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

Monthly Budget Review: May 2021

June 8, 2021

The federal budget deficit was $2.1 trillion in the first eight months of fiscal year 2021, the Congressional Budget Office estimates—$184 billion more than the deficit recorded during the same period last year. Revenues were up by an estimated $587 billion (or 29 percent), but outlays rose more—by an estimated $771 billion (or 20 percent).

Federal revenues were nearly $300 billion more from January through May 2021 than CBO expected when it made its full-year projections earlier this year.[1] That increase stems mainly from larger-than-anticipated payments of individual and corporate income taxes, reflecting economic activity in calendar years 2020 and 2021. Specifically, estimated and final payments for individual and corporate income taxes for 2020 were larger and individual refunds were smaller than anticipated. Withholding for 2021 individual income taxes also has been greater than CBO expected. The reasons for the difference will be better understood as more detailed information becomes available later this year, but may reflect stronger-than-anticipated income growth throughout 2020 and so far in 2021.

Table 1.

Budget Totals, October–May

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Receipts	2,275	2,019	2,606	587	29
Outlays	3,014	3,899	4,671	771	20
Deficit (−)	−739	−1,880	−2,064	−184	10

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statements* for April 2021 and September 2020 and the *Daily Treasury Statements* for May 2021.

FY = fiscal year.

Most of the increase in outlays in the first eight months of the fiscal year arose from laws enacted in response to the coronavirus pandemic, notably for refundable tax credits (particularly the recovery rebates), unemployment compensation, and the Small Business Administration's

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031* (February 2021), www.cbo.gov/publication/56970.

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.

Paycheck Protection Program.[2] Largely because of that response, the deficits recorded during the first eight months of fiscal years 2020 and 2021 were significantly larger than the $739 billion shortfall recorded during the same period in fiscal year 2019.

Total Receipts: Up by 29 Percent for the Fiscal Year to Date

Receipts totaled $2,606 billion during the first eight months of fiscal year 2021, CBO estimates—$587 billion more than during the same period last year. That increase occurred partly because some income tax payments were due earlier this year than they were last year. In 2021, final payments for individual income taxes were due in May; last year they were not due until July.

Table 2.

Receipts, October–May

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	Estimated Change From 2020 to 2021: Percent
Individual Income Taxes	1,160	892	1,328	436	48.8
Payroll Taxes	829	870	899	30	3.4
Corporate Income Taxes	113	86	190	104	119.9
Other Receipts	172	171	189	18	10.6
Total	**2,275**	**2,019**	**2,606**	**587**	**29.1**
Memorandum:					
Combined Individual Income and Payroll Taxes					
Withheld taxes	1,680	1,692	1,785	93	5.5
Other, net of refunds	309	70	442	372	n.m.
Total	**1,989**	**1,762**	**2,228**	**465**	**26.4**

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

FY = fiscal year , n.m. = not meaningful.

- **Individual income** and **payroll (social insurance) taxes** together rose by $465 billion (or 26 percent).
  - Nonwithheld payments of income and payroll taxes rose by $386 billion (or 166 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 on July 15.
  - Amounts withheld from workers' paychecks rose by $93 billion (or 5 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 during the past year. 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

2. 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).

credits for paid leave and employee retention by reducing the amount of withheld taxes they remit.

- Individual income tax refunds increased by $20 billion (or 10 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 $7 billion (or 21 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 $104 billion (or 120 percent). That change largely reflects earlier collections of estimated and final payments of corporate income taxes, which this year were due in April; last year they were due in July.

■ Receipts from **other sources,** on net, increased by $18 billion (or 11 percent).

- The Federal Reserve's remittances to the Treasury rose by $9 billion (or 19 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 $10 billion (or 92 percent).
- Customs duties rose by $2 billion (or 5 percent), reflecting an increase in imports.
- Miscellaneous fees and fines decreased by $3 billion (or 16 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 20 Percent for the Fiscal Year to Date

Outlays in the first eight months of fiscal year 2021 were $4,671 billion, $771 billion 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.

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

■ Outlays for certain **refundable tax credits** were $290 billion higher than in the first eight months of 2020.[3] That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA.

