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

Monthly Budget Review: Summary for Fiscal Year 2022

November 8, 2022

In fiscal year 2022, which ended on September 30, the federal budget deficit totaled nearly $1.4 trillion. The marked decline in the deficit from the previous year reflected waning spending in response to the coronavirus pandemic and increased revenues driven by higher inflation and the continued recovery of economic activity.

In 2022, the deficit was equal to 5.5 percent of the nation's gross domestic product (GDP), down from 12.3 percent in 2021, but still larger than the 4.6 percent recorded in 2019—the most recent year not affected by the pandemic. The 2022 deficit was the third largest as a percentage of GDP over the past decade and greater than the 50-year average of 3.6 percent.

Table 1.

Totals, Fiscal Years 2017 to 2022

Billions of Dollars

	2017	2018	2019	2020	2021	2022
Receipts	3,316	3,330	3,463	3,421	4,046	4,896
Outlays	3,982	4,109	4,447	6,554	6,822	6,272
Deficit (−)						
Amount	−665	−779	−984	−3,132	−2,776	−1,375
Percentage of GDP	−3.5	−3.8	−4.6	−14.9	−12.3	−5.5

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

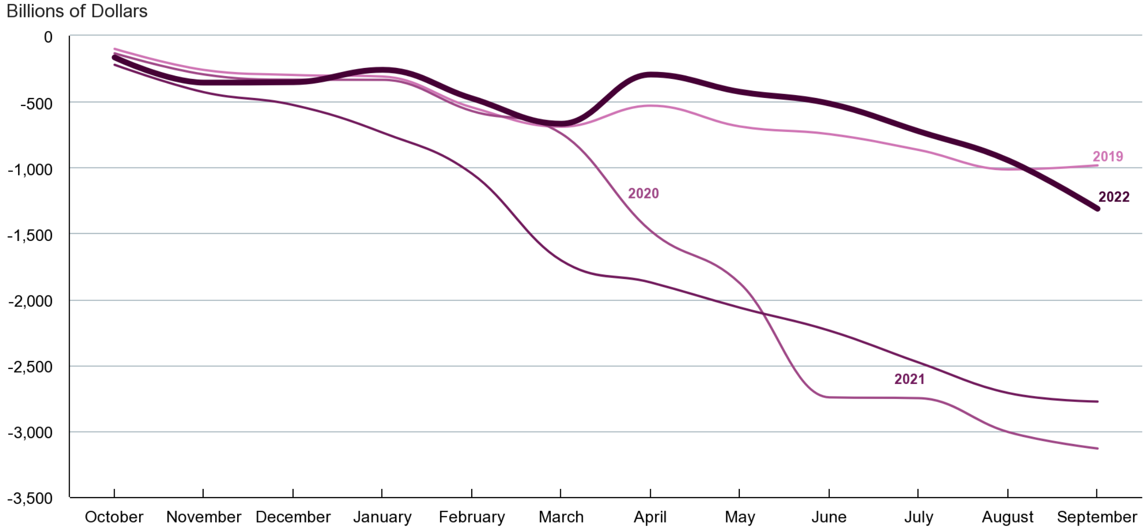
Components may not sum to totals because of rounding.

GDP = gross domestic product.

Compared with the size of the economy, federal debt held by the public fell to 97.0 percent of GDP in 2022 from 98.4 percent of GDP at the end of fiscal year 2021 and 100.1 percent of GDP at the end of 2020. That decline occurred, despite the large 2022 deficit, because nominal GDP increased by a larger percentage than did the debt. In contrast, debt held by the public stood at 79.4 percent of GDP at the end of 2019, before the pandemic.

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 to 2022



Data Sources: Congressional Budget Office; Department of the Treasury.
Values for all months have been adjusted to exclude the effects of timing shifts.

The deficit in 2022 was $339 billion larger than the shortfall estimated in CBO's most recent baseline budgetary projections, which were issued in May 2022.[1] Outlays and receipts alike were greater than CBO anticipated in May—outlays by $400 billion (or 7 percent) and receipts by $60 billion (or 1 percent).

