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

# Monthly Budget Review: Summary for Fiscal Year 2023

November 8, 2023

In fiscal year 2023, which ended on September 30, the federal budget deficit totaled nearly $1.7 trillion—an increase of $320 billion (or 23 percent) from the shortfall recorded in the previous year. Revenues and outlays alike declined from 2022 totals—revenues fell by 9 percent, or $457 billion, and outlays decreased by 2 percent, or $137 billion. Those amounts differ only slightly from the amounts CBO estimated and discussed in last month's *Monthly Budget Review*.

**Table 1.**

**Totals, Fiscal Years 2018 to 2023**

Billions of Dollars

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Receipts | 3,330 | 3,463 | 3,421 | 4,047 | 4,896 | 4,439 |
| Outlays | 4,109 | 4,447 | 6,554 | 6,822 | 6,272 | 6,134 |
| Deficit (−) | | | | | | |
| Amount | −779 | −984 | −3,132 | −2,775 | −1,375 | −1,695 |
| Percentage of Gross Domestic Product | −3.8 | −4.6 | −14.7 | −12.1 | −5.4 | −6.3 |

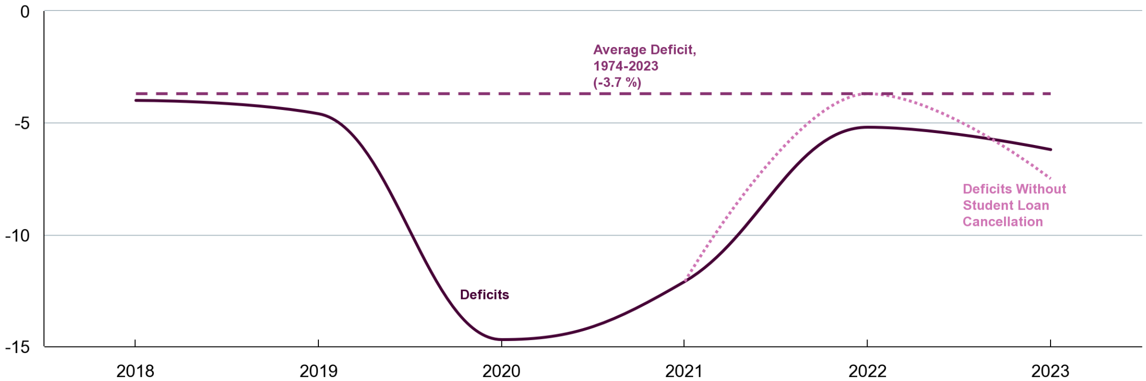
Data sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.

In 2023, the deficit was equal to 6.3 percent of the nation's gross domestic product (GDP). That deficit is greater than the 50-year average of 3.7 percent and has been exceeded only six times since 1946 (from 2009 through 2012 and in 2020 and 2021). Compared with the size of the economy, federal debt held by the public also increased in 2023—rising to 97.3 percent of GDP from 95.8 percent of GDP at the end of fiscal year 2022.

Outlays were boosted at the end of 2022 and 2023 because October 1 (the first day of the next fiscal year) fell on a weekend. As a result, certain payments ordinarily made on the first day of the month were made earlier: $63 billion shifted from 2023 into 2022 and $72 billion shifted from 2024 into 2023. Taken together, those timing shifts increased payments in 2023 by $9 billion. If not for those shifts, the deficit in fiscal year 2023 would have been 28 percent larger—instead of 23 percent larger—than it was in 2022.

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.**
**Total Deficits**
**Fiscal Years 2018 to 2023**
Percentage of Gross Domestic Product




Data Sources: Congressional Budget Office; Department of the Treasury.
Values exclude the effects of timing shifts.
Dotted line excludes the 2022 and 2023 effects of the Administration's plan to cancel student loans.

