Insight

Debt and Deficit (Lack of) Progress Report: August 2026

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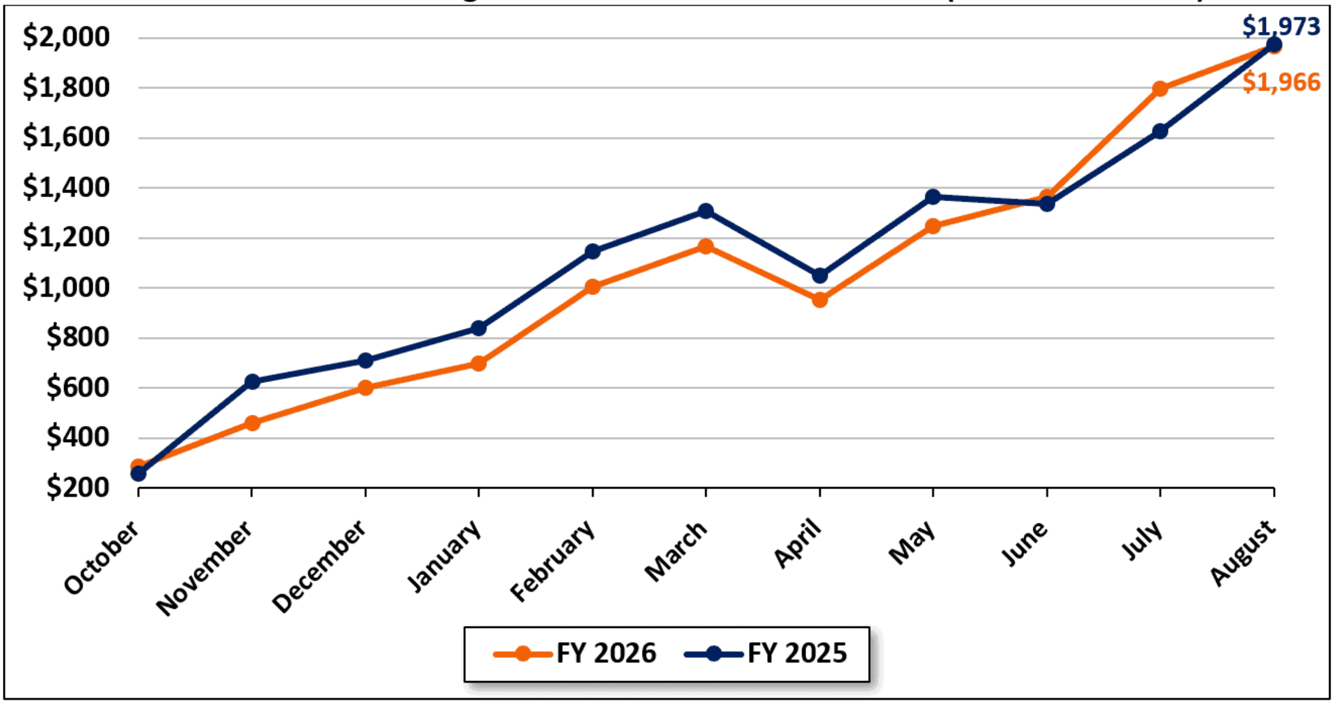
Executive Summary

- The U.S. Department of the Treasury's August 2026 Monthly Treasury Statement shows the federal budget deficit totaled $2.0 trillion during the first 11 months of fiscal year (FY) 2026 – $8 billion lower than the corresponding period in FY 2025; the FY 2026 cumulative deficit was the net effect of $4.8 trillion of revenue collections and $6.8 trillion of spending.
- On a monthly basis, the budget deficit totaled $167 billion in August 2026 – $178 billion lower than in August 2025; the August 2026 deficit was the net effect of $360 billion of revenue collections and $527 billion of spending.
- Revenue is up by $154 billion in FY 2026, driven by higher individual income and payroll tax collections and larger customs duties; spending is up by $147 billion, driven by higher entitlement spending and larger interest payments on the national debt.
- Federal debt held by the public totaled $32.4 trillion at the end of August 2026 – $2.4 trillion higher than the debt at the end of August 2025.

