



MONTHLY BUDGET REVIEW

Fiscal Year 2013

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for December and the *Daily Treasury Statements* for January

February 7, 2013

The federal budget deficit was \$295 billion for the first four months of fiscal year 2013, \$54 billion less than the shortfall recorded for the same period last year, CBO estimates. Without shifts in the timing of certain payments in both years, however, the deficit for the four-month period would have been about \$84 billion lower this year than the amount in fiscal year 2012. If lawmakers enacted no further legislation affecting spending or revenues, the federal government would end fiscal year 2013 with a deficit of \$845 billion, or 5.3 percent of gross domestic product (GDP), CBO estimates—compared with \$1.1 trillion, or 7.0 percent of GDP, in 2012. (For more details about CBO’s most recent budget projections, see [The Budget and Economic Outlook: Fiscal Years 2013 to 2023](#).)

DECEMBER RESULTS

The U.S. Treasury reported a deficit of \$1 billion for December, the same as CBO’s estimate based on the *Daily Treasury Statements*.

ESTIMATES FOR JANUARY

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	234	270	36
Outlays	262	272	10
Deficit (-)	-27	-2	26

Sources: Department of the Treasury; CBO.

The Treasury realized a deficit in January of \$2 billion, CBO estimates, which is \$26 billion less than the deficit reported in January 2012. In both years, because January 1 is a holiday, spending was affected by a shift of certain payments from January to December; without those shifts, the deficits in January would have been \$44 billion and \$20 billion in 2012 and 2013 respectively.

Receipts were about \$36 billion (or 15 percent) higher in January 2013 than they were in the same month last year, CBO estimates, largely because revenues from individual income and payroll taxes increased by \$33 billion (or 15 percent). Withheld taxes accounted for \$13 billion (or 8 percent) of that increase, mostly the result of changes in tax rules. Most significantly, the temporary cut in payroll taxes expired at the end of December 2012, boosting withheld receipts by about \$9 billion. Receipts from nonwithheld individual income and payroll taxes (which included estimated payments of individual income taxes for the last quarter of calendar year 2012) were \$13 billion (or 23 percent) higher in January 2013 than in the same month a year ago.

CBO estimates that shifting of income from 2013 to December 2012 in anticipation of higher tax rates in calendar year 2013 affected both nonwithheld and withheld income taxes in January. Much of the growth in nonwithheld taxes resulted from that shifting of income, leading to higher estimated payments of 2012 tax liabilities in January, but that shifting boosted withheld taxes in December and reduced them in January. Individual income tax refunds were \$6 billion lower than they were last January because the Internal Revenue Service (IRS) delayed the processing of 2012 individual income tax returns until January 30.

Outlays were \$10 billion higher in January 2013 than in January 2012, CBO estimates. Without the shifts in the timing of certain payments, the spending increase would have been slightly larger (\$11 billion). Outlays for Medicare grew by \$5 billion and those for Medicaid by \$4 billion. Social Security benefits were \$3 billion more than in January 2012. In contrast, payments for net interest on the public debt were \$4 billion lower than the amount in January of last year. Unemployment benefits and international security assistance were both lower by \$2 billion.

BUDGET TOTALS THROUGH JANUARY

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	790	886	96
Outlays	1,139	1,181	42
Deficit (-)	-349	-295	54

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$295 billion for the first four months of fiscal year 2013, \$54 billion less than the shortfall in the same period last year. Revenues grew by \$96 billion (or 12 percent), and outlays rose by \$42 billion (or 4 percent). But outlays in the first four months of fiscal

Note: Unless otherwise indicated, the figures in this report include the Social Security trust funds and the Postal Service fund, which are off-budget. Numbers may not add up to totals because of rounding.

year 2012 were unusually low because October 1, 2011, fell on a weekend, and certain payments were shifted into the previous fiscal year. If not for those shifts, the deficit in the first four months of fiscal year 2013 would have been \$84 billion less than that recorded during the same period in fiscal year 2012.