■ The **Small Business Administration's** outlays were $268 billion higher this year than in the same period 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 other programs. The majority of the spending for those programs did not begin until June 2020. The CAA and ARPA provided additional funding for those programs.

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.

Table 3.

Outlays, October–May

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	Estimated Change From 2020 to 2021: Percent
Social Security Benefits	683	719	745	27	3.7
Medicare[a]	461	530	453	−77	−14.5
Medicaid	269	293	339	47	15.9
Subtotal, Largest Mandatory Spending Programs	**1,412**	**1,542**	**1,538**	**−4**	**−0.2**
Refundable Tax Credits[b]	118	381	671	290	76.0
Small Business Administration	*	26	294	268	n.m.
Unemployment Compensation	22	161	283	122	75.9
Coronavirus Relief Fund	0	147	131	−16	−10.6
DoD—Military[c]	439	462	482	20	4.3
Net Interest on the Public Debt	276	265	253	−12	−4.7
Other	746	917	1,020	103	11.2
Total	**3,014**	**3,899**	**4,671**	**771**	**19.8**

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.

a. Medicare outlays are net of offsetting receipts.

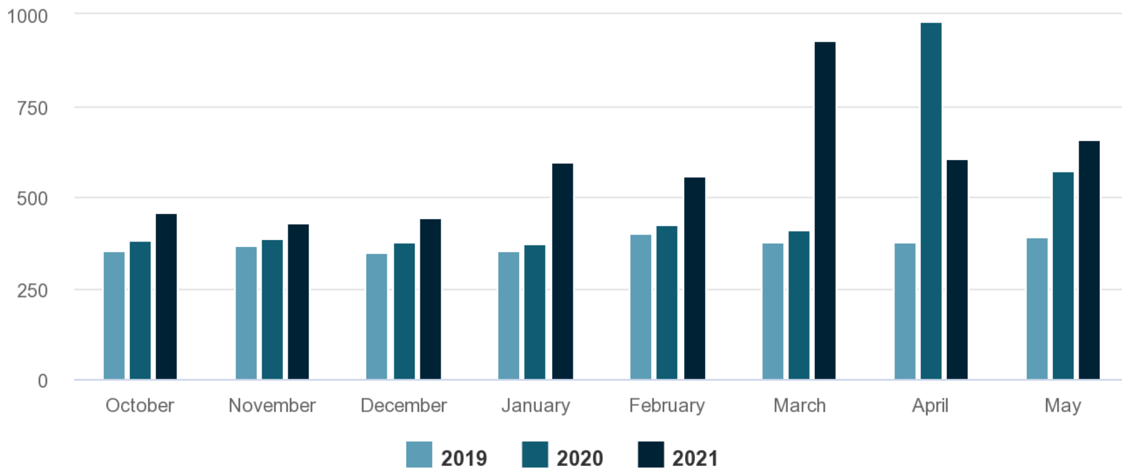
b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

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

- Outlays for **unemployment compensation** rose by $122 billion this year compared with the first eight 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 $45 billion, or 40 percent, largely because outlays for 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 $32 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 eight months of fiscal year 2020.
- Spending by the **Department of Homeland Security** (included in "Other") was $21 billion, or 52 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.[4]

4. 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://go.usa.gov/xHAfP.

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



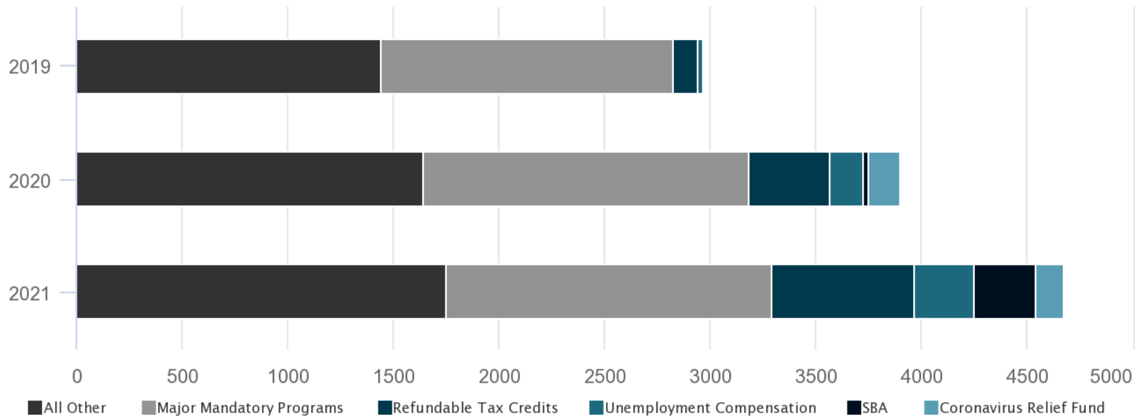
Data sources: Congressional Budget Office; Department of the Treasury.
The value shown for May 2021 is CBO's estimate.
All months have been adjusted to exclude the effects of timing shifts.

