



May 7, 2018

Monthly Budget Review for April 2018

The federal budget deficit was \$382 billion for the first seven months of fiscal year 2018, the Congressional Budget Office estimates, \$37 billion more than the shortfall recorded during the same period last year. Revenues and outlays were higher, by 4 percent and 5 percent, respectively, than they were during the first seven months of fiscal year 2017.

As was the case last year, this year's outlays were affected by shifts in the timing of certain payments that otherwise would have been due on a weekend. If not for those shifts, outlays and the deficit through April would have been larger, by roughly \$40 billion, both this year and last year—but the year-to-year changes would not have been very different.

Budget Totals, October–April			
Billions of Dollars			
	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	1,929	2,012	83
Outlays	2,273	2,394	121
Deficit (–)	–344	–382	–37

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for March 2017 and the *Daily Treasury Statements* for April 2018.
FY = fiscal year.

Total Receipts: Up by 4 Percent in the First Seven Months of Fiscal Year 2018

Receipts for the first seven months of fiscal year 2018 totaled \$2,012 billion, CBO estimates—\$83 billion more than the amount during the same period last year.

Receipts collected in April were \$30 billion to \$40 billion larger than CBO expected when it prepared the estimates reported in *The Budget and Economic Outlook: 2018 to 2028*, which it issued on April 9. The bulk of that difference stems from larger-than-anticipated payments of individual income taxes. Those payments were mostly related to economic activity in 2017 and may reflect stronger-than-expected income growth in that year. Part of the strength in receipts also may reflect larger-than-anticipated payments for economic activity in 2018. The reasons for the added revenues will be better understood as more detailed information becomes available later this year.

The net increase in receipts from last fiscal year resulted from changes in collections from the following sources, according to CBO's estimates:

- Individual income and payroll (social insurance) taxes together rose by \$127 billion (or 8 percent).

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.

- Withheld amounts rose by \$54 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 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 \$71 billion (or 17 percent). Most of that increase occurred in April, when taxpayers made their final payments of taxes for 2017.
- Income tax refunds were up by \$2 billion (or 1 percent), reducing net receipts.
- Receipts from unemployment insurance taxes (one kind of payroll tax) increased by \$5 billion.
- Corporate income taxes fell by about \$36 billion (or 22 percent). That decline mostly reflects payments of 2017 taxes. Most corporations made both their final payments of taxes for 2017 and their first estimated payments for tax year 2018 in April.
- Revenues from other sources fell by \$8 billion (or 5 percent), largely as a result of reduced income from fees and fines.

Receipts, October–April				
Billions of Dollars				
Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	945	1,053	108	11.5
Payroll Taxes	670	690	19	2.8
Corporate Income Taxes	160	124	–36	–22.4
Other Receipts	<u>154</u>	<u>145</u>	–8	–5.3
Total	1,929	2,012	83	4.3
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,410	1,464	54	3.8
Other, net of refunds	<u>205</u>	<u>278</u>	<u>73</u>	35.8
Total	1,615	1,742	127	7.9
Sources: Congressional Budget Office; Department of the Treasury.				
FY = fiscal year.				

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

Outlays for the first seven months of fiscal year 2018 were \$2,394 billion, \$121 billion (or 5 percent) higher than they were during the same period last year, CBO estimates.

The largest increases in outlays were in the following categories:

- Outlays for **net interest on the public debt** increased by \$25 billion (or 14 percent), partly because of a higher 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 \$23 billion in the first seven months of fiscal year 2017 but \$35 billion so far in the current fiscal year. The remaining increase reflects higher interest rates and larger debt in the first seven months of 2018.

- **Social Security** benefits rose by \$23 billion (or 4 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- Spending for military programs of the **Department of Defense** rose by \$17 billion (or 5 percent).
- Outlays of the **Department of Homeland Security**, which are included in the “Other” category below, increased by \$17 billion (or 59 percent), largely because of activities related to disaster relief.

For other programs and activities, spending increased or decreased by smaller amounts. Spending for Medicare and Medicaid, for example, has risen by a total of \$12 billion (or 2 percent).

Outlays, October–April				
Billions of Dollars				
Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	541	564	23	4.3
Medicare ^a	315	322	7	2.2
Medicaid	<u>220</u>	<u>224</u>	<u>5</u>	2.1
Subtotal, Largest Mandatory Spending Programs	1,076	1,111	35	3.2
DoD—Military ^b	323	340	17	5.1
Net Interest on the Public Debt	181	207	25	13.9
Other	<u>693</u>	<u>737</u>	<u>44</u>	6.4
Total	2,273	2,394	121	5.3

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 Surplus in April 2018: \$218 Billion

The federal government realized a surplus of \$218 billion in April 2018, CBO estimates—\$35 billion larger than the surplus in April 2017.

CBO estimates that receipts in April 2018 totaled \$515 billion—\$59 billion (or 13 percent) more than those in the same month last year. Individual income and payroll taxes rose by \$73 billion (or 20 percent), on net. Nonwithheld payments for those taxes, largely final payments of 2017 taxes, rose by \$60 billion.

Withholding of individual income and payroll taxes rose by \$7 billion (or 4 percent). Withheld taxes rose both because wages and salaries were higher and because April 2018 had one more business day than April 2017. However, those factors were partially offset because the share of wages withheld for taxes was lower, CBO estimates, reflecting the new withholding tables issued in January. Corporate income tax payments declined by \$14 billion (or 24 percent).

Budget Totals for April				
Billions of Dollars				
	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	
			Billions of Dollars	Percent
Receipts	456	515	59	13.0
Outlays	273	297	24	8.7
Surplus	182	218	35	19.5
Sources: Congressional Budget Office; Department of the Treasury.				
FY = fiscal year.				

Total spending in April 2018 was \$297 billion, CBO estimates—\$24 billion more than the sum in April 2017.

The largest changes in outlays were as follows:

- **Net interest on the public debt** rose by \$6 billion (or 21 percent).
- **Social Security** benefits rose by \$4 billion (or 5 percent).
- Spending for military programs of the **Department of Defense** rose by \$4 billion (or 11 percent).
- **Medicaid** benefits rose by \$3 billion (or 10 percent).

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

Actual Deficit in March 2018: \$209 Billion

The Treasury Department reported a deficit of \$209 billion for March—\$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review for March 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, Stephen Rabent, David Rafferty, and Joshua Shakin prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, and Sam Papenfuss. It was reviewed by Robert Sunshine, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/53821.