The increase in outlays stemmed primarily from $426 billion in costs estimated and recorded by the Administration in September 2022 to reflect the long-term effects of some actions it took to provide student debt relief, including $379 billion in costs to forgive portions of federal student loans for many borrowers. (Other federal spending, on net, was less than CBO projected in May.) The largest policy change—forgiving portions of federal student loans—was announced in August. In accordance with the Federal Credit Reform Act, the estimated full multiyear costs were recorded up front on a present-value basis.[2] Excluded from the amount are the costs of the proposed income-driven repayment plan, also announced in August, which will be recorded when the plan is made final.

Receipts from final payments of nonwithheld individual income taxes for 2021 were larger than CBO expected but that difference was partly offset by smaller-than-anticipated amounts withheld from paychecks for individual income and payroll taxes. Corporate income tax collections also were larger than projected.

Total Receipts: Up by 21 Percent in Fiscal Year 2022

In 2022, federal revenues amounted to $4.9 trillion—$850 billion (or 21 percent) more than the receipts recorded in 2021. That percentage increase was the largest in five decades. Revenues were equal to 19.6 percent of GDP in 2022, which was the second highest percentage in history, above both the 17.9 percent recorded for 2021 and the 17.4 percent average for the past 50 years.

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950.

2. A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time. The value depends on the rate of interest, known as the discount rate, used to translate future cash flows into current dollars.

Table 2.

Total Receipts

Billions of Dollars

Major Source	FY 2020	FY 2021	FY 2022	Percentage Change From 2021 to 2022
Individual Income Taxes	1,609	2,044	2,632	28.8
Payroll Taxes	1,310	1,314	1,484	12.9
Corporate Income Taxes	212	372	425	14.3
Other Receipts	291	316	356	12.6
Total	**3,421**	**4,046**	**4,896**	**21.0**
Percentage of GDP	16.2	17.9	19.6	n.a.

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

Components may not sum to totals because of rounding.

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

Revenues from all major sources increased relative to the amounts recorded in 2021, boosted by inflation and the continued recovery of economic activity following the substantial disruption in 2020 caused by the pandemic. Legislation enacted in response to the pandemic also continued to affect revenues in 2022.[3]

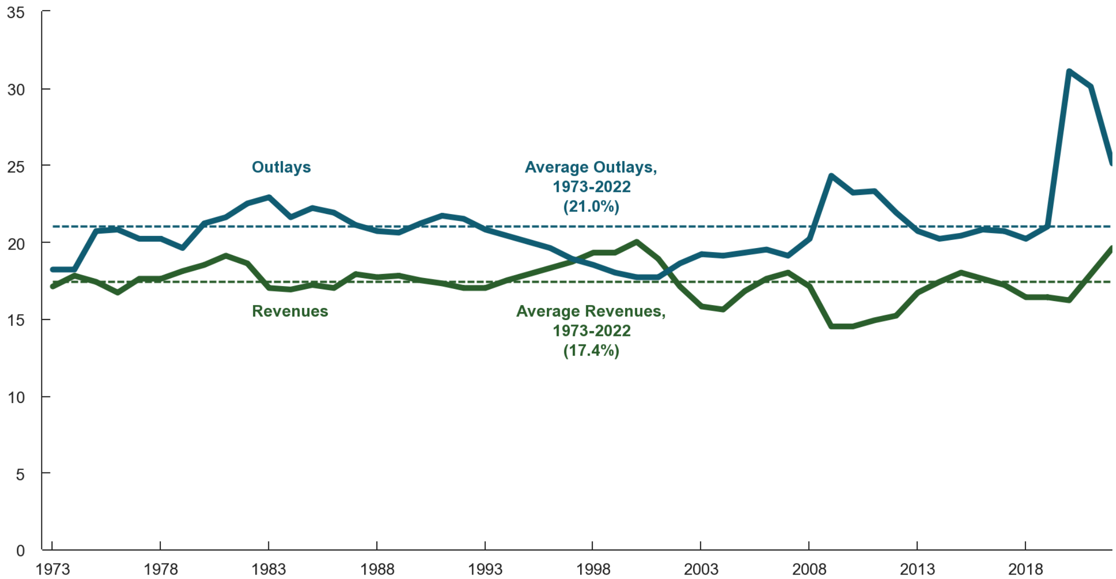
- Reported receipts from **individual income taxes,** the largest source of revenues, increased by $588 billion (or 29 percent). Such collections rose from 9.0 percent of GDP in 2021 to a new historical high of 10.5 percent in 2022. Over the past 50 years, individual income taxes have averaged 8.0 percent of GDP.
    - Income taxes withheld from workers' paychecks rose by $233 billion (or 16 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. Most significantly, 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. That provision required half of the payroll taxes deferred in calendar year 2020 to be paid by December 31, 2021. Although the provision affected payroll taxes, the Treasury recorded the effects as changes in individual income taxes.
    - Nonwithheld payments of income and payroll taxes rose by $323 billion (or 39 percent). Most of that increase occurred during April and May, when taxpayers made their final payments for 2021. The rise is probably attributable, among other factors, to increases in business and other nonwage income, including realizations of capital gains accruing to individual taxpayers.
    - Individual income tax refunds were $32 billion (or 12 percent) lower than in the same period a year ago, further boosting net receipts. (The portion of refundable tax credits classified as outlays, including the recovery rebates—also known as economic impact payments—and the expanded child tax credit, is discussed separately below.)

