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

Monthly Budget Review: Summary for Fiscal Year 2021

November 8, 2021

In fiscal year 2021, which ended on September 30, the federal budget deficit totaled nearly $2.8 trillion—about $360 billion less than the deficit in 2020, but nearly triple the shortfall incurred in 2019. During the past two years, deficits were much larger than they have been historically because of the economic effects of the coronavirus pandemic and legislation enacted in response.[1]

In 2021, the deficit was equal to 12.4 percent of the nation's gross domestic product (GDP), down from 15.0 percent in 2020, but up from 4.7 percent in 2019. The 2021 deficit was the second largest as a percentage of GDP since 1945 (the largest occurred in 2020).

Table 1.

Totals, Fiscal Years 2016 to 2021

Billions of Dollars

	2016	2017	2018	2019	2020	2021
Receipts	3,268	3,316	3,330	3,463	3,420	4,046
Outlays	3,853	3,982	4,109	4,447	6,552	6,818
Deficit (−)						
Amount	−585	−665	−779	−984	−3,132	−2,772
Percentage of GDP	−3.2	−3.5	−3.8	−4.7	−15.0	−12.4

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

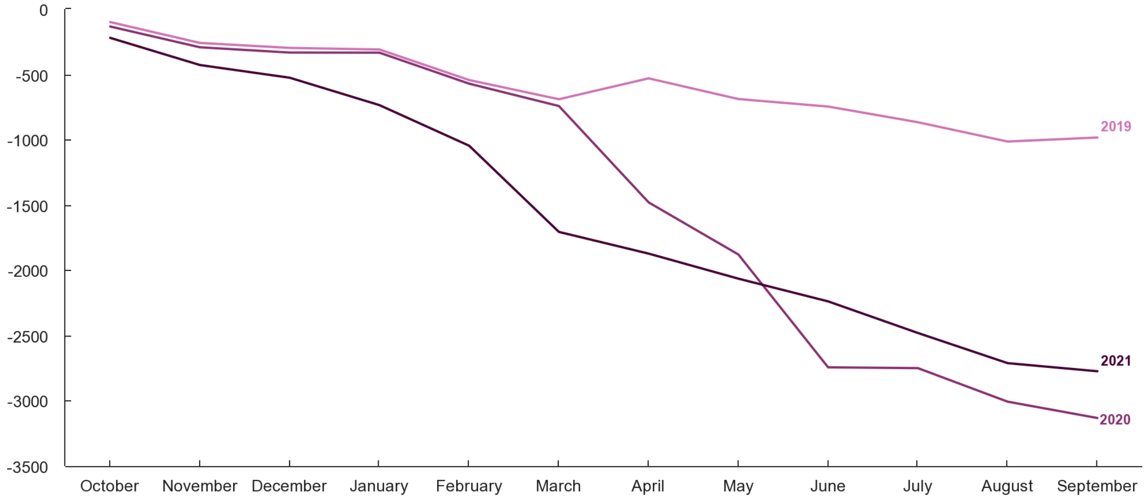
GDP = gross domestic product.

Compared with the size of the economy, federal debt held by the public fell slightly—to 99.7 percent of GDP in 2021 from 100.3 percent of GDP at the end of fiscal year 2020. That decline occurred—despite the large deficit—because GDP increased by a larger percentage than the debt. Debt held by the public in both years was significantly higher than at the end of 2019—when it stood at 79.4 percent of GDP—primarily because of borrowing to finance the deficits.

1. Among the laws enacted in 2020 and 2021 in response to the pandemic were the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Paycheck Protection Program and Health Care Enhancement Act, the Consolidated Appropriations Act, 2021 (CAA), and the American Rescue Plan Act of 2021 (ARPA).

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.

Figure 1.
Cumulative Monthly Deficits
Fiscal Years 2019, 2020, 2021
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
All months have been adjusted to exclude the effects of timing shifts.

