



# MONTHLY BUDGET REVIEW

Fiscal Year 2001

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for March and the *Daily Treasury Statements* for April

May 10, 2001

April's tax receipts yielded no major surprises. Although receipts from corporate income taxes continued to show weakness in April, payments of individual income taxes for last year were about on target. CBO estimates that the surplus for the first seven months of fiscal year 2001 was about \$164 billion. CBO is reviewing its projections for the year and will issue updated ones in the near future.

## MARCH RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	132	130	-2
Outlays	178	181	3
Deficit (-)	-46	-51	-5

SOURCES: Department of the Treasury; CBO.

The Treasury reported a deficit of \$50.7 billion in March, about \$5 billion more than CBO had projected on the basis of the *Daily Treasury Statements*. Receipts were \$2 billion lower than CBO had anticipated, and outlays were about \$3 billion higher. The Department of Veterans Affairs, the Public Health Service, the Defense Department, and the Postal Service accounted for most of the additional outlays.

## ESTIMATES FOR APRIL

(In billions of dollars)

	Actual FY2000	Preliminary FY2001	Estimated Change
Receipts	295	331	36
Outlays	136	142	6
Surplus	159	189	30

SOURCES: Department of the Treasury; CBO.

The usual large inflow of individual income tax payments in April generated a surplus of about \$189 billion for the month, CBO estimates. That amount was the largest monthly surplus ever and \$30 billion more than the surplus recorded last April. Receipts from nonwithheld individual income taxes in April were close to CBO's expectations, growing by about 10 percent from last April's level (adjusted for differences in the calendar). Receipts from corporate income taxes, however, continued to be weak.

Receipts are always much larger in April than in other months because they include nonwithheld income tax payments from individuals filing their tax returns for the previous year. Receipts this April totaled \$331 billion, about \$36 billion more than last April's amount. Nonwithheld tax receipts accounted for \$32 billion of that increase, nearly half of which resulted from timing effects of the calendar. Last year's deadline for filing income tax returns was April 17, a day later than this year's deadline. Since the Internal Revenue Service takes about two weeks to process and deposit checks sent with tax returns, last year about \$14 billion of nonwithheld receipts were not processed in time to be included in the *Monthly Treasury Statement* for April (they were included in May's receipts). The earlier deadline this year allowed for nearly full processing of checks in April. Adjusted for that shift in timing, nonwithheld receipts in April rose by about \$18 billion, or 10 percent. That relatively strong growth was about the amount that CBO had been expecting, partly on the basis of last year's robust economic activity. Last year, individual income tax receipts grew by more than 14 percent.

Corporate income tax receipts, in contrast, were about \$4 billion lower this April than in April 2000. That decline is consistent with weak corporate profits in the first quarter of calendar year 2001, as suggested by firms' recent profit announcements and aggregate national income data. Corporate tax receipts also fell in February and March (compared with the same months last year), largely because many firms obtained refunds of previous taxes paid. That development was consistent with the weak profits reported late in calendar year 2000.

Outlays this April were about \$6 billion higher than they were last April, CBO estimates. That increase was largely attributable to spending for Social Security, Medicare, and Medicaid. Spending for unemployment compensation and education programs also grew significantly.

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.

**BUDGET TOTALS THROUGH APRIL**  
(In billions of dollars)

	October-April		Estimated Change
	FY2000	FY2001	
Receipts	1,172	1,252	80
Outlays	1,048	1,088	40
Surplus	124	164	40

SOURCES: Department of the Treasury; CBO.

The surplus for the first seven months of fiscal year 2001 was about \$164 billion, CBO estimates—\$40 billion more than for the same period last year. Receipts were about \$80 billion higher than in the first seven months of fiscal year 2000, but outlays were only \$40 billion higher. As discussed above, the year-to-year improvement results in part from the processing of more tax returns in April. In addition, the outlay figures reflect the fact that \$7 billion in wages and benefits that would normally have been paid on October 1, 2000, were instead disbursed in September (the previous fiscal year) because October 1 fell on a weekend.

**RECEIPTS THROUGH APRIL**  
(In billions of dollars)

Major Source	October-April		Percentage Change
	FY2000	FY2001	
Individual Income	602	657	9.3
Corporate Income	108	105	-2.6
Social Insurance	374	404	8.1
Other	89	86	-3.4
Total	1,172	1,252	6.8

SOURCES: Department of the Treasury; CBO.

Total receipts through April of this fiscal year were 6.8 percent higher than during the same period last year, and individual income tax receipts were 9.3 percent higher. However, those growth rates are distorted by the shift of nonwithheld tax receipts between April and May. If the \$14 billion in nonwithheld receipts that were included in the *Monthly Treasury Statement* for May 2000 had instead been included in the previous month's tabulation, the growth rate for total receipts through April of this fiscal year would be about 5.5 percent, and the growth rate for individual income tax receipts would be about 6.8 percent.

Corporate tax receipts through April were 2.6 percent below the amount received during the same period last year. That weakness developed recently; from February through April, corporate receipts were 18 percent below the amount recorded over the same period last year.

In the budget projections it published in January, CBO estimated that corporate tax receipts would total \$215 billion in this fiscal year, an increase of 4 percent over the \$207 billion received in 2000. Since more than half of corporate tax receipts for a full fiscal year are typically received by the end of April, and a strong rebound in corporate profits in the next few months is not expected, it now appears likely that corporate receipts will fall short of the amount that CBO projected in January.

Social insurance tax receipts so far this year are about 8.1 percent higher than recorded through April last year, but other receipts have fallen by 3.4 percent. Payments made by the Federal Reserve account for most of that decline. Those receipts fell by about \$4 billion early in the year as the result of legislation enacted in 1999.

**OUTLAYS THROUGH APRIL**  
(In billions of dollars)

Major Category	October-April		Percentage Change	
	FY2000	FY2001	Actual	Adjusted <sup>a</sup>
Defense—Military	161	165	2.6	4.4
Social Security Benefits	230	245	6.6	6.6
Medicare	125	134	6.8	6.8
Medicaid	67	74	10.7	10.7
Other Programs and Activities	328	339	3.2	4.5
Subtotal	912	957	5.0	5.8
Net Interest on the Public Debt	136	131	-4.4	-4.4
Total	1,048	1,088	3.8	4.5

SOURCES: Department of the Treasury; CBO.

a. Excludes the effects of payments that were shifted from October 2000 to September because October 1 was a Sunday.

Excluding net interest, spending this April was about 7 percent higher than in April 2000, CBO estimates, raising total outlays for the first seven months of the fiscal year to 5.0 percent above the level in the comparable period last year. Adjusted for the \$7 billion in payments that were shifted from October 2000 into September, that growth rate was even higher—5.8 percent. Medicare spending accelerated in April as increases in payment rates for health care providers began to take effect. Outlays for Medicare are almost 7 percent higher than in the first seven months of last year, after rising by only 3.2 percent between 1999 and 2000. Spending for Medicaid continues its rapid growth—up by almost 11 percent so far this year.