

## Note 24. Long-Term Fiscal Projections

The SLTFP is prepared pursuant to SFFAS 36, *Comprehensive Long-Term Projections for the U.S. Government*. The financial statements, Note 24, and unaudited RSI provide information to aid readers of the *Financial Report* in assessing whether current policies for federal spending and taxation can be sustained and the extent to which the cost of public services received by current taxpayers will be shifted to future taxpayers. This assessment requires projections concerning receipts and spending, the resulting debt, and how these amounts relate to the size of the economy. A sustainable policy is defined in this report as one where the ratio of federal debt held by the public to GDP (the debt-to-GDP ratio) is ultimately stable or declining. The *Financial Report* does not address the sustainability of state and local government fiscal policy.

The projections and analysis presented here are extrapolations based on an array of assumptions described in detail below. A fundamental assumption is that current federal policy will not change. This assumption is made to inform the question of whether current fiscal policy is sustainable and, if it is not sustainable, the magnitude of needed reforms to make fiscal policy sustainable. The projections are therefore neither forecasts nor predictions. If policy changes are implemented, perhaps in response to projections like those presented here, then actual financial outcomes will be different than those projected. The methods and assumptions underlying the projections are subject to refinement in future years.

The projections focus on future cash flows and do not reflect either the accrual basis or the modified-cash basis of accounting. These cash-based projections reflect receipts or spending at the time cash is received or when a payment is made by the government. In contrast, accrual-based projections would reflect amounts in the periods in which income is earned or when an expense or obligation is incurred. The cash basis accounting underlying the long-term fiscal projections is consistent with methods used to prepare the SOSI and the generally cash-based federal budget.

The SLTFP displays the PV of 75-year projections for various categories of the federal government's receipts and non-interest spending.<sup>6</sup> The projections for FYs 2025 and 2024 are expressed in PV dollars and as a percent of the PV of GDP<sup>7</sup> as of September 30, 2025 and September 30, 2024, respectively. The PV of a future amount, for example \$1.0 billion in October 2100, is the amount of money that if invested on September 30, 2025 in an account earning the government borrowing rate is projected to have a nominal value of \$1.0 billion in October 2100.<sup>8</sup>

The PV of a receipt or spending category over 75 years is the sum of the annual PVs. When expressing a receipt or spending category over 75 years as a percent of GDP, the PV dollar amount is divided by the PV of GDP over 75 years. Measuring receipts and spending as a percent of GDP is a useful indicator of the economy's capacity to sustain federal government programs.

### Fiscal Projections

Receipt categories in the long-term fiscal projections include individual and corporation income taxes, Social Security and Medicare payroll taxes, customs duties, and a residual category of "other receipts." The category of customs duties is new for FY 2025, due to considerable changes in trade policy over the past fiscal year. Previously, revenues from customs duties were included in "other receipts." Non-interest spending categories include discretionary spending that is funded through annual appropriations, such as spending for national security, and mandatory (entitlement) spending that is generally funded with permanent or multi-year appropriations, such as spending for Social Security and Medicare. This year's long-term fiscal projections for Social Security and Medicare are based on the same economic and demographic assumptions that underlie the 2025 SOSI, which is as of January 1, 2025. Accordingly, the economic and demographic assumptions used in the long-term fiscal projections of Social Security and Medicare are not adjusted for the more current near-term economic information after the time assumptions were set in December 2024. Projections for the other categories of receipts and spending are consistent with the economic and demographic assumptions in the Trustees Reports and include updates for actual budget results for FY 2025, budgetary estimates from the CBO, or, when available, budgetary estimates from the FY 2026 *Budget*.<sup>9</sup>

<sup>6</sup> For the purposes of this analysis, spending is defined in terms of outlays. In the context of federal budgeting, spending can either refer to budget authority – the authority to commit the government to make a payment; to obligations – binding agreements that will result in payments, either immediately or in the future; or to outlays – actual payments made.

<sup>7</sup> GDP is a standard measure of the overall size of the economy and represents the total market value of all final goods and services produced domestically during a given period of time. The components of GDP are: private sector consumption and investment, government consumption and investment, and net exports (exports less imports). Equivalently, GDP is a measure of the gross income generated from domestic production over the same time period.

<sup>8</sup> PVs recognize that a dollar paid or collected in the future is worth less than a dollar today because a dollar today could be invested and earn interest. To calculate a PV, future amounts are thus reduced using an assumed interest rate, and those reduced amounts are summed.

<sup>9</sup> "Budget" refers to the *Budget of the U.S. Government*. Social Security and Medicare Trustees Reports can be found at <https://www.ssa.gov/OACT/TR/>.

The projections assume the continuance of current policy, which builds off current law, but can be different than current law in cases where lawmakers have in the past periodically changed the law in a consistent way. The specific assumptions that depart from current law and are used for the current policy basis of these projections are explained below.

The projections shown in the SLTFP are made over a 75-year time frame, consistent with the time frame used in the SOSI, which is based on the Social Security and Medicare Trustees Reports. However, these projections are for fiscal years starting on October 1, whereas the Trustees Reports feature calendar-year projections. Using fiscal years allows the projections to start from the actual budget results from FYs 2025 and 2024.