The deficit for 2021 was $231 billion smaller than the shortfall CBO estimated in its most recent baseline projections, mostly because income tax receipts were greater than CBO projected.[2]

Total Receipts: Up by 18 Percent in Fiscal Year 2021

In 2021, federal revenues amounted to $4.0 trillion—$626 billion (or 18 percent) more than receipts recorded in 2020. That increase was the largest recorded in five decades. Revenues were 18.1 percent of GDP in 2021, above both the 16.3 percent recorded for 2020 and the average of 17.3 percent for the past 50 years.

Most major sources of revenues increased, relative to the amounts recorded in 2020. Revenues in 2021 were significantly affected by strong growth in economic activity, following the substantial disruption in 2020 caused by the pandemic. Legislation enacted in response to the pandemic continued to affect revenues in 2021.

- Reported receipts from **individual income taxes,** the largest source of revenues, increased by $436 billion (or 27 percent). Such collections rose from 7.7 percent of GDP in 2020 to 9.1 percent in 2021, rising above the average of 7.9 percent for the past 50 years.

2. For details about CBO's most recent budget projections, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (July 2021), www.cbo.gov/publication/57218.

Table 2.

Total Receipts

Billions of Dollars

Major Source	FY 2019	FY 2020	FY 2021	Percentage Change From 2020 to 2021
Individual Income Taxes	1,718	1,609	2,044	27.1
Payroll Taxes	1,243	1,310	1,314	0.3
Corporate Income Taxes	230	212	372	75.5
Other Receipts	272	289	316	9.0
Total	**3,463**	**3,420**	**4,046**	18.3
Percentage of GDP	16.4	16.3	18.1	n.a.

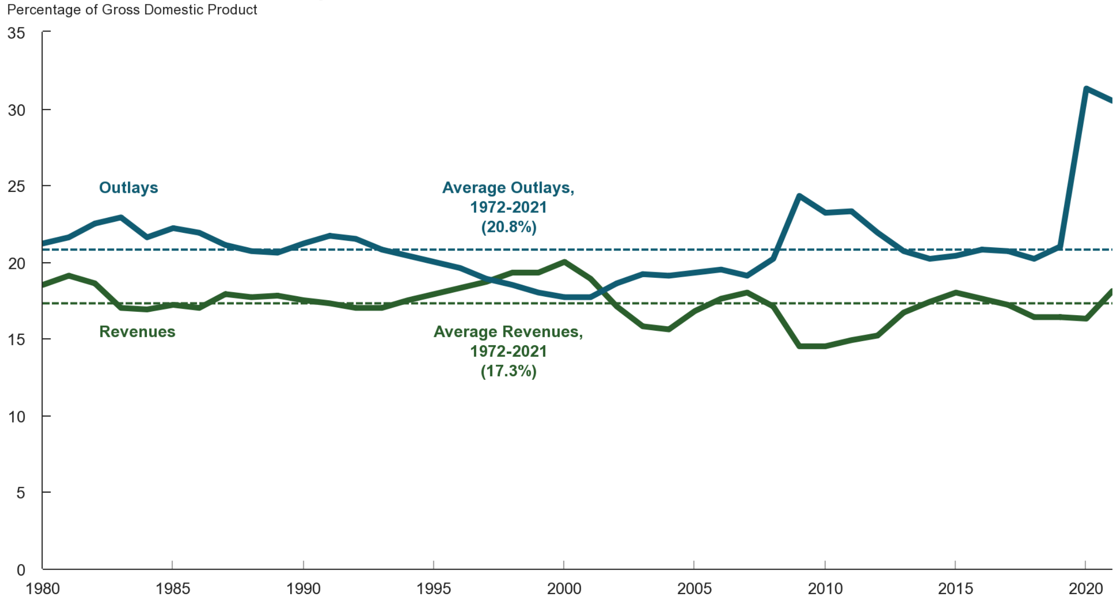
Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year; GDP = gross domestic product; n.a. = not applicable.