Introduction

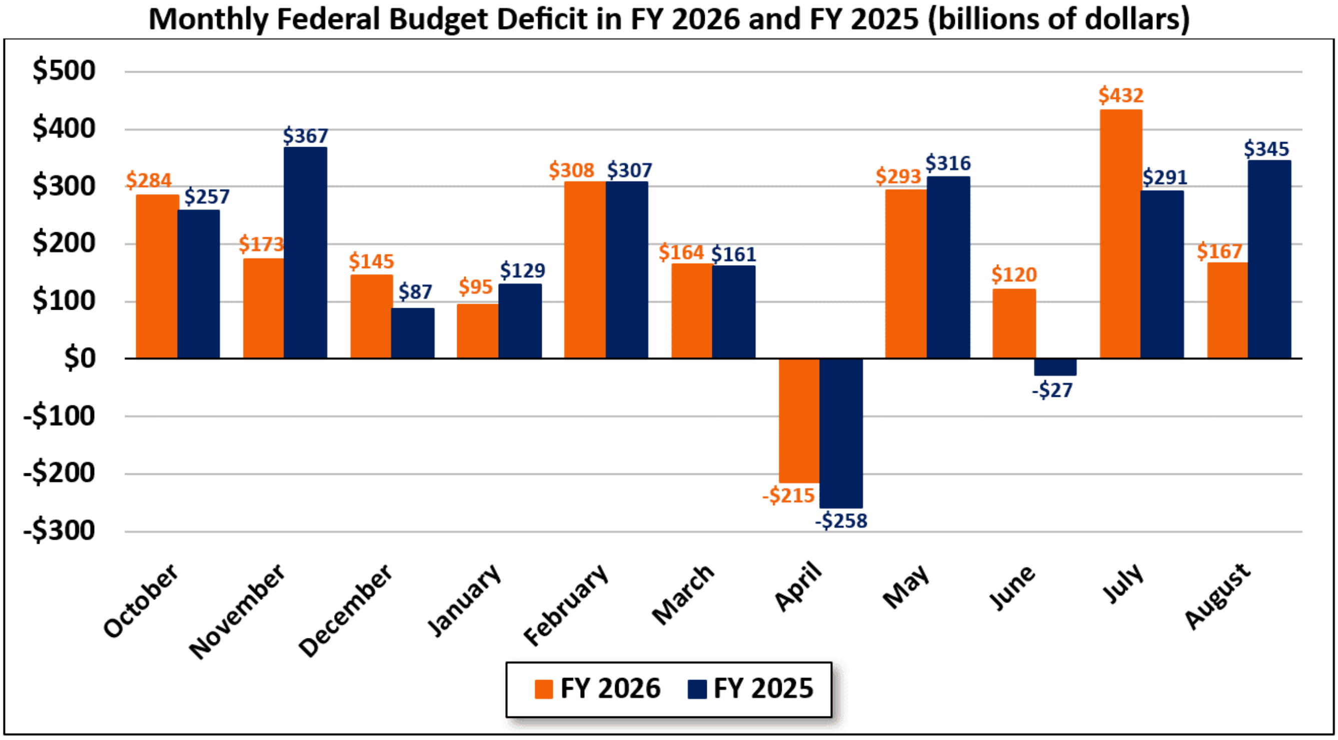
The U.S. Department of the Treasury's August 2026 Monthly Treasury Statement shows the federal budget deficit totaled $2.0 trillion during the first 10 months (October–August) of fiscal year (FY) 2026. The $2.0 trillion deficit was the net effect of $4.8 trillion of revenue collections and $6.8 trillion of spending. The cumulative FY 2026 deficit was $8 billion (0.4 percent) below the cumulative FY 2025 deficit over the same span of months. The change was the net effect of $154 billion of higher revenue collections and a $147 billion increase in spending.

Cumulative Federal Budget Deficit in FY 2026 and FY 2025 (billions of dollars)



Source: U.S. Department of the Treasury.

On a monthly basis, the budget deficit totaled $167 billion in August, which was the net effect of $360 billion of revenue collections and $527 billion of spending. The August 2026 deficit was $178 billion (52 percent) lower than the $345 billion budget deficit recorded in August 2025. This was the net effect of $16 billion of higher monthly revenue collections and a $162 billion decrease in spending.