3. 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 (2021 CAA), and the American Rescue Plan Act of 2021 (ARPA).

Figure 2.

Federal Revenues and Outlays, 1973 to 2022

Percentage of Gross Domestic Product



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

- Receipts recorded from **payroll (social insurance) taxes,** the second-largest revenue source, rose by $169 billion (or 13 percent). The increase was from 5.8 percent of GDP in 2021 to 5.9 percent in 2022—nearly equal to the average of the past 50 years. Payroll tax receipts typically follow wages, which constitute the largest part of the payroll tax base. They rose more than wages did in part because of the way they 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. In 2021, the Treasury reclassified $38 billion of past payroll tax receipts as individual income taxes, which reduced reported payroll taxes in that year. In 2022, the Treasury reclassified $17 billion of past individual income tax receipts as payroll taxes, which boosted reported payroll taxes in 2022.

  The increase in payroll tax receipts included a $10 billion (or 17 percent) increase in unemployment insurance receipts. 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 trust funds had been depleted by unusually high unemployment beginning in March 2020.) Those collections count as federal revenues, reflecting the nature of the unemployment insurance system—a federal program administered by the states.

- Receipts from **corporate income taxes,** the third-largest source of revenues, rose by $53 billion (or 14 percent) in 2022. Those collections increased from 1.6 percent of GDP in 2021 to 1.7 percent in 2022 but remained just below the average of 1.8 percent of GDP for the past 50 years. Corporate income tax receipts for 2022 include payments for activity in the 2021 and 2022 tax years, and they reflect the increased corporate profits over the period.

- Reported receipts from **other sources** increased by $40 billion (or 13 percent), remaining at 1.4 percent of GDP in 2022—the same percentage as in 2021, but below the average of 1.6 percent for the past 50 years. Receipts in this category rose, except for miscellaneous fees and fines, which decreased relative to last year.
    - Customs duties rose by $20 billion (or 25 percent), reflecting an increase in imports.
    - Excise taxes increased by $12 billion (or 17 percent), reflecting a general increase in economic activity.
    - Remittances from the Federal Reserve rose by $7 billion (or 7 percent), in part because of additional interest earnings on assets purchased since last year.
    - Estate and gift taxes increased by $5 billion (or 20 percent). The precise reasons for the increase will become known as more detailed tax information becomes available.
    - Other miscellaneous fees and fines decreased by $5 billion (or 14 percent), partially offsetting the increases in the other categories.