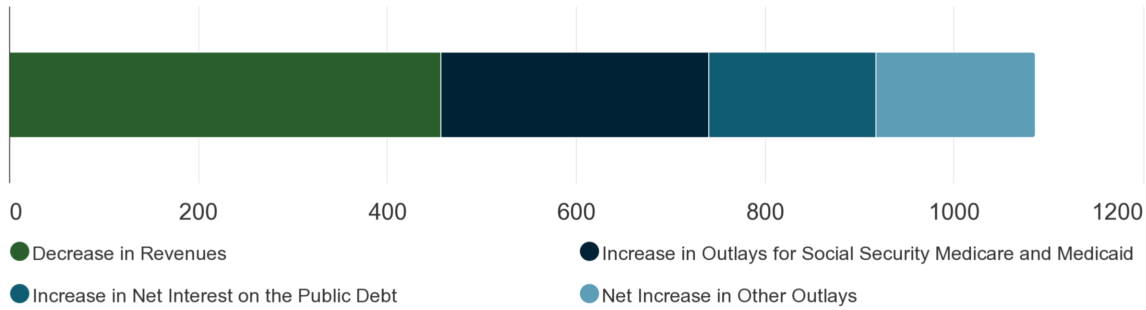
## Effects on the Deficit of the Planned Cancellation of Student Loans

Actions related to the Administration's plan to cancel outstanding student loans for many borrowers resulted in largely offsetting changes to the deficit in 2022 and 2023. In September 2022, in keeping with the budgetary procedures used for federal credit programs, the Administration recorded outlays of $379 billion to reflect its estimate of the long-term costs of debt cancellation, which increased the deficit in fiscal year 2022. Because of a June 2023 Supreme Court decision, however, the cancellation plan was never implemented. As a result, in August 2023, the Administration recorded a $333 billion reduction in outlays for the student loan program.[1] That action reduced the fiscal year 2023 deficit.

If the actions concerning the Administration's plan for student loan cancellations were excluded from both years, the deficit for 2022 would have been smaller and the deficit for 2023 would have been larger. The deficit for 2022 was $1.3 trillion, after removing the effects of timing shifts. Excluding the cost recorded in 2022 for the student loan cancellation plan, the deficit that year would have been $0.9 trillion. Excluding the savings associated with reversing the effects of that policy, the deficit for 2023 would have been $2.0 trillion (7.5 percent of GDP) instead of $1.7 trillion (6.3 percent of GDP). Thus, without the effects of debt cancellation (and excluding the effects of timing shifts), the deficit would have grown by nearly $1.1 trillion from 2022 to 2023. That increase results from a combination of lower revenues and higher outlays, mostly for major mandatory programs and for payments of interest on the debt.

1. The outlay savings recorded by the Administration in August 2023 were smaller than the costs recorded in September 2022 primarily because of a new income-driven repayment plan that the Administration finalized in June 2023; that plan increased the cost of outstanding student loans.

**Figure 2.**
**Increase in the Deficit From 2022 to 2023**
Billions of Dollars




Data Sources: Congressional Budget Office; Department of the Treasury.
Values exclude the effects of timing shifts and of the Administration's plan to cancel student loans.

## Differences From CBO's May Baseline Projections

The deficit in 2023 was $156 billion larger than the shortfall estimated in CBO's most recent baseline budgetary projections, which were issued in May 2023.[2] Revenues and outlays alike were lower than CBO projected in that baseline—revenues by $375 billion (or 8 percent) and outlays by $220 billion (or 3 percent).

In May, CBO projected that receipts would be lower in 2023 than they were in 2022, but the actual decline proved larger than expected. Receipts collected in fiscal year 2023, net of refunds, were $375 billion less than CBO projected, mainly because of smaller-than-anticipated collections of individual and corporate income taxes.

