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GOVERNMENT DEFICIT REDUCED AS FEDERAL RECEIPTS RISE
IN THE THIRD QUARTER OF 1975

The Federal Government deficit was reduced substantially in the third quarter as rapid gains in economic activity, coupled with provisions of the Tax Reduction Act of 1975 — most importantly, the absence of the one-time income tax rebate — resulted in a very large gain in Federal receipts, as measured in the national income accounts (NIA), according to the Bureau of Economic Analysis of the U.S. Department of Commerce.

The third quarter deficit was \$67.1 billion, at a seasonally adjusted annual rate, down \$36.2 billion from the \$103.3 billion deficit recorded in the second quarter. Excluding the rebate, the deficit declined \$5.0 billion in the third quarter.

Receipts in the third quarter amounted to \$295.7 billion at an annual rate, up \$43.9 billion from the second. The substantial increase in the third quarter was the net result of about a \$27.0 billion increase due to provisions of the Tax Reduction Act and a \$16.9 billion gain resulting from higher incomes and petroleum import fees.

Personal tax payments increased sharply — \$32.3 billion — due to an increase of \$27.4 billion under provisions of the Tax Reduction Act and \$4.9 billion from higher wages and salaries. The gain from the Tax Reduction Act was the net result of the absence of the tax rebate and the full-quarter effect of the reduction in withholding rates effective May 1.

Corporate tax liabilities increased \$7.7 billion, largely the result of a \$20.8 billion gain attributable to higher corporate profits.

Social insurance contributions increased \$2.1 billion, largely as a result of gains in employment and increased wages and salaries. The \$1.8 billion increase in indirect business taxes included \$1.3 billion from fees on imported crude petroleum and petroleum products. A 60-cent duty on petroleum products was removed by the Administration, effective September 1.

Expenditures were \$362.9 billion in the third quarter, up \$7.7 billion from the first — the smallest gain recorded this year. Grants advanced \$3.7 billion, including about \$2.0 billion from release of impounded highway funds. Purchases increased \$2.1 billion — \$1.3 billion for national defense and \$0.8 billion for nondefense. Transfer payments advanced \$1.2 billion; social security benefits increased \$6.7 billion — including \$5.0 billion from an 8 percent benefit increase paid in July — and various other benefits increased \$1.7 billion. These increases were partly offset by a \$6.6 billion decline resulting from absence of the one-time \$50 bonus payment to social security and other recipients and a \$0.6 billion decline in unemployment benefits. Net interest paid advanced \$0.3 billion. Subsidies (less current surplus of government enterprises) also advanced \$0.3 billion, largely the result of a July 21 pay raise for postal workers.

The NIA statement of Government receipts and expenditures calculated by BEA differs in several respects from the unified budget, and is integrated conceptually and statistically with the rest of the national income and product accounts. Unlike the unified budget, it excludes financial transactions, such as loans; it also records several categories of receipts and expenditures on a timing basis that is different from the budget. It is published quarterly at a seasonally adjusted annual rate.

Additional data appear in the Survey of Current Business, the monthly magazine published by the Bureau of Economic Analysis.

