U.S. spends $3.4 trillion in 11 months

By Editor Test *Thu, Sep 13, 2012*

Federal outlays through August totaled $3.4 trillion, up 2% from the same period last year. Receipts in the first 11 months totaled $2.2 trillion, up $126 billion from the same period last year. (Federal fiscal year ends Sept. 30, 2012.)

CBO estimates in its *Monthly Budget Review* that the Treasury Department will report a deficit of $1.17 trillion for the first 11 months of fiscal year 2012, almost $70 billion less than the deficit at the same point last year.

In CBO's most recent budget projections, the agency estimated that the deficit for fiscal year 2012 (which will end on September 30, 2012) will total $1.13 trillion, about $175 billion less than last year's shortfall.

Receipts in the first 11 months totaled $2.2 trillion, $126 billion more than those in the same period last year. Compared with collections during the same period in fiscal year 2011:

- **Net receipts from corporate income taxes grew by $45 billion (or 31 percent).** Corporate income taxes contributed the largest amount to the overall increase in revenues, largely because of changes in tax rules in recent years—in particular, the rules governing how quickly firms may deduct the cost of their investments in equipment.
- **Individual income tax receipts grew by $39 billion (or 4%).** Growth in wages and salaries boosted withholding by $30 billion (or 3%), and nonwithheld payments increased by $11 billion (or 4%). Those gains were partially offset by an increase of $2 billion (or 1%) in tax refunds.
- **Receipts from social insurance taxes rose by $26 billion (or 3%).** Withholding for payroll taxes grew by about $15 billion (or 2%). The current 2 percentage-point reduction in the payroll tax was not in effect for the first quarter of fiscal year 2011 (October through December 2010); if it had been in effect during that time, the year-over-year increase in withholding for payroll taxes would have been larger by about $25 billion, CBO estimates (yielding growth of 6% percent in that source of revenue). In addition, collections of unemployment insurance taxes rose by $11 billion (or 19%) through August 2012, as states continued to replenish trust funds depleted by the recent recession.
- **Receipts from other sources increased, on net, by about $17 billion (or 9%).** Collections of excise taxes grew by $7 billion; receipts of estate and gift taxes rose by $6 billion; and, together, revenues from customs duties and miscellaneous fees and fines increased by $6 billion. Those gains were partially offset by a decline of $2 billion in receipts from the Federal Reserve.

Outlays through August totaled $3.4 trillion, $57 billion (or 2%) more than spending in the same period last year. As adjusted for shifts in the timing of payments, outlays were 1 percent higher. Some of that increase reflects changes recorded in the budget for the estimated cost of the Troubled Asset Relief Program (TARP): Adjustments to the estimated cost of the program were recorded as a $42 billion reduction in outlays in 2011 and as a $21 billion increase in outlays in 2012. Excluding those revisions to previous estimates and the effects of shifts in payment dates, spending through August 2012 was about 1% less than spending in the first 11 months of fiscal year 2011.

By CBO's estimates, outlays decreased for several major categories of spending:

- **Medicaid**—Outlays fell by $26 billion (or 10%) because legislated increases in the federal share of the program's costs expired in July 2011.
- **Unemployment benefits**—Spending dropped by $24 billion (or 22%), mostly because fewer people have been receiving benefits in recent months.
- **Defense**—Outlays fell by about $16 billion (or 3%), in part because of lower spending for military operations in Afghanistan and Iraq.
- **Education programs**—Net outlays were lower by $28 billion (or 31%), excluding changes recorded in the budget in the estimated cost of student loans. That decline has occurred largely because of waning spending from funding provided by the American Recovery and Reinvestment Act. (Most of that spending occurred before 2012.)
- **Making Work Pay tax credit**—The refundable portion of this credit is recorded in the budget as an outlay. That spending declined by $14 billion because the credit expired last year.

For some major programs, spending increased:

- **Social Security**—Payments for benefits increased by $39 billion (or 6%).
- **Medicare**—Net spending was up by $18 billion (or 4%).