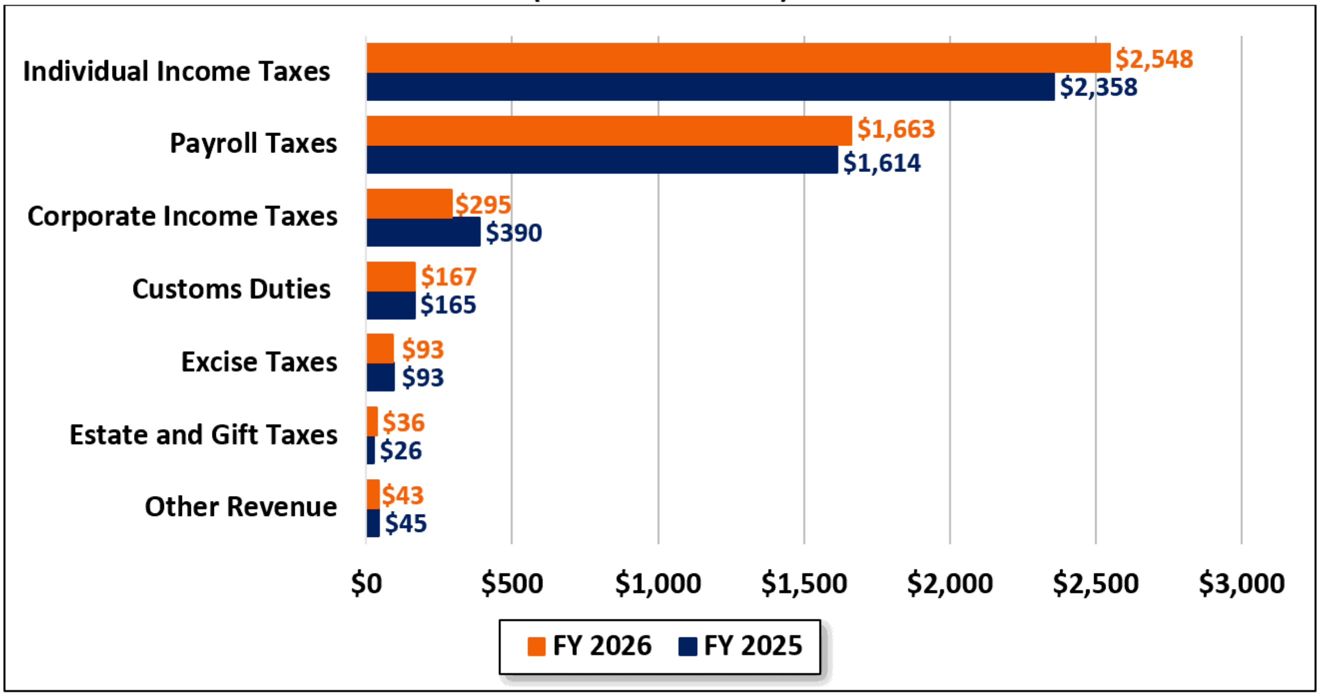


Source: U.S. Department of the Treasury.

Revenue is Up in FY 2026

Federal revenue collections rose by $154 billion (3 percent) during the first 11 months of FY 2026 compared to last year. Individual income tax receipts increased by $190 billion (8 percent), and payroll tax collections rose by $49 billion (3 percent) due to rising wages and salaries. Corporate income tax receipts declined by $95 billion (24 percent) due to the One Big Beautiful Bill's business tax changes, including larger tax deductions for certain business investments. Customs duties rose by $2 billion (1 percent) due to tariff changes made through executive action. Notably, customs duties declined drastically in May, June, July, and August as the federal government issued about $110 billion of the $166 billion total eligible tariff refunds to businesses that paid tariffs imposed under the International Emergency Economic Powers Act, which the Supreme Court ruled illegal. Estate and gift taxes increased by $10 billion (36 percent), excise tax collections remained flat at $93 billion, and other sources of revenue declined by $2 billion (3 percent).