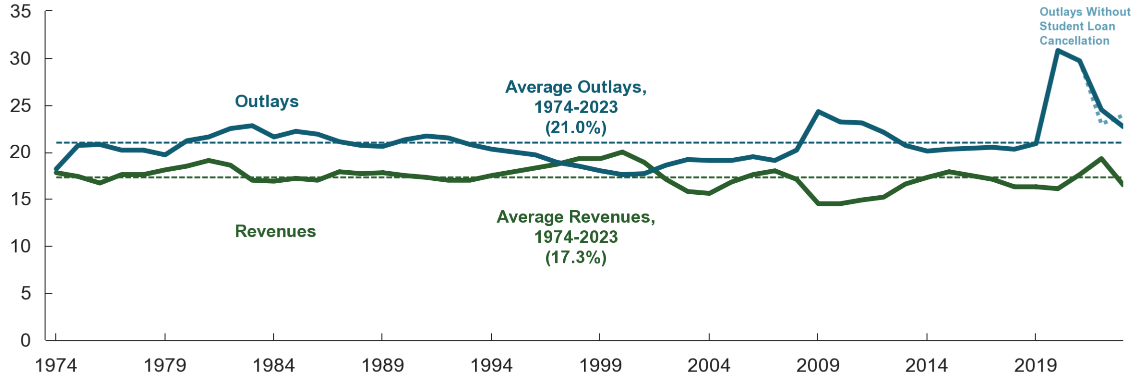
The reasons for the difference will be better understood later, when more detailed information becomes available. One reason is that, for taxpayers affected by natural disasters, including most taxpayers in California, the Internal Revenue Service (IRS) postponed until fiscal year 2024 the filing deadlines for payments that would typically have been due throughout fiscal year 2023.[3] Collections of taxes on capital gains and other types of income may also have turned out to be smaller than CBO anticipated in May, and claims of the Employee Retention Tax Credit were larger than expected. (That tax credit reduces receipts and, when refundable, increases outlays for U.S. Coronavirus Refundable Tax Credits, which are discussed in the section on total outlays.)

Outlays in 2023 were lower than CBO projected in May because of the Supreme Court decision preventing implementation of the Administration's plan for student loan cancellations. If the resulting reduction in outlays was excluded from the total for 2023, outlays would have been $113 billion *higher* than the agency's May baseline projection rather than $220 billion *lower.*

2. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2023 to 2033* (May 2023), www.cbo.gov/publication/59096.

3. See Internal Revenue Service, "Oct. 16 Filing Extension Deadline Nears for Millions of Taxpayers" (news release, updated October 4, 2023), https://tinyurl.com/ytk4s5k3. The IRS subsequently postponed the filing deadline for those affected by California wildfires to November 16; see Internal Revenue Service, "For California Storm Victims, IRS Postpones Tax-Filing and Tax-Payment Deadline to Nov. 16" (news release, updated October 18, 2023), https://tinyurl.com/vwfdrpw6.

**Figure 3.**
**Federal Revenues and Outlays**
**Fiscal Years 1974 to 2023**
Percentage of Gross Domestic Product




Data sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.
Values exclude the effects of timing shifts.
Dotted line excludes the 2022 and 2023 effects of the Administration's plan to cancel student loans.

## Total Receipts: Down by 9 Percent in Fiscal Year 2023

Receipts totaled $4.4 trillion during fiscal year 2023, CBO estimates—$457 billion (or 9 percent) less than during fiscal year 2022. Receipts decreased from 19.3 percent of GDP in 2022 (which was the second-highest percentage of GDP in history) to 16.5 percent in 2023, below the average of 17.3 percent for the past 50 years. That drop is the largest on record and was driven mainly by declines in revenues from income taxes and smaller remittances from the Federal Reserve to the Treasury.

- Reported receipts from **individual income taxes,** the largest source of revenue, decreased by $456 billion (or 17 percent). Such collections decreased from a historic high of 10.4 percent of GDP in 2022 to 8.1 percent in 2023, close to the average of 8.0 percent over the past 50 years.
    - Nonwithheld payments of individual income taxes fell by $292 billion (or 25 percent), relative to payments in the same period in fiscal year 2022. The decline began in January and continued through tax-filing season, mostly reflecting a decrease in payments for 2022 and 2023 tax liabilities. One factor may be smaller collections of taxes on capital gains, which had been unusually large in 2022. In addition, payments from taxpayers in areas affected by natural disasters may have been delayed because of the IRS postponement of some filing deadlines; most of those payments are now due in fiscal year 2024.
    - Individual income tax refunds were $127 billion (or 52 percent) larger than in 2022, reducing net receipts.
    - Individual income taxes withheld from workers' paychecks decreased by $37 billion (or 2 percent), in part because withholding of individual income taxes in 2022 was boosted by payments that had been deferred from earlier years as part of the federal response to the coronavirus pandemic. In particular, employers could defer payment of their portion of certain payroll taxes on wages paid between March 27, 2020 (the date of enactment of the Coronavirus Aid, Relief, and Economic Security Act), and December 31, 2020. The law required employers to pay half of the amount deferred during calendar year 2020 by December 31, 2021. Although the provision affected payroll taxes, the Treasury recorded the effects as changes in collections of individual income taxes.

