April 6, 2018

Monthly Budget Review for March 2018

The federal budget deficit was $598 billion for the first half of fiscal year 2018, the Congressional Budget Office estimates, $71 billion more than the shortfall recorded during the same period last year. Revenues and outlays were higher, by 2 percent and 5 percent, respectively, than they were during the first half of fiscal year 2017.

Budget Totals, October–March
Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	1,473	1,499	26
Outlays	2,000	2,097	97
Deficit (–)	–527	–598	–71

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2017 and the *Daily Treasury Statements* for March 2018.

FY = fiscal year.

Total Receipts: Up by 2 Percent in the First Half of Fiscal Year 2018

Receipts totaled $1,499 billion during the first six months of fiscal year 2018, CBO estimates—$26 billion more than during the same period last year. That increase resulted from changes in receipts from the following sources:

- Individual income and payroll (social insurance) taxes together rose by $56 billion (or 5 percent).
  - Amounts withheld from workers' paychecks rose by $47 billion (or 4 percent). That change largely reflects increases in wages and salaries that were partly offset, beginning in February, by a decline in the share of income withheld for taxes. In January, the Internal Revenue Service (IRS) issued new withholding tables to reflect changes made by Public Law 115-97, the major tax legislation enacted in December 2017. All employers were required to begin using the new tables by February 15, 2018.
  - Nonwithheld payments of income and payroll taxes rose by $11 billion (or 7 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15. (That payment was for 2017 tax liability.) Most taxpayers will not make their final payment of income taxes for 2017 until this month, when individual tax returns are due.
  - Income tax refunds were up by $3 billion (or 2 percent), reducing net receipts.

Note: 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 add up to totals because of rounding.

- Corporate income taxes fell by about $22 billion (or 22 percent). About half of that decline occurred in December, when most corporations made their final quarterly estimated payments for tax year 2017. For most corporations, final payments of taxes for 2017 and the first estimated payments for tax year 2018 are due in April.
- Revenues from other sources fell by $7 billion (or 5 percent), largely as a result of reduced income from fees and fines.

Receipts, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	695	738	43	6.1
Payroll Taxes	547	560	13	2.4
Corporate Income Taxes	100	78	–22	–22.3
Other Receipts	130	123	–7	–5.4
Total	**1,473**	**1,499**	**26**	**1.8**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,226	1,273	47	3.9
Other, net of refunds	17	26	8	47.2
Total	**1,243**	**1,298**	**56**	**4.5**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 5 Percent in the First Six Months of Fiscal Year 2018

Outlays for the first six months of fiscal year 2018 were $2,097 billion, $97 billion higher than they were during the same period last year, CBO estimates. The largest increases in outlays were in the following categories:

- **Social Security** benefits rose by $19 billion (or 4 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- Outlays for **net interest on the public debt** increased by $18 billion (or 12 percent), partly because of differences in the rate of inflation. To account for inflation, the Treasury Department adjusts the principal of its inflation-protected securities each month by using the change in the consumer price index for all urban consumers that was recorded two months earlier. That adjustment was $17 billion in the first six months of fiscal year 2017 but $25 billion so far in the current fiscal year. The remaining increase reflects higher interest rates and larger debt in the first six months of 2018.
- The government received $16 billion less in total payments from **Fannie Mae and Freddie Mac,** resulting in higher outlays. Their quarterly payments to the Treasury in December 2017 were $2 billion less than those in the previous December. Then, in March 2018, they *received* a net amount of about $3 billion from the Treasury, whereas in March 2017 they made a payment of nearly $11 billion to the government—a net difference of $14 billion. The recent cash infusion from the Treasury occurred because the entities' net worth was negative for the quarter as a result of write-downs they took on their tax-deferred assets in response to the recent major tax legislation. The last time Fannie Mae and Freddie Mac received such cash payments from the Treasury was in 2012.

- Outlays of the **Department of Homeland Security,** which are included in the "Other" category below, increased by $14 billion (or 56 percent), largely because of activities related to disaster relief.
- Spending for military programs of the **Department of Defense** rose by $12 billion (or 4 percent).

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

Outlays, October–March
Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	463	482	19	4.0
Medicare[a]	293	298	5	1.8
Medicaid	191	192	2	0.8
Subtotal, Largest Mandatory Spending Programs	**946**	**972**	**26**	**2.7**
DoD—Military[b]	286	298	12	4.2
Net Interest on the Public Debt	152	170	18	12.0
Other	616	657	41	6.6
Total	**2,000**	**2,097**	**97**	**4.8**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year.

a. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in March 2018: $207 Billion

The federal government incurred a deficit of $207 billion in March 2018, CBO estimates—$30 billion larger than the deficit in March 2017.

CBO estimates that receipts in March 2018 totaled $213 billion—$3 billion (or 2 percent) less than those in the same month last year. Withholding of individual income and payroll taxes fell by $5 billion (or 2 percent). Two factors contributed to that decline: March 2018 had one fewer business day than March 2017; and the share of wages withheld for taxes was lower, CBO estimates, reflecting the new withholding tables issued in January by the IRS.

Corporate income tax payments declined by $9 billion (or 66 percent). Typically, only a small share of total corporate taxes are paid in March.

Refunds of individual income taxes declined by $12 billion (or 16 percent), which boosted net receipts, offsetting most of the declines in receipts from other sources. The share of total annual refunds paid in March varies from year to year. Considered together, refunds paid in February and March were similar to those paid during the same period last year.

Budget Totals for March

Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Receipts	217	213	–3	–1.6
Outlays	393	420	27	6.8
Deficit	–176	–207	–30	17.2

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total spending in March 2018 was $420 billion, CBO estimates—$27 billion more than the sum in March 2017. The largest changes in outlays were as follows:

- The government received $14 billion less in total payments from **Fannie Mae and Freddie Mac,** resulting in higher outlays.
- **Social Security** benefits rose by $4 billion (or 5 percent).
- **Medicaid** benefits rose by $3 billion (or 10 percent).
- **Net interest on the public debt** rose by $3 billion (or 9 percent).

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

Actual Deficit in February 2018: $215 Billion

The Treasury Department reported a deficit of $215 billion for February—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for February 2018*.

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, available at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Elizabeth Cove Delisle, Nathaniel Frentz, Dawn Sauter Regan, and Joshua Shakin prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, and Sam Papenfuss. It was reviewed by Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/53718.