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BNA, Inc.

# Daily Report for Executives

No. 87

Monday May 7, 2007

ISSN 1523-567X

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## Regulation & Law

### U.S. Budget

#### CBO Lowers Projection of 2007 Deficit

#### To \$150-\$200 Billion Range on Tax Receipts


The Congressional Budget Office said May 4 that the projected 2007 federal budget deficit could come in much lower than had been expected at the beginning of the year, possibly as low as \$150 billion, based on continued strength in tax revenues.

"Revenues have risen by about 11 percent compared with receipts in the same period of 2006, only slightly more than CBO anticipated when it prepared its most recent budget estimates in March; outlays have grown by only 3 percent," the CBO said in its projection issued ahead of the monthly financial statement to be released by the Treasury Department on May 10.

"CBO now expects that the government will end 2007 with a deficit of between \$150 billion and \$200 billion, assuming enactment of pending supplemental appropriations," the agency said.

In March, the agency had projected about a \$214 billion deficit, assuming an Iraq war supplemental is passed by Congress. In 2006, the deficit totaled \$248.2 billion.

#### Further Receipt Growth Seen

Healthy tax revenues were cited May 2 by Treasury Department officials in their decision to eliminate sales of the three-year note from their regular auctions of government debt (85 DER EE-2, 05/3/07) . Treasury officials also disclosed they had discussed the issue of debt buybacks with an advisory committee made up of private sector experts. While debt buybacks were seen when the government last ran a surplus, Treasury officials said the discussions with the panel were only made in an effort to be forward-looking and proactive.

Prior to the CBO release, Rob Portman, director of the White House's Office of Management and Budget, said the budget was benefiting from a healthy economy.

"Solid economic growth is pushing Federal tax receipts up, and will drive the deficit down even faster as we move toward balance," he said in a statement.

"We've just seen a record-breaking April tax collection, and the outlook is for further growth in tax receipts. That's good news for our federal budget, and underscores the need for making the pro-growth tax relief permanent and having spending restraint in place."


#### Lawmakers Aim for Balance in 2012

On Capitol Hill, lawmakers are struggling to close the differences between House- and Senate-passed versions of the 2008 budget blueprint. Democrats have said they are aiming for a budget that can pass both chambers of Congress by May 15 and reach balance by 2012. However, negotiators have been stuck on several issues, including whether to allow room for extending some temporary tax cuts.

In its report, the CBO said it expected the government to post a \$176 billion surplus in April, well above the \$119 billion surplus seen in April 2006. Because of the mid-month deadline for individual tax payments, April is a crucial

month for government revenues. If the April projection is correct, the year-to-date deficit will be about \$83 billion, or about \$101 billion less than in the first seven months of fiscal 2006, the CBO said.

CBO said receipts from individual income taxes were up by about \$105 billion, or 17.5 percent, through April compared with the same period in the previous year, while payroll taxes were up by \$27 billion, or 5.5 percent in the same time frame.

"About 85 percent of the growth in total receipts through April occurred in receipts from individual income and payroll taxes, the two largest sources of revenues," the agency said. It noted, however, that some nonwithheld receipts appeared to be booked earlier by Treasury in 2007 than in 2006, shifting some receipts from May to April. If that factor is adjusted for, the agency said, overall receipts would have been up by closer to 9 percent, "only slightly more" than CBO had projected in March. 

*By Jonathan Nicholson*

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ISSN 1523-567X

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