

The Federal Budget Outlook

February 20, 2025

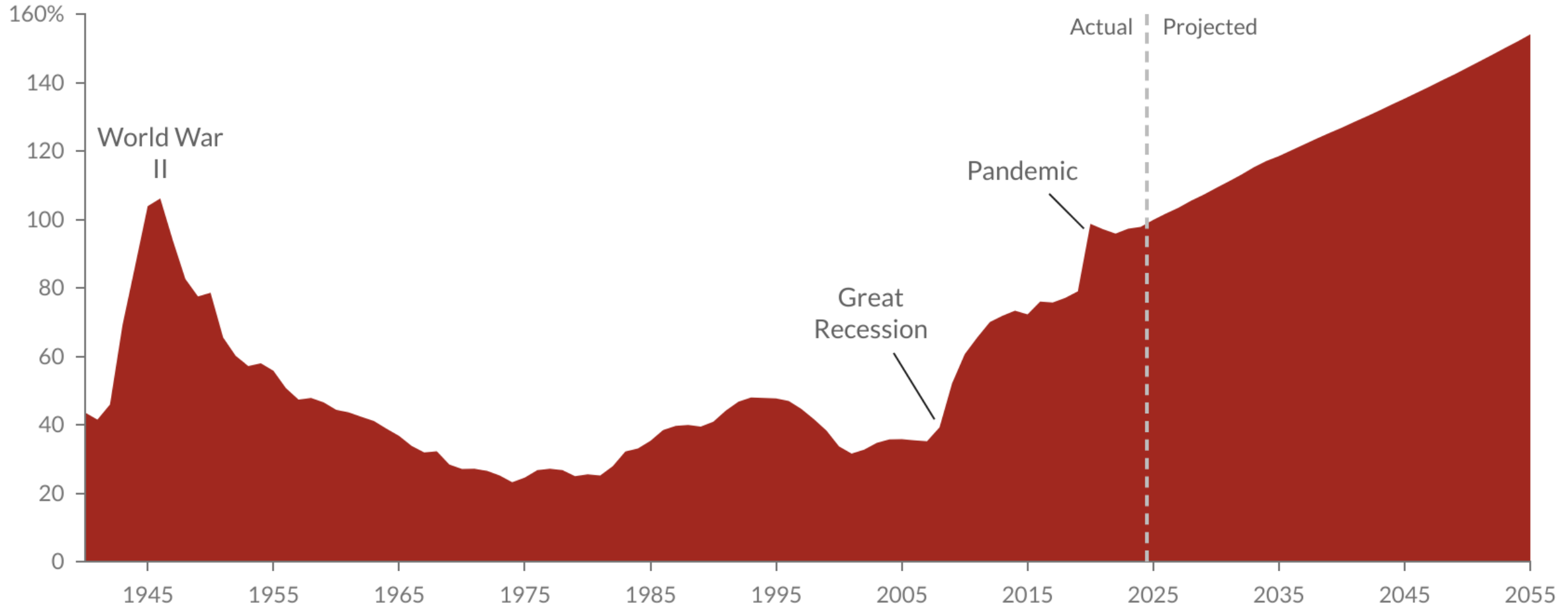
Jeff Holland
VP, Research



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Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)

