

Effect of the ARRA on Federal Receipts & Expenditures

(billions of dollars, SAAR)

Revision Summary 2009Q1 – 2012Q1

Estimates of the effect of the American Recovery and Reinvestment Act of 2009 (ARRA) on BEA's estimates of federal government receipts and expenditures were revised from the first quarter of 2009 to the first quarter of 2012. Revisions were based primarily on revised estimates of the tax effects of the ARRA from the Treasury Department's Office of Tax Analysis (OTA) and data on federal outlays from the Monthly Treasury Statement (MTS).

Revisions to effect of the ARRA on **personal current taxes** (line 5) were based on revised OTA estimates of the effects of several ARRA tax provisions. The effect of special allowances for certain property acquired during 2009 on individual income tax revenues was revised up \$1.5 billion for fiscal year 2009 and \$1.1 billion for fiscal year 2010. The effect of the American Opportunity Tax Credit was revised down \$2.4 billion for fiscal year 2011.

Revisions to the effect of the ARRA on **capital transfers to business** (line 29) were based on revised OTA estimates of the effects of the homebuyer tax credit. The amount of tax refunds paid to homebuyers and the amount by which tax revenues from homebuyers were reduced as the result of this tax credit program are both recorded as capital transfers.

Revisions to the effect of the ARRA on **social benefits** (line 10) for calendar years 2010 and 2011 were based on MTS outlays data that replace OTA projections for **refundable tax credits**. The revision to social benefits for the first quarter of 2012 reflected revised OTA projections of outlays for refundable tax credits for fiscal year 2012.

Revisions to the effect of the ARRA on **grants-in-aid to state and local governments** (line 20) were based on MTS data on outlays related to Build America bonds. Outlays related to this program had been included in BEA's ARRA effects only through November 2010 because we believed that subsequent outlays for this program were authorized by other legislation. Further analysis has shown that outlays for this program continued to be authorized by the ARRA. The effect of the ARRA was revised up from zero for all four quarters of 2011 and the revision in the fourth quarter of 2010 was revised up to include outlays in December 2010.

Revisions to the effect of the ARRA on **consumption expenditures** (line 8) were due to improved classifications of ARRA spending within the national accounts.