

# Budget deficit dropped to \$27B in Jan.

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WASHINGTON— The budget deficit fell sharply in January compared to a year earlier, as an improving economy lifts income tax revenue.

The budget deficit dropped to \$27 billion last month, from \$50 billion in January 2011, the Treasury Department said. Most of the drop was due to several accounting changes. The biggest resulted in some benefit payments being made in December rather than January.

Excluding the impact of those changes, the budget gap declined 18 percent last month, mostly because of higher tax receipts.

In the first four months of the

2012 budget year, which began Oct. 1, the deficit fell by \$70 billion to \$349 billion, the department said.

The deficit is on track to decline this year from last year's level of \$1.3 trillion. But the Congressional Budget Office, a nonpartisan agency, forecast last week that the gap will be nearly \$1.1 trillion, the fourth year in a row it will top the \$1 trillion mark.

Before 2009, the record budget deficit was \$458 billion, under President George W. Bush.

Higher corporate tax receipts have boosted the government's revenue in the first four months of this budget year, the department said. Excluding the impact of the accounting changes,

spending has been largely flat in the same period.

Still, the picture hasn't improved as much as the CBO had estimated it would last year. In August, the agency projected that the deficit would come in at \$973 billion this year. But last week, it boosted its estimate, citing lower than expected tax revenues.

Congress has shown little ability recently to make difficult changes to tax levels or spending programs to reduce the deficit. They will face another big challenge at the end of this year, when tax cuts that were first enacted in 2001 and 2003 are set to expire. And a set of automatic cuts totaling about \$1.2 trillion over 10 years is also scheduled to kick in.