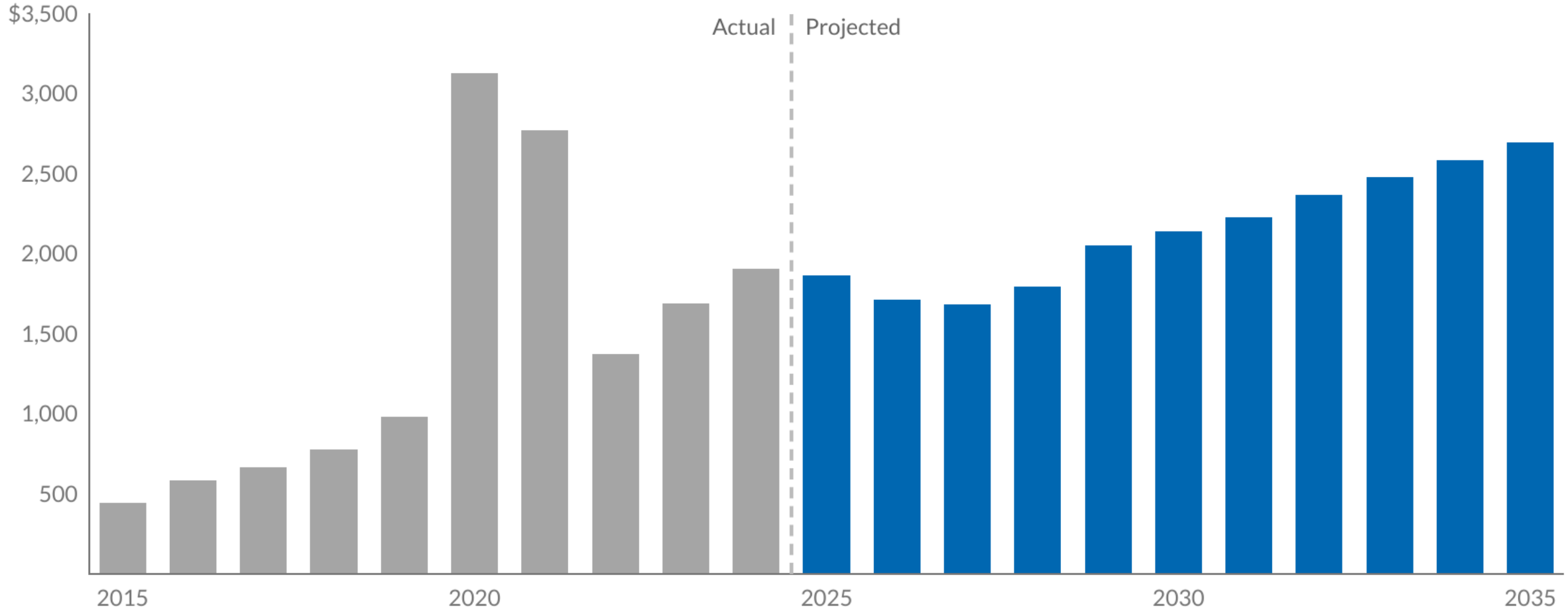


Source: Congressional Budget Office

Note: Data includes the long-term projections and other previous projections.

Deficits will soon exceed \$2 trillion

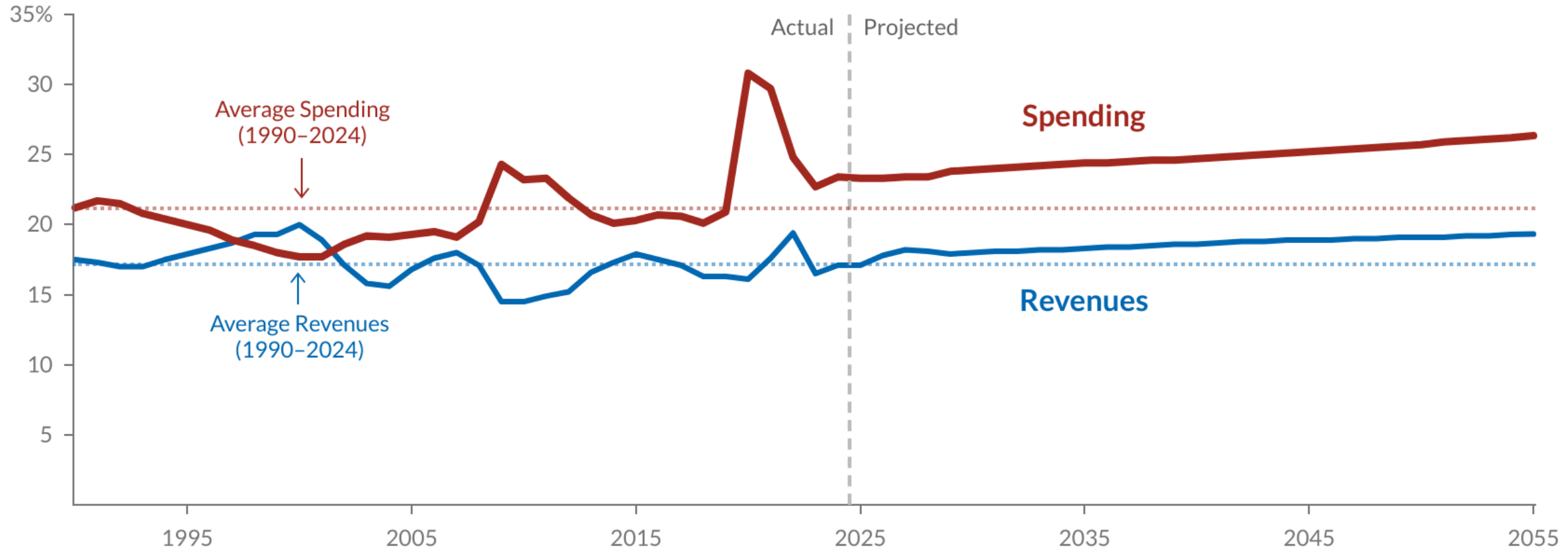
Annual Deficits (Billions of \$)



