

CBO: Revenues soared in fiscal 2021, helping to cut deficit even as spending climbed

The nonpartisan Congressional Budget Office (CBO) on October 8 released a report noting that federal revenues soared 18 percent in just-ended fiscal year 2021, helping to cut the budget deficit relative to fiscal 2020—net of higher outlays—by about \$360 billion. Still, at almost \$2.8 trillion, in nominal terms last year's deficit represents the second-largest budget shortfall in US history.

[URL: https://www.cbo.gov/system/files/2021-10/57476-MBR.pdf](https://www.cbo.gov/system/files/2021-10/57476-MBR.pdf)

Revenues top pre-TCJA levels

According to the report—a “monthly budget review” which, in this case, provides preliminary budget figures for all of fiscal year 2021 which ended on September 30—revenues increased by about \$627 billion from fiscal 2020 to 2021. Outlays also increased, albeit by a smaller amount—\$265 billion.

At just over \$4 trillion last year, federal receipts reached their highest recorded level—despite the economic headwinds attributable to the ongoing coronavirus pandemic—substantially outpacing even those receipts collected in fiscal year 2017, the last full fiscal year prior to enactment of the 2017 Tax Cuts and Jobs Act (TCJA, P.L. 115-97). In that year, total revenues came in at about \$3.3 trillion.

Corporate and individual income taxes lead the way

In percentage terms, corporate income tax revenues experienced the largest year-over-year jump, climbing almost 75 percent relative to fiscal year 2020. CBO attributes that increase—which amounts to \$158 billion—to higher corporate profitability. At \$370 billion, total corporate receipts clocked in at their highest level since 2007.

Individual income tax revenues also experienced a rapid rise of 27.5 percent—or \$441 billion—with withheld taxes, especially among higher-income workers, accounting for the bulk of the increase.

“Amounts withheld from workers’ paychecks rose by \$244 billion (or 10 percent),” the report states. “That increase most likely reflects higher total wages and salaries, particularly among the relatively high-income workers who are subject to higher tax rates on earnings.”

So-called “nonwithheld” payments of individual income and payroll taxes also shot up \$197 billion—or 41.3 percent—relative to the prior fiscal year. CBO does not detail exactly where those revenues came from, though other recent analyses released by the agency have shown an increase in capital gains realizations and related receipts.

Federal spending also up

On the spending side of the ledger, federal outlays rose about 4 percent (or \$265 billion) relative to fiscal 2020. At just over \$6.8 trillion, spending reached its highest level on record.

The largest contributors to higher spending levels were mainly attributable to the economic downturn and related pandemic relief efforts, with grant payments to state and local governments from the Coronavirus Relief Fund and payments to Medicaid beneficiaries both posting large gains.

The biggest single category of outlay increases, however, came from refundable tax credits—including the earned income tax credit, child tax credit, and so-called “economic impact payments” (that is, stimulus payments)—which posted an 87.7 percent, or \$363 billion, rise relative to fiscal 2020.

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