- Income taxes withheld from workers' paychecks rose by $254 billion (or 20 percent). That increase probably reflects higher total wages and salaries, particularly among workers with relatively high incomes who face higher tax rates. Legislation enacted in response to the pandemic complicates year-over-year comparisons, however. Significantly, 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 provided through September 2021 and for employee retention by reducing the amount of withheld taxes they remit. Although all of those provisions affect payroll taxes, the Treasury is recording the effects as declines in individual income taxes.
- Nonwithheld payments of income and payroll taxes rose by $222 billion (or 37 percent). That increase is probably attributable to increases in business and other nonwage income accruing to individual taxpayers, among other factors.
- Partially offsetting those increases, individual income tax refunds rose by $40 billion (or 17 percent), which decreased net receipts.

■ Recorded receipts from **payroll (social insurance) taxes,** the second-largest revenue source, rose by $4 billion (or less than 1 percent). They decreased from 6.3 percent of GDP in 2020 to 5.9 percent in 2021, equal to the average for the past 50 years. Those receipts rose less than income did because of the way payroll taxes are recorded. When the Treasury receives payments of withheld taxes, it cannot distinguish payroll taxes from individual income taxes. Instead, it first allocates withheld taxes to one source or the other on the basis of estimates made in advance of actual collections. As additional information becomes available, including detailed tax return information, the Treasury makes periodic reallocations to revise past allocations. The amounts recorded by the Treasury as payroll taxes for 2020 were largely determined before the onset of the pandemic, and the effects of subsequent declines in wages and enacted legislation were recorded as lower individual income tax receipts in 2020. In 2021, the Treasury reclassified $38 billion of past payroll tax receipts as individual income taxes, which reduced reported payroll taxes and increased reported income taxes for the year.

Figure 2.
Federal Revenues and Outlays, 1980 to 2021



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

The increase in payroll tax receipts stemmed from a $13 billion (or 31 percent) increase in unemployment insurance receipts, which was largely offset by a decrease in receipts from other payroll taxes. Unemployment insurance 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 last year.

- Receipts from **corporate income taxes,** the third-largest source of revenues, rose by $160 billion (or 76 percent) in 2021. Those collections increased from 1.0 percent of GDP in 2020 to 1.7 percent in 2021, but they remained below the average of 1.8 percent of GDP for the past 50 years. Corporate income tax receipts for 2021 include payments for activity in the 2020 and 2021 tax years, and they reflect the combined effects of the initial economic disruption caused by the pandemic, the legislation enacted in response, and the increase in corporate profits over the past year. Although the precise reasons will not be known until more detailed tax data become available over the next two years, other factors driving the increase may include the timing of tax payments made by corporations for liabilities accrued in 2020 and the share of net income accounted for by profitable businesses with tax liabilities compared with those sustaining losses.

- Receipts from **other sources** increased by $26 billion (or 9 percent), remaining at 1.4 percent of GDP in 2021—the same percentage as in 2020, but below the average of 1.6 percent for the past 50 years. Federal Reserve remittances, customs duties, and estate and gift taxes all increased; excise taxes decreased relative to last year.

  - Remittances from the Federal Reserve rose by $18 billion (or 22 percent), in part because of lower short-term interest rates, which reduce the central bank'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 significantly increased its holdings of assets, an action that tends to further boost remittances.
  - Customs duties rose by $11 billion (or 17 percent), reflecting an increase in imports.

- Estate and gift taxes, which are partly attributable to deaths that occurred in 2020, increased by $10 billion (or 54 percent). The precise reasons for the increase will become known as more detailed tax information becomes available.
- Excise taxes fell by $12 billion (or 13 percent), partially offsetting the increases in other sources. A payment of a now-repealed tax on health insurance providers collected in 2020 was not collected in 2021. In addition, a temporary suspension of certain aviation excise taxes through the end of calendar year 2020 further reduced collections. Partially offsetting those downward changes was a general increase in economic activity, which boosted receipts from excise taxes.

Total Outlays: Up by 4 Percent in Fiscal Year 2021

Programs and policies implemented in response to the coronavirus pandemic—notably, refundable tax credits (particularly the recovery rebates), expanded unemployment compensation, and the Small Business Administration's Paycheck Protection Program—substantially boosted spending in both 2021 and 2020. Net spending by the government was $6.8 trillion in 2021—$266 billion (or 4 percent) more than in 2020. Spending in both years was roughly 50 percent greater than in 2019. Outlays were 30.5 percent of GDP in 2021, less than the 31.3 percent in 2020 but much higher than the 50-year average of 20.8 percent.