Sources: Congressional Budget Office and Office of Management and Budget

The growing debt is caused by a structural mismatch between spending and revenues

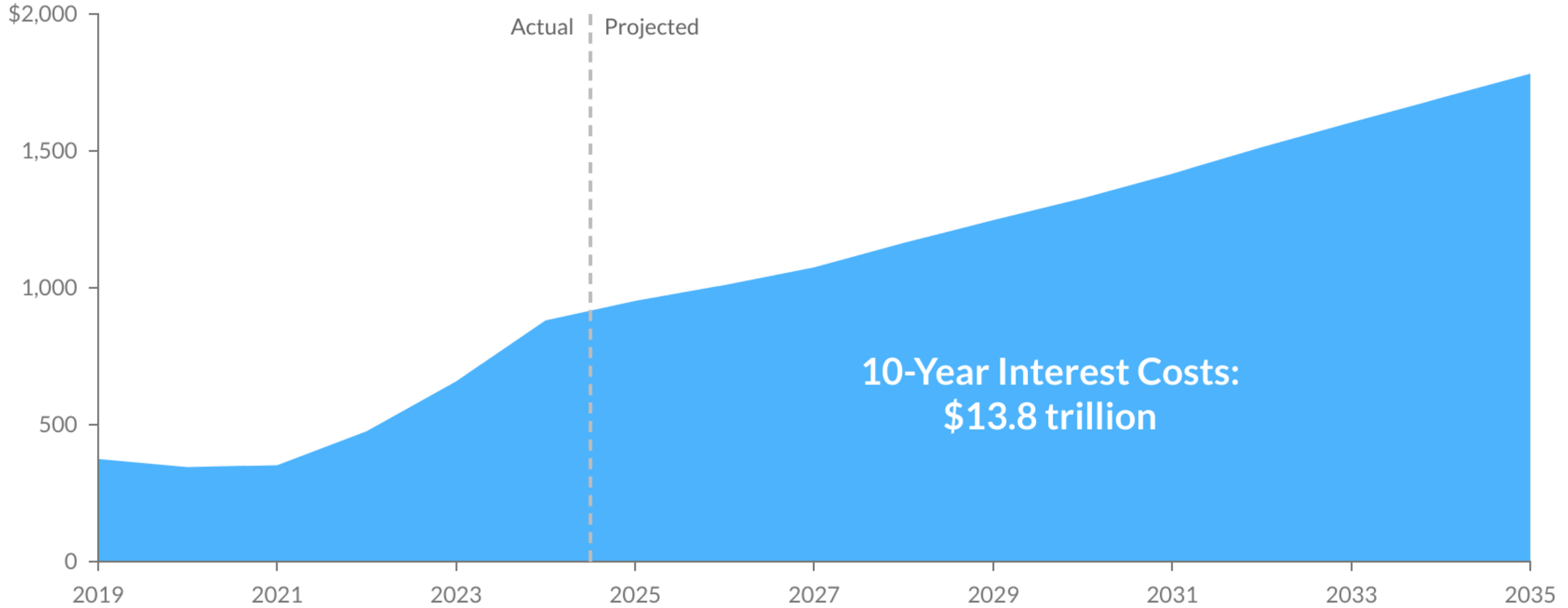
Federal Spending and Revenues (% of GDP)



Sources: Congressional Budget Office and Office of Management and Budget
Note: Projected data have been adjusted to remove the effects of timing shifts.