**Table 2.**

### Total Receipts

Billions of Dollars

| Major Source | FY 2021 | FY 2022 | FY 2023 | Percentage Change From 2022 to 2023 |
|---|---|---|---|---|
| Individual Income Taxes | 2,044 | 2,632 | 2,176 | −17.3 |
| Payroll Taxes | 1,314 | 1,484 | 1,614 | 8.8 |
| Corporate Income Taxes | 372 | 425 | 420 | −1.2 |
| Other Receipts | 317 | 356 | 229 | −35.7 |
| **Total** | **4,047** | **4,896** | **4,439** | **−9.3** |
| Percentage of Gross Domestic Product | 17.6 | 19.3 | 16.5 | n.a. |

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

FY = fiscal year; n.a. = not applicable.

- Part of the drop in individual income taxes is explained by the Treasury's reclassification of receipts from individual income to payroll taxes: That reclassification was larger in 2023 than in 2022. In 2023, the Treasury reclassified as payroll taxes $48 billion of receipts initially recorded as individual income tax revenues. In 2022, the amount reclassified as payroll taxes was $17 billion. Those reclassifications occur because, 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 information from tax returns, the Treasury makes periodic reallocations to revise past allocations.

■ Receipts recorded from **payroll (social insurance) taxes,** the second-largest revenue source, rose by $131 billion (or 9 percent). The increase was from 5.9 percent of GDP in 2022 to 6.0 percent in 2023—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. Payroll tax receipts rose faster than wages in part because of reallocations made by the Treasury to withheld taxes.

The overall increase in payroll taxes was reduced by a drop in unemployment insurance receipts (one type of payroll tax), which were $17 billion (or 26 percent) smaller in 2023 than in the same period in 2022. In 2022, states were replenishing 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 joint federal-state program.

■ Receipts from **corporate income taxes,** the third-largest source of revenue, declined by $5 billion (or 1 percent) in 2023. Those collections decreased from 1.7 percent of GDP in 2022 to 1.6 percent in 2023, below the average of 1.8 percent of GDP for the past 50 years. For many corporations in areas affected by natural disasters, the IRS postponed the deadline until fiscal year 2024 for payments that ordinarily would have been due in fiscal year 2023.

- Reported receipts from **other sources** decreased by $127 billion (or 36 percent), declining from 1.4 percent of GDP in 2022 to 0.8 percent in 2023—both below the 50-year average of 1.5 percent.
  - Remittances from the Federal Reserve decreased from $107 billion in fiscal year 2022 to less than $1 billion in 2023. Higher short-term interest rates raised the central bank's interest expenses above its income, eliminating the profits of most Federal Reserve banks.
  - Customs duties declined by $20 billion (or 20 percent), reflecting a reduction in imports, especially those subject to higher tariff rates.
  - Excise taxes decreased by $12 billion (or 14 percent). The delay in filing deadlines for those affected by natural disasters also reduced collections of excise taxes in 2023.
  - Estate and gift taxes increased by $1 billion (or 3 percent).
  - Collections of miscellaneous fees and fines increased by $10 billion (or 34 percent).

## Total Outlays: Down by 2 Percent in Fiscal Year 2023

Outlays in fiscal year 2023 were $6.1 trillion—$137 billion (or 2 percent) less than in 2022. In total, outlays were equal to 22.7 percent of GDP in 2023, continuing a decline from the recent high of 30.8 percent in 2020, but above the 50-year average of 21.0 percent.