Table 3.

Total Outlays

Billions of Dollars

Major Program or Category	FY 2019	FY 2020	FY 2021	Percentage Change From 2020 to 2021
Social Security Benefits	1,033	1,084	1,123	3.6
Medicare[a]	648	773	692	−10.4
Medicaid	409	458	521	13.5
Subtotal, Largest Mandatory Spending Programs	**2,090**	**2,315**	**2,336**	**0.9**
Refundable Tax Credits[b]	140	414	778	87.7
Unemployment Compensation	31	476	397	−16.6
Small Business Administration	*	577	323	−44.1
Coronavirus Relief Fund	0	149	243	62.9
DoD—Military[c]	654	690	718	3.9
Net Interest on the Public Debt	423	387	413	6.5
Other	1,108	1,541	1,611	4.5
Total	**4,447**	**6,552**	**6,818**	**4.1**
Percentage of GDP	21.0	31.3	30.5	n.a.

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

DoD = Department of Defense; FY = fiscal year; GDP = gross domestic product; n.a. = not applicable; * = between zero and $1 billion.

a. Medicare outlays are net of offsetting receipts.

b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

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

- Outlays for certain **refundable tax credits** were $363 billion (or 88 percent) higher in fiscal year 2021 than in 2020.[3] That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA.
- Outlays from the **Coronavirus Relief Fund** were $243 billion in 2021, compared with $149 billion the previous year. The CARES Act, which was enacted in March 2020, appropriated $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. Nearly all of the 2021 outlays stem from an additional $362 billion provided by ARPA.
- Spending by the **Department of Education** (included in "Other" in Table 3) was $56 billion (or 27 percent) higher in 2021 than in 2020, largely because of increased spending on emergency grants to support K–12 and postsecondary education through the Educational Stabilization Fund and accounting adjustments to reflect increased costs of student loans and loan guarantees issued in previous years.
- Spending by the **Department of Agriculture** (included in "Other") increased by $51 billion (or 28 percent) largely because outlays for the Supplemental Nutrition Assistance Program increased and because payments were made to farmers through the Coronavirus Food Assistance Program to cover increased marketing costs associated with the pandemic.
- Payments for **emergency rental assistance** (included in "Other") totaled $33 billion in fiscal year 2021. State and local governments used 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 fiscal year 2020.

Some pandemic-related spending declined:

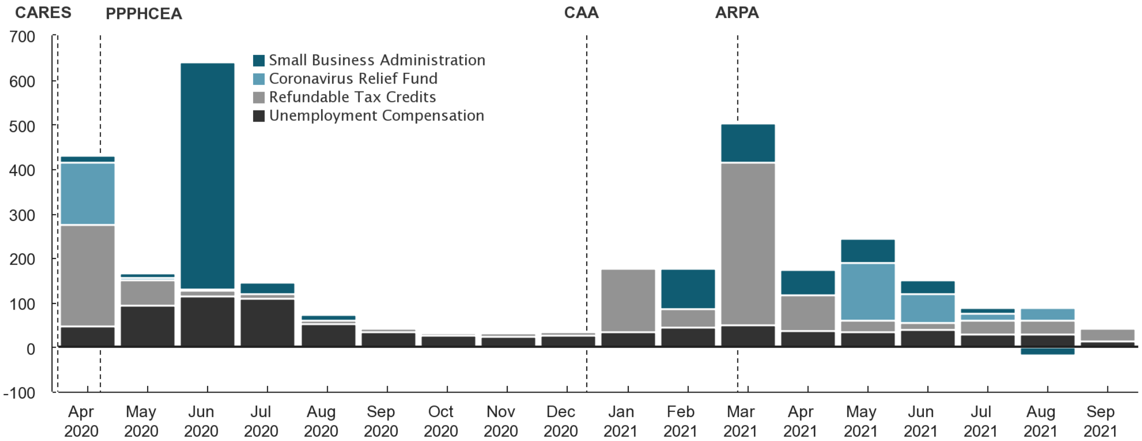
- The **Small Business Administration's** outlays were $255 billion (or 44 percent) lower in 2021. In 2020, the CARES Act authorized additional loans, loan guarantees, and cash advances under the Paycheck Protection Program, the Economic Injury Disaster Loan program, and others. The CAA and ARPA provided additional funding for those programs in 2021; the amounts were smaller than the sums provided in the CARES Act.
- Outlays for **unemployment compensation** were $79 billion (or 17 percent) lower in 2021 than in 2020. In both 2020 and 2021, spending on unemployment compensation was significantly higher than in 2019 because of enhanced benefits authorized by the CARES Act that were extended by the CAA and ARPA. (In addition, the number of people receiving regular unemployment benefits increased, which also contributed to higher outlays.) Spending on unemployment compensation reached its peak in the summer of 2020: More than $100 billion was disbursed in June and again in July of that year. Outlays for unemployment compensation declined in 2021, in part because the enhanced benefits expired in early September 2021 (several states chose to end those programs earlier in the summer) and in part because of an increase in employment.