Net interest costs are projected to rise sharply

Billions of \$



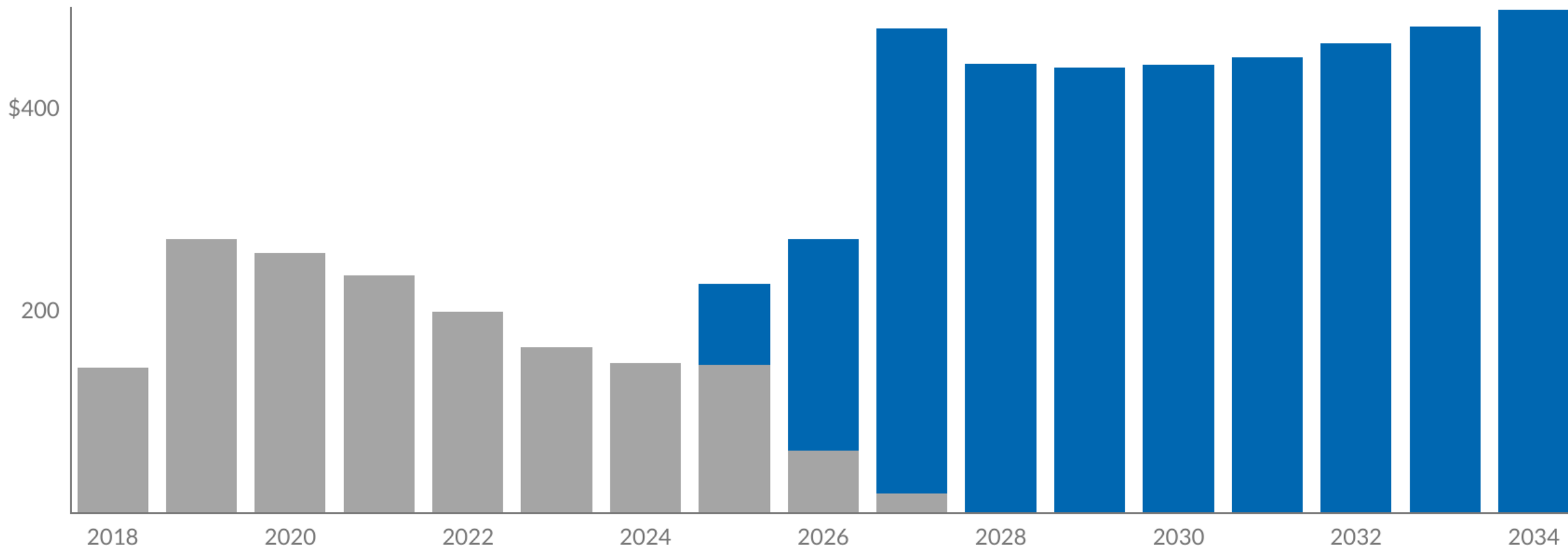
Extending the TCJA would cost \$4.6 trillion over 10 years

Category	Increase (-) in Deficits from 2025-2034 (Billions)
Individual Income Tax Provisions	-\$3,256
Higher Estate and Gift Tax Exemptions	-\$167
Business Tax Provisions	-\$551
Total Increase in Primary Deficits	-\$3,974
Associated Net Interest Costs	-\$605
Total of TCJA Extension with Interest	-\$4,579

Extending TCJA would cost two and a half times more than the initial legislation

Effect on Primary Deficits (-) (billions)