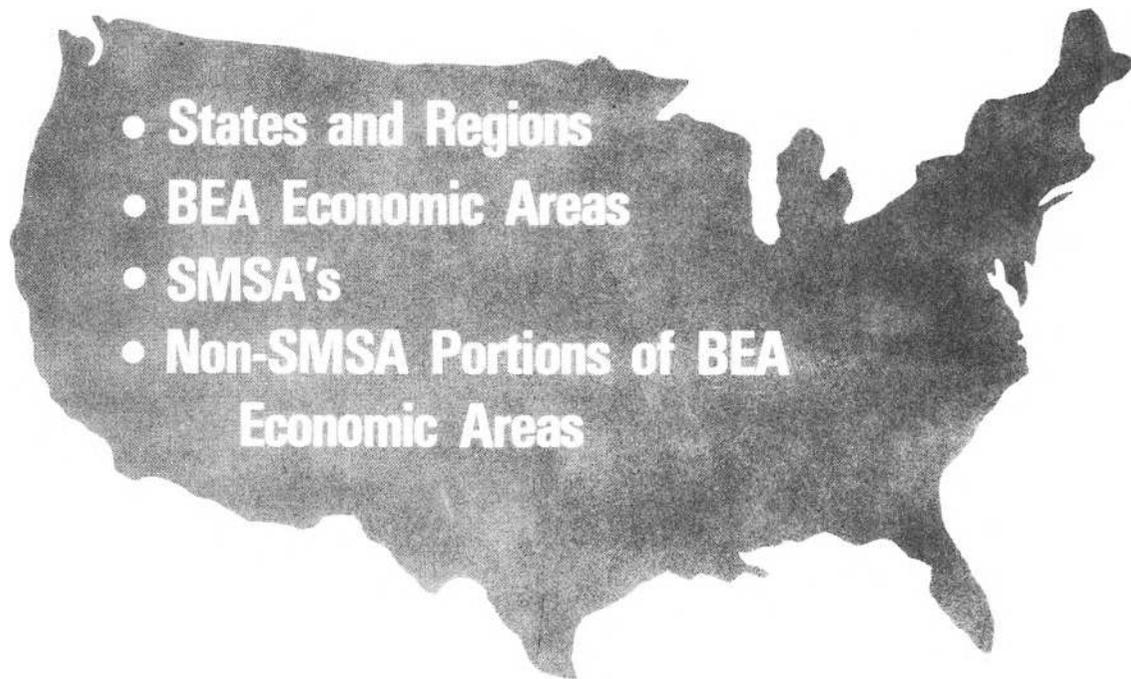
The Survey is available from most District Offices of the Department of Commerce or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402, at an annual subscription price of \$48.30, including weekly supplements; single copy \$3.00.

FEDERAL GOVERNMENT RECEIPTS AND EXPENDITURES
(Billions of dollars)

	1972	1973	1974	1974		1975		
				III	IV	I	II	III
				Seasonally adjusted at annual rates				
Federal Government receipts	227.2	258.5	291.1	302.8	294.7	284.1	251.8	295.7
Personal tax and nontax receipts	108.2	114.1	131.3	134.8	136.8	136.2	99.1	131.5
Corporate profits tax accruals	36.6	43.7	49.1	55.4	45.7	34.1	37.5	45.2
Indirect business tax and nontax accruals . .	20.0	21.2	22.0	22.5	22.2	22.9	23.8	25.6
Contributions for social insurance	62.5	79.5	88.7	90.0	90.0	90.9	91.3	93.3
Federal Government expenditures	244.7	264.2	299.1	304.7	319.3	338.5	355.0	362.7
Purchases of goods and services	104.9	106.6	116.9	117.2	124.5	126.5	128.4	130.5
National defense	74.8	74.4	78.7	78.4	84.0	84.7	84.8	86.1
Other	30.1	32.2	38.2	38.8	40.6	41.8	43.6	44.4
Transfer payments	82.8	95.5	117.0	120.8	127.2	138.5	149.9	151.1
To persons	80.1	92.9	114.4	118.4	124.5	135.8	147.2	148.4
To foreigners (net)	2.7	2.6	2.6	2.4	2.7	2.7	2.7	2.7
Grants-in-aid to State and local governments	37.4	40.5	43.8	43.4	45.5	50.2	52.2	55.9
Net interest paid	13.5	16.3	18.8	19.1	19.7	19.7	21.1	21.4
Subsidies less current surplus of government enterprises	6.6	5.3	2.1	2.7	2.3	3.5	3.5	3.9
Less: Wage accruals less disbursements5	.0	-.5	-1.5	.0	.0	.0	.0
Surplus or deficit (-), national income and product accounts	-17.5	-5.6	-8.1	-1.9	-24.5	-54.4	-103.3	-67.1

*Look Ahead
With*

AREA ECONOMIC PROJECTIONS 1990



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Bureau of Economic Analysis**

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