Outlays in 2022 and 2023 were affected by the shifts of payments from October 1, 2022, and October 1, 2023—both of which fell on a weekend—into the previous fiscal year. Because of those shifts, outlays were higher by $63 billion in 2022 and by a net of $9 billion in 2023. If not for those shifts, the decline in outlays from 2022 to 2023 would have been smaller—$83 billion rather than $137 billion. (The discussion below reflects adjustments to exclude the effects of those timing shifts.)

Outlays by the **Department of Education** decreased by $680 billion (or 106 percent) from 2022 to 2023, mainly because the Administration's plan to cancel certain student loan repayments was never implemented. In 2022, outlays by the department increased by $379 billion, reflecting the Administration's estimate of the long-term cost of the planned loan cancellations; in 2023, the Administration recorded a reduction of $333 billion in outlays to reflect the Supreme Court's June 2023 decision that blocked the cancellations. If those effects were excluded from both years, the department's outlays would have *increased* by $32 billion from 2022 to 2023, and total federal outlays would have *increased* by $629 billion (or 11 percent) to $6.5 trillion, or 23.9 percent of GDP, excluding the effects of timing shifts.

Outlays also decreased in several other areas:

- Outlays for certain **refundable tax credits** totaled $171 billion—a decrease of $120 billion, or 41 percent.[4] That reduction occurred because the expanded child tax credit has expired. (In tax year 2021, eligibility for that credit was expanded and the size of the credit was increased; advance payments were made between July and December 2021.)
- Spending by the Treasury on **coronavirus relief** to state, local, tribal, and territorial governments decreased by $105 billion.

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.

**Table 3.**

## Total Outlays

Billions of Dollars

| Major Program or Category | FY 2021 | FY 2022 | FY 2023 | Percentage Change From 2022 to 2023: Actual | Percentage Change From 2022 to 2023: Adjusted[a] |
|---|---|---|---|---|---|
| Social Security Benefits | 1,123 | 1,206 | 1,342 | 11.2 | 11.2 |
| Medicare[b] | 692 | 751 | 844 | 12.5 | 17.4 |
| Medicaid | 521 | 592 | 616 | 4.0 | 4.0 |
| **Subtotal, Largest Mandatory Spending Programs** | **2,336** | **2,549** | **2,802** | **9.9** | **11.3** |
| Department of Education | 260 | 639 | −41 | −106.4 | −106.4 |
| Refundable Tax Credits[c] | 778 | 292 | 171 | −41.2 | −41.2 |
| Coronavirus Relief | 243 | 106 | 1 | −99.1 | −99.1 |
| Spectrum Auction Receipts | −9 | −104 | 0 | 100 | 100 |
| FDIC | −7 | −9 | 92 | n.m. | n.m. |
| PHSSEF | 71 | 92 | 28 | −70.0 | −70.0 |
| DoD—Military[d] | 718 | 727 | 776 | 6.8 | 7.5 |
| Net Interest on the Public Debt | 413 | 534 | 710 | 33.1 | 33.1 |
| Other | 2,019 | 1,446 | 1,596 | 10.4 | 11.8 |
| **Total** | **6,822** | **6,272** | **6,134** | **−2.2** | **−1.3** |
| Percentage of Gross Domestic Product | 29.7 | 24.8 | 22.7 | n.a. | n.a. |

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

DoD = Department of Defense; FDIC = Federal Deposit Insurance Corporation; FY = fiscal year; PHSSEF = Public Health and Social Services Emergency Fund; n.a. = not applicable; n.m. = not meaningful.

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 and $6,125 billion in fiscal year 2023.

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 from the **Public Health and Social Services Emergency Fund** decreased by $65 billion (or 70 percent) as expenditures decelerated for several pandemic-related activities, including reimbursements to hospitals and other health care providers, spending on coronavirus testing and contact tracing, and development and purchase of vaccines and therapies.
- Spending by the Department of Agriculture’s **Food and Nutrition Service** (included in “Other” in Table 3) decreased by $21 billion (or 11 percent), in part because emergency allotments for the Supplemental Nutrition Assistance Program ended earlier in 2023.