REVENUES THROUGH JANUARY (Billions of dollars)

Major Source	Actual FY 2012	Preliminary FY 2013	Percentage Change
Individual Income	404	468	15.9
Social Insurance	259	271	4.5
Corporate Income	60	70	16.2
Other	<u>67</u>	<u>77</u>	15.4
Total	790	886	12.2

Memorandum:
Combined Individual Income and Social Insurance Taxes

Withheld	587	645	9.9
Other	<u>76</u>	<u>94</u>	23.8
Total	663	739	11.5

Sources: Department of the Treasury; CBO.

Almost 80 percent of the \$96 billion gain in receipts in the first four months of fiscal year 2013 stemmed from higher individual income and payroll taxes (which were up \$76 billion, or 11 percent). Taxes withheld from workers' paychecks rose by \$58 billion (or 10 percent); most of the gains came from a combination of higher wages and salaries and the expiration of the payroll tax cut in January.

Nonwithheld tax receipts for the first four months of the fiscal year rose by \$15 billion (or 18 percent), mostly owing to the January boost brought about by taxpayers' shifting of income from calendar year 2013 into late 2012 in anticipation of higher tax rates. Individual income tax refunds fell by \$5 billion (or 21 percent), primarily because of the IRS's delay in processing 2012 income tax returns. Offsetting those gains was a \$2 billion drop in receipts from unemployment taxes.

Corporate income tax receipts grew by \$10 billion (16 percent): Tax payments rose by \$8 billion, and refunds were \$2 billion lower than during the same period last year.

Other receipts increased by \$10 billion. Most of the gains came from higher receipts from the Federal Reserve (up \$5 billion) and excise taxes (up \$3 billion).

OUTLAYS THROUGH JANUARY (Billions of dollars)

Major Category	Actual FY 2012	Preliminary FY 2013	Percentage Change	
			Actual	Adjusted ^a
Defense–Military	220	215	-2.2	-3.9
Social Security				
Benefits	247	262	6.3	6.3
Medicare ^b	137	165	20.7	9.0
Medicaid	79	88	10.6	10.6
Unemployment				
Benefits	35	27	-22.3	-22.3
Other Activities	<u>338</u>	<u>340</u>	0.4	-2.8
Subtotal	1,056	1,097	3.9	1.1
Net Interest on the Public Debt	<u>83</u>	<u>84</u>	0.4	0.4
Total	1,139	1,181	3.7	1.0

Sources: Department of the Treasury; CBO.

- a. Excludes the effects of payments shifted because of weekends or holidays and of prepayments of deposit insurance premiums.
b. Medicare outlays are net of offsetting receipts.

Federal outlays were 1 percent higher in the first four months of 2013 than they were during that period in 2012, after adjustments for timing shifts, CBO estimates. (The year-over-year changes discussed below reflect adjustments to account for those shifts.)

Expenditures for each of the three largest entitlement programs were greater than those in the same period last year. Outlays for Social Security benefits increased by the largest amount—by \$16 billion (or 6 percent). Spending for Medicare rose by \$14 billion (or 9 percent), and outlays for Medicaid rose by \$8 billion (or 11 percent).

Spending in some categories declined. Outlays for defense fell by \$9 billion (or 4 percent), compared with the amount in same period last year. Spending for unemployment benefits also decreased—by \$8 billion (or 22 percent).

Spending in the broad category “Other Activities” fell by \$10 billion (or 3 percent), compared with such spending in the first four months of fiscal year 2012. Net payments to Fannie Mae and Freddie Mac were \$14 billion less than those made during the same period last year. Spending for international assistance and energy programs fell by \$4 billion and \$2 billion, respectively.

In contrast, outlays for the Department of Agriculture increased by \$12 billion, primarily because of higher crop insurance payments owing to drought. Spending for the Federal Emergency Management Agency increased by \$4 billion, mostly because of Hurricane Sandy, and for veterans' benefits, by \$3 billion.