Total Outlays: Down by 8 Percent in Fiscal Year 2022

Outlays in fiscal year 2022 were nearly $6.3 trillion—$550 billion (or 8 percent) less than in the previous year, CBO estimates. 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 2020 and 2021.

Spending in response to the pandemic declined markedly in 2022, as spending of pandemic-related funding, provided in laws enacted in the previous two fiscal years, dropped and as the unemployment rate continued to fall. That decrease was partially offset by increases in other areas, notably for student loan forgiveness, spending on major mandatory programs such as Social Security, and larger interest payments on the debt.

In total, outlays were equal to 25.1 percent of GDP in 2022, less than the 30.1 percent in 2021 but well above the 50-year average of 21.0 percent.

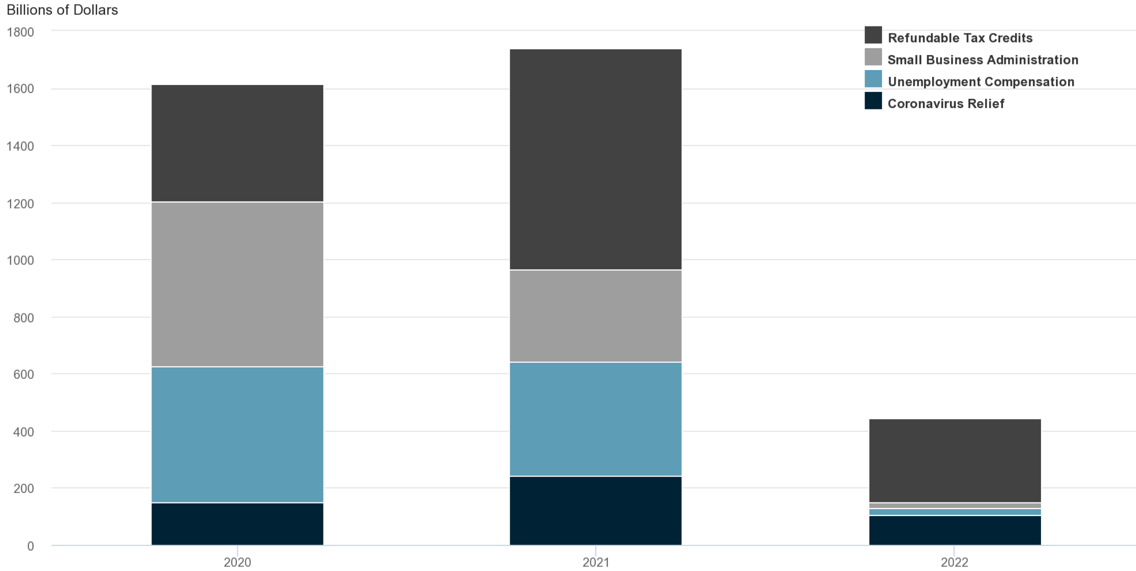
Outlays in 2022 also were boosted by shifts in the timing of certain payments. If not for the shift of those payments from October 2022 (the first month of fiscal year 2023) to September 2022, outlays this year would have been smaller, and the decrease from fiscal year 2021 to fiscal year 2022 would have been $613 billion, or 9 percent. The discussion below reflects adjustments to exclude the effects of those timing shifts.

The largest decreases in spending were as follows:

- Outlays for certain **refundable tax credits** totaled $291 billion—a decrease of $486 billion, or 62 percent.[4] That reduction occurred largely because most of the second and third rounds of recovery rebates were paid in January and March 2021. Higher spending on the child tax credit and premium tax credits partially offset the decrease in outlays for recovery rebates.
- Outlays for **unemployment compensation** decreased by $375 billion (or 94 percent) because enhanced benefits that had been enacted earlier in the pandemic expired in September 2021 and because the number of people receiving unemployment benefits declined.

4. Those credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits (which subsidize the purchase of health insurance under the Affordable Care Act), and American Opportunity Tax Credit.