Initial Enactment TCJA Extension



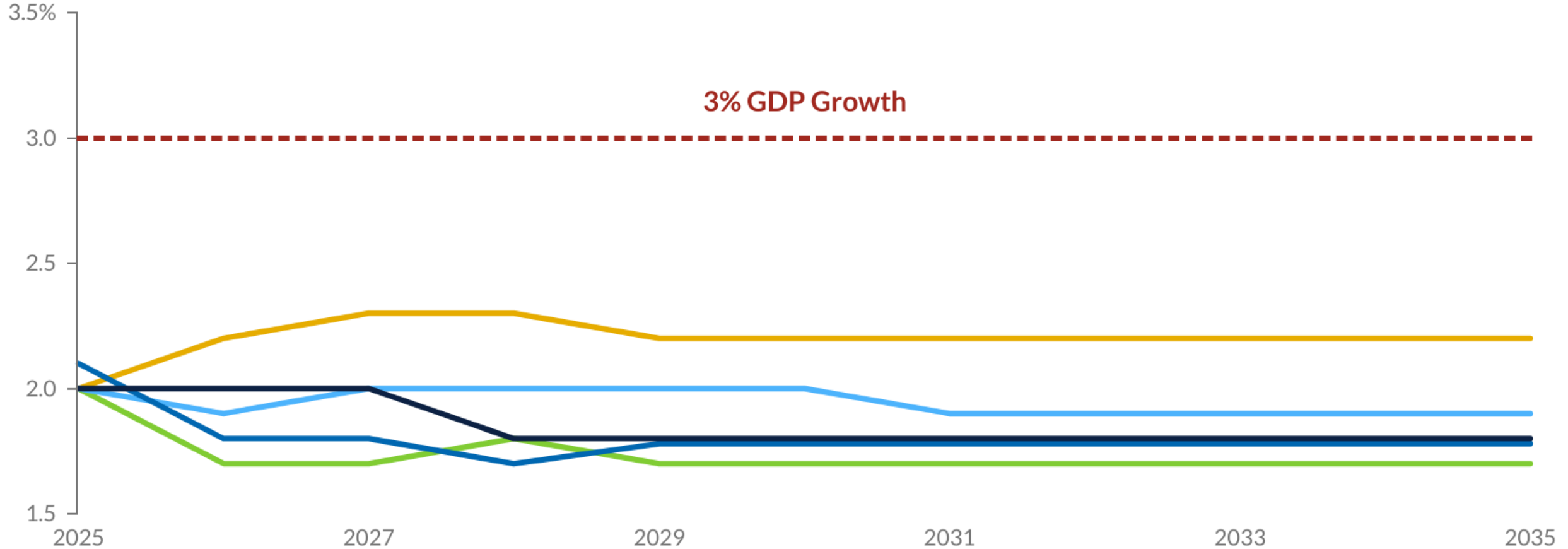
Source: Congressional Budget Office

Notes: Data are from May 2024 and February 2024 reports. Estimates for revenue effects of enacted legislation do not exceed 10 years after enactment. Data exclude debt-service costs.

Recent Projections of Real GDP

Year-Over-Year Growth of Real GDP (%)

— CBO — Federal Reserve — Blue Chip Consensus — Blue Chip High — Blue Chip Low



Unlikely Assumptions for Nondefense Discretionary

Budget Authority (Billions of \$)

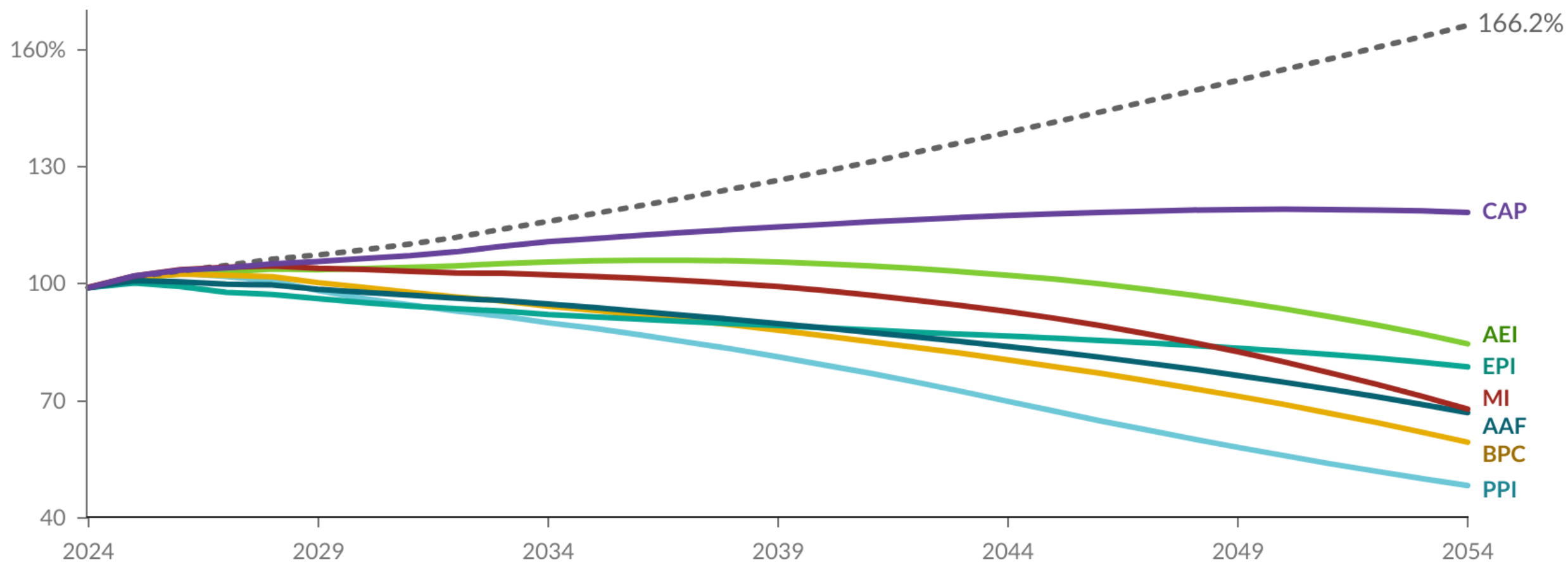


Sources: Congressional Budget Office, Office of Management and Budget, and U.S. House of Representatives

Solutions Initiative 2024: Projected federal debt

Debt held by the public (% of GDP)

--- Current Law



Source: Peter G. Peterson Foundation, Solutions Initiative 2024, July 2024.

Note: Current law baseline is from Congressional Budget Office, *The Long-Term Budget Outlook: 2024 to 2054* (March 2024).



PETER G.
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