Outlays for the largest mandatory spending programs increased by $283 billion (or 11 percent):

- Spending for **Social Security** benefits rose by $135 billion (or 11 percent) because of increases in the average benefit payment (stemming mostly from cost-of-living adjustments) and also because of increases in the number of beneficiaries.

- **Medicare** outlays increased, on net, by $124 billion (or 17 percent) because of increased benefit payments and because of decreased recoveries of payments made through the COVID-19 Accelerated and Advance Payments Program.
- **Medicaid** outlays increased by $24 billion (or 4 percent) as a result of enrollment increases that were mainly attributable to provisions in the Families First Coronavirus Response Act that required states to maintain the eligibility of all enrollees until the end of the public health emergency. Because the Consolidated Appropriations Act, 2023, ended the continuous-enrollment requirement on March 31, 2023, in April 2023 states began assessing the eligibility of enrollees and disenrolling those who no longer qualify. CBO expects enrollment to remain above last year's number for several months as states continue the disenrollment process, which is likely to last through fiscal year 2024.

Net outlays for **interest on the public debt** increased by $177 billion (or 33 percent), mainly because interest rates were significantly higher than they were in fiscal year 2022.

Outlays increased in several other areas:

- Proceeds from the **auction of licenses to use the electromagnetic spectrum** are recorded in the budget as offsetting receipts—that is, as reductions in outlays. In fiscal year 2022, receipts totaled $104 billion. No such receipts were collected during 2023, resulting in a net increase in outlays.
- Outlays of the **Federal Deposit Insurance Corporation** (FDIC) rose by $101 billion as a result of facilitating the resolution of bank failures in the spring of 2023. The FDIC expects to recover much of that amount by continuing to liquidate the banks' assets and collecting higher premiums from FDIC-insured institutions over the next several years.
- Spending by the **Department of Defense** was $54 billion (or 8 percent) more than in fiscal year 2022; the largest increases were in the areas of operation and maintenance and research and development.
- Net spending by the **Pension Benefit Guaranty Corporation** (included in "Other" in Table 3) increased by $38 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Spending by the **Department of Veterans Affairs** (also in "Other") increased by $37 billion (or 14 percent), mostly because of increased spending per person and increased use of health care services.
- Outlays related to **U.S. Coronavirus Refundable Credits** (in "Other"), a group of temporary tax credits to help employers cover the costs of sick and family leave, employee retention, and continuation of health insurance for certain workers, were $52 billion—an increase of $22 billion over last year's total. Much of that increase stems from claims of the Employee Retention Tax Credit made on amended quarterly payroll tax forms this year. That credit was a refundable payroll tax credit for employers for 2020 and 2021; those credits have increased outlays as well as reduced receipts.
- Outlays for **Ginnie Mae and other mortgage loan programs** (in "Other") administered by the Department of Housing and Urban Development were $20 billion higher than last year, largely because in June 2022 the department recorded a downward revision of about $23 billion to the estimated subsidy costs of loans previously made by the Federal Housing Administration.

## Estimated Deficit in October 2023: $65 Billion

The federal government incurred a deficit of $65 billion in October 2023, CBO estimates—$23 billion less than the shortfall recorded last October. Revenues and outlays alike were higher this October (the first month of fiscal year 2024) than they were a year ago; the increase in revenues was greater than the increase in outlays.

Revenues in October were $85 billion more than they were last October—boosted by deferred payments of individual and corporate income taxes. Outlays in October 2022 and October 2023 were affected by shifts in the timing of certain federal payments that otherwise would have been due on October 1, which fell on a weekend in both years (those payments were made in September 2022 and September 2023, respectively). If not for those shifts, outlays would have been $72 billion higher this October than in the same month last year, and the deficit this October would have been $137 billion instead of $65 billion.

## Actual Deficit in September 2023: $171 Billion

The Treasury Department reported a deficit of $171 billion for September—$5 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: September 2023*.

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. Nathaniel Frentz and Amber Marcellino prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Barry Blom, Chad Chirico, 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/59640.

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