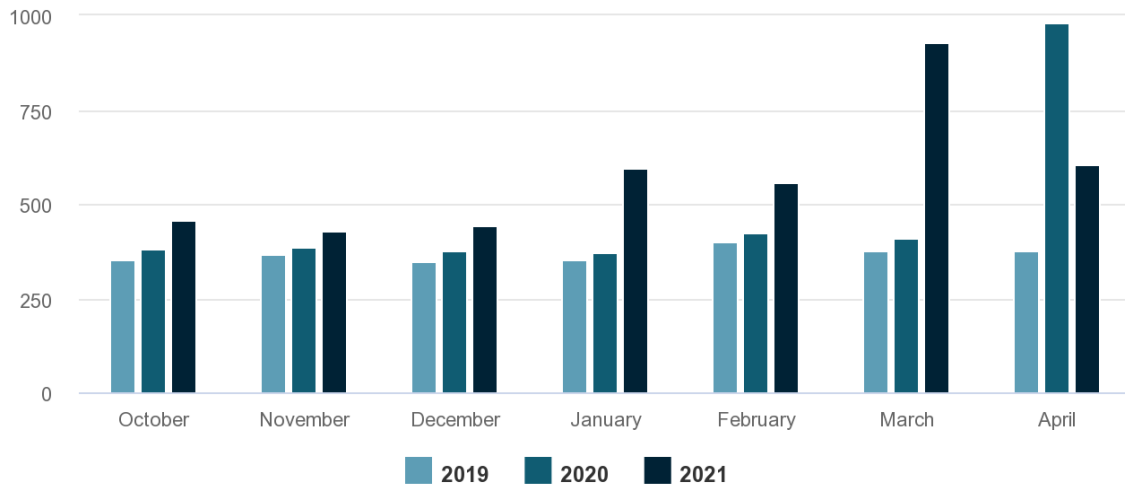
DoD = Department of Defense; FY = fiscal year; n.m. = not meaningful; * = between -\$500 million and zero.

- 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 \$4,014 billion in fiscal year 2021.
- Medicare outlays are net of offsetting receipts.
- Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.
- Excludes a small amount of spending by DoD on civil programs.

- Outlays for **unemployment compensation** rose by \$181 billion this year compared with the first seven months of 2020. That increase is attributable to enhanced benefits authorized by the CARES Act that were extended by the CAA and ARPA and to an increase in the number of people receiving regular unemployment benefits.
- Spending by the **Department of Agriculture** (included in “Other” in Table 3) increased by \$40 billion, or 40 percent, largely because spending on the Supplemental Nutrition Assistance Program increased and because payments were made to farmers under the Coronavirus Food Assistance Program to cover increased marketing costs associated with the pandemic.
- Payments for **emergency rental assistance** (included in “Other”) have totaled \$25 billion in fiscal year 2021. State and local governments use grants provided under the CAA and ARPA to aid low-income households unable to pay rent because of the pandemic. There was no such spending in the first seven months of fiscal year 2020.

Figure 1.
Monthly Outlays
Fiscal Years 2019, 2020, 2021

Billions of Dollars



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

The value shown for April 2021 is CBO's estimate.

All months have been adjusted to exclude the effects of timing shifts.

- Spending by the **Department of Homeland Security** (included in “Other”) was \$20 billion, or 59 percent, higher than in the same period in 2020. That increase is mostly the result of increased spending from the Disaster Relief Fund related to the pandemic, including payments of unemployment benefits under the provisions of the Presidential memorandum issued in August 2020.³

Outlays from the **Coronavirus Relief Fund** were less than \$1 billion in the first seven months of 2021, compared with \$142 billion during the same period last year. The CARES Act, which was enacted in March 2020, authorized \$150 billion for the Treasury to provide grants to state, local, tribal, and territorial governments to offset expenses stemming from the pandemic. Most of those funds were disbursed in April 2020. ARPA recently provided an additional \$362 billion, but only a small amount of that sum has been disbursed.

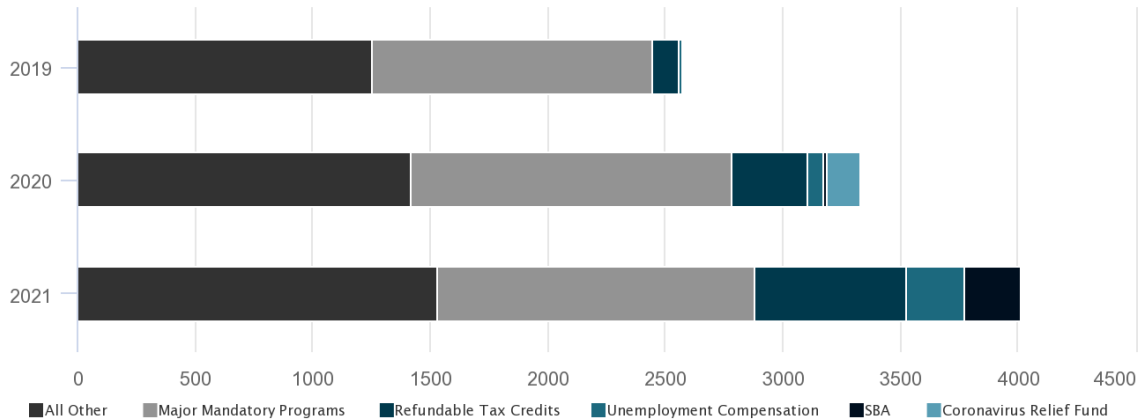
In total, outlays for the largest mandatory spending programs decreased by 1 percent:

- **Medicare** outlays declined by \$81 billion (or 17 percent) this year compared with the first seven months of 2020 largely because an expansion—no longer in effect—of two programs in April 2020 significantly increased outlays that month. First, the CARES Act expanded the Medicare 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. Both programs provide advance payments of Medicare claims that will be recouped from future claims. During April 2020, CMS disbursed more than \$100 billion in those payments before the programs were suspended.

3. 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 2.
Outlays, October–April
Fiscal Years 2019, 2020, 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 April 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.

- **Medicaid** outlays increased by \$43 billion (or 17 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.
- **Social Security** benefits rose by \$24 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

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

- Spending for military programs of the **Department of Defense** rose by \$22 billion (or 5 percent); the largest increases occurred in spending for personnel and research and development.
- Net outlays for **interest on the public debt** decreased by \$25 billion (or 10 percent) because interest rates dropped.

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

Estimated Deficit in April 2021: \$225 Billion

The federal government incurred a deficit of \$225 billion in April 2021, CBO estimates—less than one-third the deficit in April 2020. Outlays in April 2021 were affected by shifts in the timing of certain federal payments that otherwise would have been due on May 1, which fell on a weekend (those payments were made in April). If not for those shifts, the deficit in April 2021 would have been smaller—\$165 billion. In most years, the government runs a surplus in April because many tax payments are due April 15; in April 2019, the government realized a surplus of \$160 billion.

Table 4.
Budget Totals for April

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays ^a	
					Billions of Dollars	Percent
Receipts	536	242	439	197	197	81
Outlays	<u>375</u>	<u>980</u>	<u>663</u>	<u>-317</u>	<u>-376</u>	-38
Surplus or Deficit (-)	160	-738	-225	513	573	-78

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 \$165 billion in April 2021, CBO estimates.

CBO estimates that receipts in April 2021 totaled \$439 billion—\$197 billion (or 81 percent) more than those in the same month last year, largely because of differences in the filing deadlines last year and this year. Fiscal year 2019 was a more typical year for tax collections than either 2020 or 2021; total receipts in April 2019 were \$536 billion, 22 percent more than revenues this April.

The change from last year to this year is largely driven by nonwithheld individual income taxes, which increased by \$119 billion, and by corporate income taxes, which, on net, increased by \$71 billion compared with last April. Estimated and final payments for individual and corporate taxes normally due in April were delayed until July last year. Those payments were due in April this year, except for final payments for individual income taxes, which are not due until May.

Other changes include an increase of \$44 billion (or 24 percent) in withheld taxes, mostly offset by an increase in individual income tax refunds, which rose by \$41 billion. Other miscellaneous receipts were \$7 billion (or 78 percent) lower than last year because of the 2020 payment from Facebook's settlement agreement with the Federal Trade Commission. Remittances from the Federal Reserve declined by \$3 billion (or 28 percent).

Total spending in April 2021 was \$663 billion, CBO estimates, \$317 billion less than outlays in April 2020. If not for timing shifts that increased spending in April of this year, outlays would have been \$376 billion (or 38 percent) less than in April 2020. The largest changes in outlays involved spending related to the pandemic and its economic effects; they were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Payments of **refundable tax credits** were \$150 billion lower than in the same month last year because most payments of recovery rebates authorized by the CARES Act were made in April last year; most such payments authorized by the CAA were made in March this year.
- Outlays from the **Coronavirus Relief Fund** (discussed above) were \$755 million in April 2021, compared with \$142 billion during the same month last year.
- Outlays by the **Department of Health and Human Services** were \$128 billion lower this April, largely because of the expansion of two programs in April 2020 that provide for advance payments of Medicare claims, as discussed above.

- Outlays by the **Small Business Administration** were an estimated \$42 billion higher this April than in the same month last year. That spending reflects significant outlays for the latest round of the Paycheck Protection Program authorized by the CAA.
- Spending by the **Department of Agriculture** increased by \$11 billion this April compared with last year because spending on the Supplemental Nutrition Assistance Program increased and because payments were made to farmers under the Coronavirus Food Assistance Program.

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

Actual Deficit in March 2021: \$660 Billion

The Treasury Department reported a deficit of \$660 billion for March—\$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for March 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. Jennifer Shand and Jon Sperl 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/57127.



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