Federal Revenue Collections During the First 11 Months of FY 2026 and FY 2025
(billions of dollars)



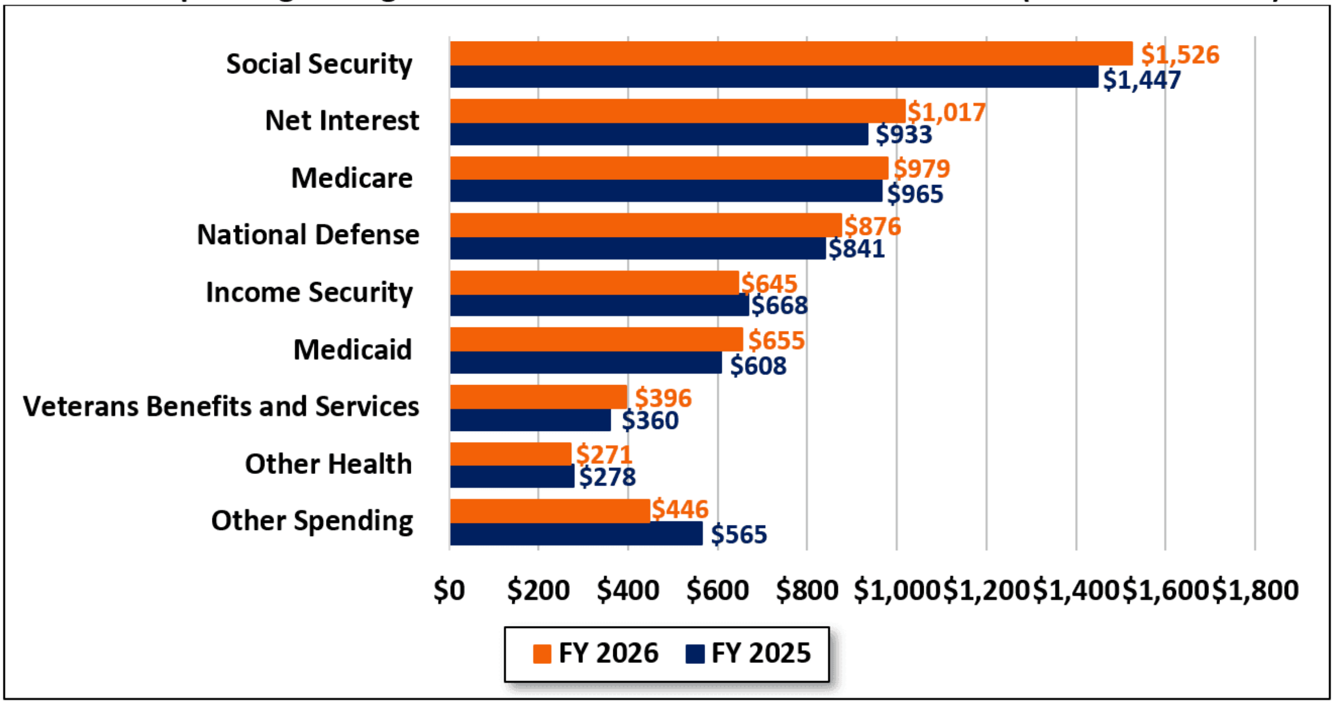
Source: U.S. Department of the Treasury.

Spending is Up in FY 2026

Federal spending rose by $147 billion (2 percent) during the first 11 months of FY 2026 compared to the corresponding period last year. Social Security spending increased by $79 billion (5 percent) due to increases in average monthly benefits and the number of beneficiaries enrolled in the program. Medicare spending rose by $15 billion (2 percent) due to higher enrollment and payment rates for services, and Medicaid spending increased by $47 billion (8 percent) because of higher per-enrollee costs. Other health spending, including on the Children's Health Insurance Program and Affordable Care Act premium tax credits, declined by $7 billion (2 percent).

National defense spending increased by $36 billion (4 percent) due to higher spending on military personnel and research and development. Spending on veterans' benefits and services rose by $36 billion (10 percent) because more people received benefits and spending per beneficiary rose. Spending on income security programs, including the Supplemental Nutrition Assistance Program, Supplemental Security Income, and Temporary Assistance for Needy Families, fell by $23 billion (3 percent) in part because of the One Big Beautiful Bill's reforms to certain income security programs. Other programmatic spending declined by $119 billion (21 percent).