Figure 3.
Outlays for Major Categories That Include Pandemic-Related Spending
Fiscal Years 2020, 2021, and 2022



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

- Spending by the **Small Business Administration** decreased from $323 billion in 2021 to $23 billion in 2022. Outlays in 2021 were primarily for loans and loan guarantees made to small businesses under the Paycheck Protection Program.
- Spending by the Treasury on **coronavirus relief to state, local, tribal, and territorial governments** decreased by $138 billion (or 56 percent).
- Receipts from the **auction of licenses to use the electromagnetic spectrum** totaled $104 billion in fiscal year 2022, compared with $9 billion in the same period in 2021. Auction proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays—so a drop in those receipts causes outlays to rise.

Outlays recorded by the **Department of Education** increased to $639 billion in 2022, $379 billion more than the agency's outlays last year—the largest increase for a single agency. That increase stemmed primarily from $426 billion in costs estimated and recorded by the Administration in September 2022 to reflect the long-term effects of some actions it took to provide student debt relief, including $379 billion in costs to forgive portions of federal student loans for many borrowers.

The other updates to student loan costs in 2022 were, on net, smaller than those in 2021. They included the costs of extending the previous suspension of payments, interest accrual, and collection of loans in default, as well as administrative policies related to waivers allowing more borrowers to become eligible for forgiveness in income-driven repayment and public-sector loan forgiveness plans. (Beginning in March 2020, payments and interest accrual on most outstanding student loans had been suspended by a series of administrative and legislative actions.) The department's other spending in total was $21 billion greater in 2022 than in 2021, primarily because of increased spending from the Education Stabilization Fund.

Table 3.

Total Outlays

Billions of Dollars

Major Program or Category	FY 2020	FY 2021	FY 2022	Percentage Change From 2021 to 2022: Actual	Percentage Change From 2021 to 2022: Adjusted[a]
Social Security Benefits	1,084	1,123	1,206	7.4	7.4
Medicare[b]	773	692	751	8.5	3.0
Medicaid	458	521	592	13.7	13.7
Subtotal, Largest Mandatory Spending Programs	**2,315**	**2,336**	**2,549**	**9.1**	**7.5**
Refundable Tax Credits[c]	414	778	291	−62.5	−62.5
Unemployment Compensation	476	397	22	−94.5	−94.5
Small Business Administration	577	323	23	−92.8	−92.8
Coronavirus Relief	149	243	106	−56.5	−56.5
Spectrum Auction Receipts	−3	−9	−104	*	*
DoD—Military[d]	690	718	727	1.3	0.6
Department of Education	204	260	639	145.8	145.8
Net Interest on the Public Debt	387	413	534	29.3	29.3
Other	1,341	1,363	1,484	8.9	7.4
Total	**6,554**	**6,822**	**6,272**	**−8.1**	**−9.0**
Percentage of GDP	31.1	30.1	25.1	n.a.	n.a.

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

Components may not sum to totals because of rounding.

DoD = Department of Defense; FY = fiscal year; GDP = gross domestic product; n.a. = not applicable; * = receipts in fiscal year 2022 have been about 12 times receipts in fiscal year 2021.

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 $6,208 billion in fiscal year 2022.

b. Medicare outlays are net of offsetting receipts.

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

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

Outlays for the largest mandatory spending programs increased by $175 billion (or 8 percent):

- Spending for **Social Security** benefits rose by $83 billion (or 7 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicaid** outlays increased by $71 billion (or 14 percent). Enrollment continued to rise largely because the Families First Coronavirus Relief Act requires states to maintain the eligibility of all enrollees until the end of the coronavirus public health emergency.
- **Medicare** outlays increased, on net, by $21 billion (or 3 percent) because of increases to benefit payments that were partially offset by increased recovery of payments that had previously been made to providers.

Net outlays for **interest on the public debt** increased by $121 billion (or 29 percent), because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities and because interest rates rose, increasing the costs of securities issued during the fiscal year.

