

Economics Group

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April Federal Budget Surplus Boosted by Robust Tax Payments

The federal government ran a surplus of \$214.3 billion in April. Rising equity markets and more tax certainty likely helped boost nonwithheld tax payments, but the deficit in the second half of the year remains large.

Nonwithheld Tax Receipts Help Drive Surplus

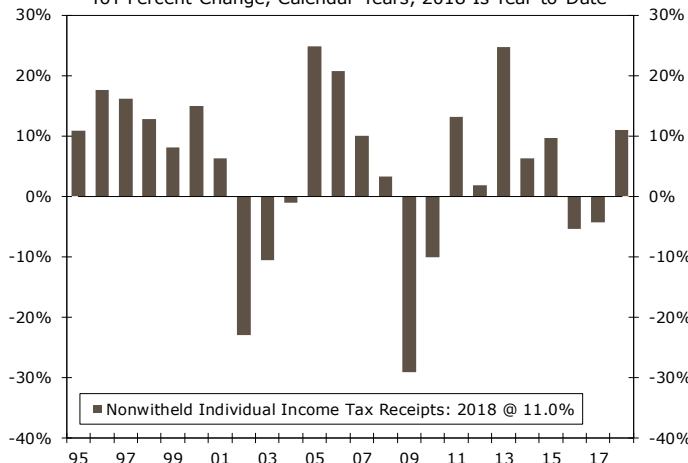
- Nonwithheld individual income tax payments, or taxes paid not directly taken out of a paycheck, typically surge in April as taxpayers square up with the federal government. Nonwithheld collections have been solid this year, with rising equity markets and more tax certainty likely boosting capital gains realizations. Though these tax collections have been stronger than the recent past, they are by no means unprecedented (top left chart).

More Red Ink to Come

- This surge in tax payments, a phenomenon we anticipated as far back as last July, helped bring down the government's Q2 borrowing need even more than usual.* With plenty of cash on hand, we continue to expect that net T-bill issuance will be negative in Q2. Strong tax collections in April, however, have not altered our view that the budget deficit will materially worsen in the second half of the year, driving a much larger borrowing need.

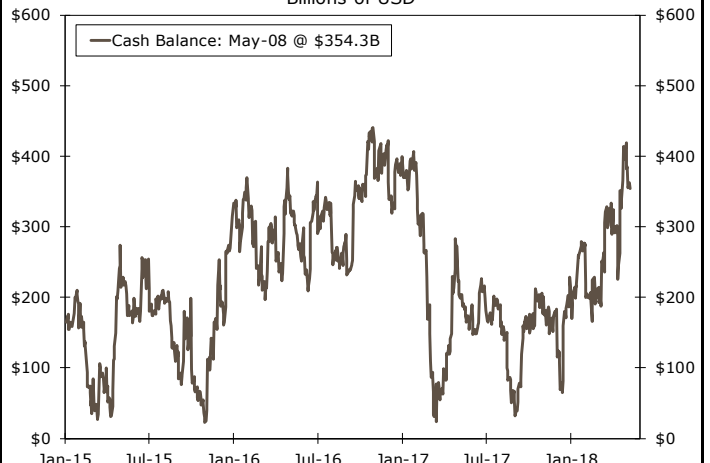
Nonwithheld Individual Income Tax Receipts

YoY Percent Change, Calendar Years, 2018 Is Year-to-Date



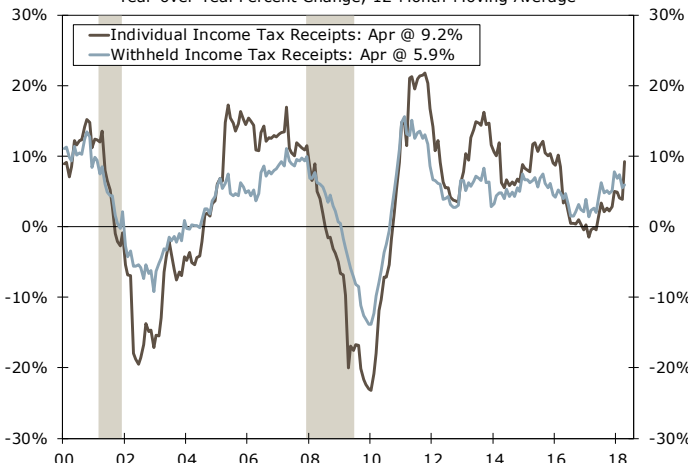
U.S. Treasury Cash Balance

Billions of USD



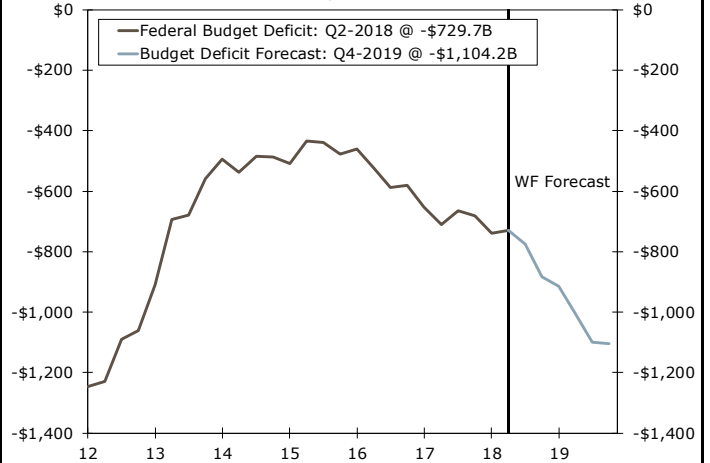
Individual Income Tax Receipts

Year-over-Year Percent Change, 12-Month Moving Average



Federal Budget Deficit Forecast

4-Quarter Moving Sum, Billions of USD



Source: U.S. Department of the Treasury and Wells Fargo Securities

*Silvia, J.E., Brown, M. A., and Pugliese, M. (2017). Is Federal Revenue Growth Flashing a Warning Sign? Available on request.

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