3. 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.

Figure 3.

Monthly Outlays for Major Categories of Pandemic-Related Spending, April 2020 to September 2021

Billions of Dollars



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

SBA recorded net outlays of -$18 billion in August 2021, consisting of about $27 billion in downward revisions to the subsidy costs for disaster and business loans and $9 billion in agency spending.

The refundable tax credits consist of the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

Unemployment compensation consists of regular unemployment benefits and the expanded benefits that were enacted in response to the coronavirus pandemic.

ARPA = American Rescue Plan Act; CAA = Consolidated Appropriations Act, 2021; CARES = Coronavirus Aid, Relief, and Economic Security Act; PPPHCEA = Paycheck Protection Program and Health Care Enhancement Act.

Outlays for the largest mandatory spending programs increased, on net, by about 1 percent:

- **Medicare** outlays declined by $81 billion (or 10 percent) in 2021 compared with 2020, largely because an expansion—no longer in effect—of two programs in April 2020 significantly increased outlays that month: The CARES Act expanded the Medicare Accelerated Payment Program for Part A providers during the public health emergency, and the Centers for Medicare & Medicaid Services (CMS) expanded the Advance Payment Program to Part B suppliers via regulation. Both programs made advance payments of Medicare claims that will be recouped from future claims. CMS disbursed more than $100 billion of those payments in April 2020 before the programs were suspended.
- **Medicaid** outlays increased by $62 billion (or 14 percent) largely because of the legislative response to the pandemic. In particular, federal matching rates for Medicaid were raised by 6.2 percentage points, and states were required to maintain coverage for all 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 $39 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

Other major increases in outlays in fiscal year 2021 were as follows:

- Outlays for military programs of the **Department of Defense** rose by $27 billion (or 4 percent); the largest increases occurred in personnel and in operation and maintenance.
- Net outlays for **interest on the public debt** increased by $25 billion (or 7 percent) in 2021, partly because the debt has grown and partly because inflation was higher in 2021 than in 2020, resulting in large adjustments to the principal of inflation-protected securities.
- Spending by the **Department of Veterans Affairs** (included in "Other" in Table 3) increased by $15 billion (or 7 percent), mostly because of increased use of health care services and per capita increases in veterans' benefits.

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

Estimated Deficit in October 2021: $167 Billion

The federal government incurred a deficit of $167 billion in October, CBO estimates, $117 billion less than the shortfall recorded in the same month last year. Revenues in October were $285 billion, $47 billion (or 20 percent) more than receipts last year, largely because payments of individual income and payroll taxes increased. Outlays this October were $70 billion (or 13 percent*) less than in the same month last year. Shifts in the timing of certain payments (because November 1, 2020, fell on a weekend) increased the deficit in October of last year; if not for those shifts, the outlay decrease in October 2021 would have been $7 billion (or 2 percent).

Actual Deficit in September 2021: $62 Billion

The Treasury Department reported a deficit of $62 billion for August—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: September 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/57539.

Phillip L. Swagel
Director

* On November 15, 2021, CBO reposted this report, correcting an error in this value and replacing the next sentence.