Outlays included in “Other” in Table 3 rose by $101 billion, on net, with some increases and some decreases. The largest changes were these:

- Spending by the **Department of Veterans Affairs** increased by $29 billion (or 13 percent) mostly because of increased use of health care services and per capita increases in veterans’ benefits.
- Spending by the Department of Agriculture’s **Food and Nutrition Service** increased by $26 billion (or 15 percent), mainly because of higher average benefits under the Supplemental Nutrition Assistance Program and because nationwide waivers for child nutrition increased the number of free meals served at schools during the 2021-2022 school year.
- Outlays from the **Public Health and Social Services Emergency Fund** increased by $22 billion (or 31 percent) because expenditures for several pandemic-related activities increased, including reimbursements to health care providers (such as hospitals), coronavirus testing and contact tracing, and the development and purchase of vaccines and therapies.
- Spending on **U.S. Coronavirus Refundable Credits** (a group of tax credits for employers for sick and family leave, employee retention, and continuation of health insurance for certain workers) rose by $19 billion, a nearly threefold increase.
- Outlays for **international assistance** programs increased by $16 billion (or 79 percent) primarily because of increased spending authorized by ARPA and because of emergency support for Ukraine.
- Outlays from the Department of the Treasury’s **Exchange Stabilization Fund** were $12 billion higher. That occurred because offsetting receipts—that is, negative outlays—shrank from $12 billion last year to $0.1 billion this year. In fiscal year 2020 the fund made equity investments of $12 billion in certain Federal Reserve facilities that provided liquidity for a wide range of economic activities. Those facilities were designed to address financial strain caused by the pandemic. In fiscal year 2021 the Federal Reserve returned that $12 billion to the fund, boosting its offsetting receipts.
- Spending by the Department of the Treasury for **payroll support for the aviation industry** fell by $31 billion. Fiscal year 2021 spending included outlays from funding provided by the CARES Act, ARPA, and the 2021 CAA. Fiscal year 2022 spending includes a small share of outlays resulting from those laws; most of the funding had been exhausted by the end of fiscal year 2021.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by $24 billion (or 71 percent). State and local governments received grants under ARPA and the 2021 CAA to assist low-income households with paying rent during the pandemic.

- Spending by the **Department of Homeland Security** was $10 billion (or 11 percent) lower than in the same period in 2021. Spending from the Disaster Relief Fund was boosted in the first half of fiscal year 2021 by payments for unemployment benefits under the provisions of a Presidential memorandum issued in August 2020.[5]
- Outlays for other programs administered by the **Department of Agriculture** decreased by $12 billion (or 20 percent). Lower spending for the Coronavirus Food Assistance Program, which covers higher marketing costs related to the pandemic, was partially offset by higher spending on the Emergency Relief Program, which provides support to livestock and crop producers for losses from natural disasters in 2020 and 2021.
- Spending by the **Department of Energy** was $11 billion (or 33 percent) lower this year than in 2021, largely because of proceeds from the sale of oil from the Strategic Petroleum Reserve, which are recorded as offsetting receipts.

Estimated Deficit in October 2022: $83 Billion

The federal government incurred a deficit of $83 billion in October 2022, CBO estimates—$82 billion less than the deficit recorded last October. Revenues were higher this October (the first month of fiscal year 2023) than they were a year ago, and outlays were lower. But outlays in October 2022 were affected by a shift in the timing of certain federal payments that otherwise would have been due on October 1, which fell on a weekend (those payments were made in September 2022). If not for those shifts, outlays would have been $15 billion *higher* this October than in the same month last year, and the deficit this October would have been $146 billion instead of $83 billion, $19 billion less than the deficit last October.

Actual Deficit in September 2022: $430 Billion

The Treasury Department reported a deficit of $430 billion for September—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: September 2022*.

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://tinyurl.com/yazr58zb.
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/58592.

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5. See the White House, Presidential Memoranda, "Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019" (August 8, 2020), https://tinyurl.com/53uw7sbz.