Federal Spending During the First 11 Months of FY 2026 and FY 2025 (billions of dollars)



Source: U.S. Department of the Treasury.

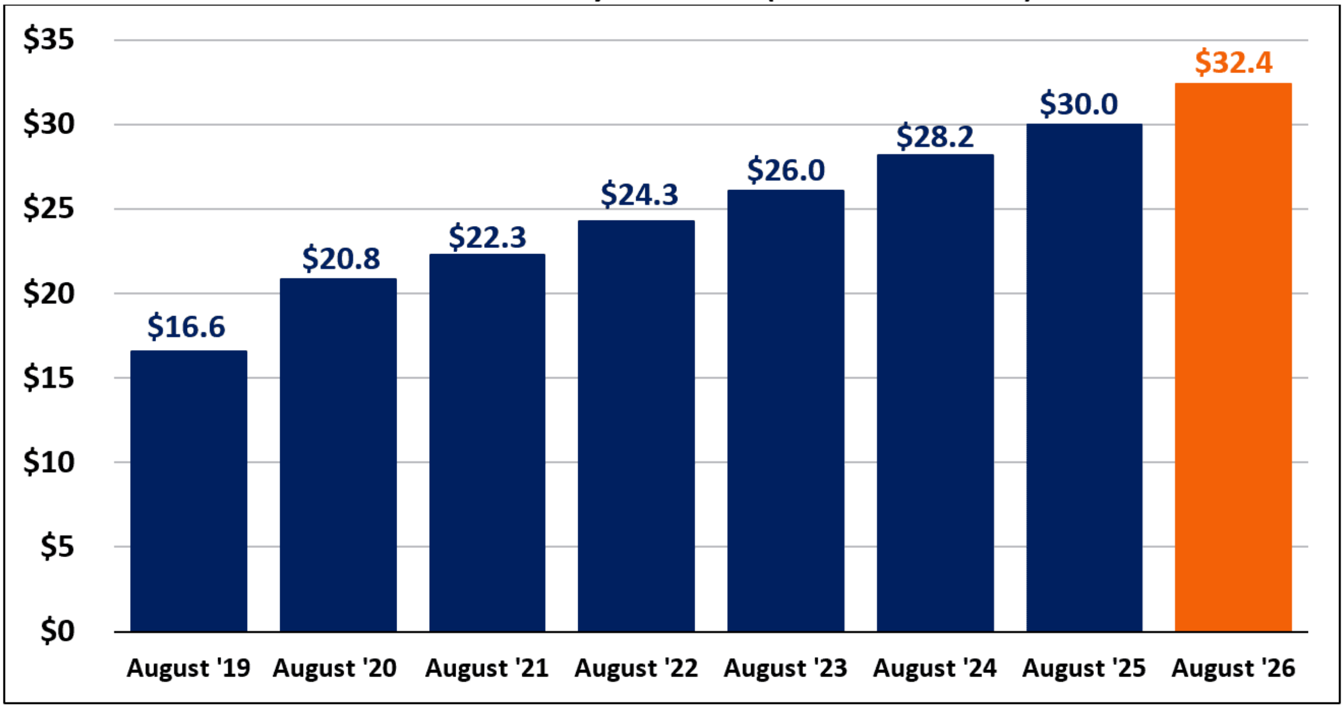
Interest payments on the national debt increased by $84 billion (9 percent) because the debt was larger and long-term interest rates were higher. A decline in short-term interest rates partially offset the increase in interest payments. Net interest remains the second-largest government expenditure behind Social Security.

The National Debt is Unsustainable

At the end of August 2026, federal debt held by the public totaled $32.4 trillion. This was $2.4 trillion higher than the $30.0 trillion of debt at the end of August 2025.

Since August of 2019, the national debt has nearly doubled and is projected to continue to rise over both the short- and long-term.

Federal Debt Held by the Public (trillions of dollars)



Source: U.S. Department of the Treasury.