Some spending related to the pandemic declined. Outlays from the **Coronavirus Relief Fund** were $131 billion in the first eight months of fiscal year 2021, compared with $147 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.

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

- **Medicare** outlays declined by $77 billion (or 15 percent) this year compared with the first eight 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 provided advance payments of Medicare claims that will be recouped from future claims. CMS disbursed more than $100 billion in those payments in April 2020 before the programs were suspended.
- **Medicaid** outlays increased by $47 billion (or 16 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 $27 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

Figure 2.
Outlays, October–May
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 May 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.

Net outlays for **interest on the public debt** decreased by $12 billion (or 5 percent) because interest rates declined.

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

Estimated Deficit in May 2021: $132 Billion

The federal government incurred a deficit of $132 billion in May 2021, CBO estimates, compared with a $399 billion shortfall in May 2020. Outlays in May 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. Payment shifts from May into April *decreased* outlays by $60 billion in May 2021. If not for those shifts, the deficit in May 2021 would have been $192 billion—$206 billion smaller than the deficit in May 2020.

CBO estimates that receipts in May 2021 totaled $463 billion—$289 billion (or 166 percent) more than those in the same month last year. That increase was largely driven by nonwithheld individual income taxes, which increased by $230 billion, mostly because of differing tax-filing deadlines. Final payments for individual income taxes, normally due in April, were delayed until July last year; those payments were due in May this year. Fiscal year 2019 was a more typical year for tax collections than either 2020 or 2021; total receipts in May 2019 were $232 billion, about half the amount collected this May.

Withheld individual and payroll income taxes increased by $38 billion (or 23 percent) in May, in part because employers could defer certain payroll taxes last May. Additionally, relative to last May, corporate income taxes were $15 billion higher, excise taxes were $4 billion higher, and estate and gift taxes were $3 billion higher.

Table 4.

Budget Totals for May

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	Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays[a]: Percent
Receipts	232	174	463	289	289	166
Outlays	440	573	596	23	83	14
Deficit (−)	−208	−399	−132	266	206	−52

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 $192 billion in May 2021, CBO estimates.

Total spending in May 2021 was $596 billion, CBO estimates, $23 billion more than in May 2020. If not for timing shifts that decreased spending in May this year, outlays would have been $83 billion (or 14 percent) more than in May 2020. The largest changes involved spending related to the pandemic and associated economic effects. Those changes were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Outlays from the **Coronavirus Relief Fund** (discussed above) were $130 billion in May 2021, compared with $5 billion during the same month last year.
- Outlays for **unemployment compensation** were $58 billion lower this May, largely because such spending in May 2020 included a $600 increase in the weekly benefit amount provided under the CARES Act and a $300 increase in the weekly amount provided under ARPA.
- Payments of **refundable tax credits** were $32 billion lower than in the same month last year because some payments of recovery rebates authorized by the CARES Act were made in May last year; most such payments authorized by the CAA were made in March this year.
- Outlays by the **Small Business Administration** were an estimated $42 billion higher this May 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.
- Outlays by the **Department of Health and Human Services** were $9 billion lower this May, largely because of the expansion of two programs in May 2020 that provided for advance payments of Medicare claims, as discussed above.

In addition, payments for **interest on the public debt** were $12 billion higher in May 2021 than in the same month last year because the debt increased and inflation was higher.

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

Actual Deficit in April 2021: $226 Billion

The Treasury Department reported a deficit of $226 billion for April—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: April 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. Stephen Rabent, Mark Sanford, and Jennifer Shand 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/57193.

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