<b>Changes in Long-Term Fiscal Projections</b>		
PV of 75-year projections	Trillions of \$	Percent of 75-Year PV of GDP
<b>Receipts less non-interest spending as of September 30, 2024</b>	(72.7)	(3.6) %
<b>Components of change:</b>		
Change in reporting period	(1.4)	- %
Change in model technical assumptions	-	- %
Change due to economic and demographic assumptions	3.4	0.2 %
Change due to program-specific actuarial assumptions	(13.6)	(0.7) %
Change due to updated budget data	4.7	0.2 %
Total	(6.9)	(0.3) %
<b>Receipts less non-interest spending as of September 30, 2025</b>	(79.6)	(3.9) %

Note: Totals may not equal the sum of components due to rounding. The 75-year PV of GDP is updated with the change in reporting period and change in economic and demographic assumptions.

This year's estimate of the 75-year PV imbalance of receipts less non-interest spending is 3.9 percent of the current 75-year PV of GDP, compared with 3.6 percent projected in last year's *Financial Report*.<sup>10</sup> The above table reports the effects of various factors on the updated projections. For clarity, the "75-year PV imbalance of receipts less non-interest spending" is distinct from the fiscal gap. The measure of imbalance accounts for neither the initial debt level nor interest payments, and therefore does not indicate the scale of fiscal reforms required to stabilize the debt-to-GDP ratio.

- The largest factor affecting the projections is the effect of new Social Security, Medicare and Medicaid program-specific actuarial assumptions, which increased the fiscal imbalance by 0.7 percentage points (percentage points in reference to the percent of the 75-year PV of GDP).<sup>11</sup> Changes to Medicare-specific actuarial assumptions account for 0.4 percentage points of that increase. Changes to Medicaid-specific actuarial assumptions account for a further 0.2 percentage points of that increase—note that this change is independent of the changes to Medicaid outlays in P.L. 119-21 (discussed further, below). Changes to Social Security-specific actuarial assumptions account for the balance of this increase.
- The second-largest factor affecting the projections is the change due to updated budget data, which decreased the fiscal imbalance by 0.2 percentage points (percentage points in reference to the percent of the 75-year PV of GDP). This figure is primarily the result of two larger changes, which largely offset one another. Those two changes are:
  - The incorporation of projected customs duties (largely revenue from tariffs) as projected by the MSR of the FY 2026 *Budget*. This decreased the fiscal imbalance by 0.9 percentage points. The MSR-projected customs duties for FY 2035 were 1.2 percent of GDP. For the long-term fiscal projections, receipts from customs duties were fixed at 1.2 percent of GDP in FY 2036 and beyond.
  - The incorporation of revenue and outlay changes stemming from P.L. 119-21, the law signed by President Trump on July 4, 2025, which includes the WFTC.<sup>12</sup> On net, this increased the fiscal imbalance by 0.7 percentage points.<sup>13</sup>

<sup>10</sup> The fiscal imbalances reported in the long-term fiscal projections do not include the initial level of publicly held debt, which was \$30.2 trillion in this report (FY 2025) and \$28.2 trillion in the previous report (FY 2024), and, therefore, they do not by themselves answer the question of how large fiscal reforms must be to make fiscal policy sustainable. See "Sustainability and the Fiscal Gap" for additional discussion. More information on the projections in last year's *Financial Report* can be found in Note 24 to the financial statements here: <https://fiscal.treasury.gov/reports-statements/#>.

<sup>11</sup> For more information on Social Security and Medicare actuarial estimates, refer to Note 25—Social Insurance.

<sup>12</sup> P.L. 119-21 is commonly referred to as the OBBBA. Prominent components of P.L. 119-21 are WFTC, which provide federal income tax deductions for certain income from Social Security benefits, overtime, and tips (P.L. 119-21).

- Prior to incorporating changes from P.L. 119-21 and tariff policies, budget projections were updated. Those pre-policy change updates had offsetting changes, with a decline in the PV of total receipts adding 0.3 percentage points to the fiscal imbalance matching a decline in the PV of total outlays subtracting 0.3 percentage points from the fiscal imbalance.
- The third-largest factor affecting the projections is the update of economic and demographic assumptions, which decreased the fiscal imbalance by 0.2 percentage points (percentage points in reference to the percent of the 75-year PV of GDP). Contributing to this improvement in the imbalance are higher wages that increase receipts and higher GDP levels that reduce spending as a percentage of GDP. The 75-year PV of GDP for this year's projections is \$2,043.6 trillion, 2.0 percent greater than last year's \$2,002.6 trillion.
- Factors that had smaller effects on the fiscal imbalance included the change in the reporting period (the shift of calculations from 2025 through 2099 to 2026 through 2100) and the updates to technical assumptions.

The net effect of the changes in the table above, equal to the penultimate row in the SLTFP, shows that this year's estimate of the overall 75-year PV of receipts less non-interest spending is negative 3.9 percent of the 75-year PV of GDP (negative \$79.6 trillion, as compared to a GDP of \$2,043.6 trillion). This imbalance can be broken down by funding source. Spending projections exceeded receipts by 2.3 percent of GDP (about \$47.3 trillion) among programs funded by the government's general revenues, and there is an imbalance of 1.6 percent of GDP (about \$32.2 trillion)<sup>14</sup> for the combination of Social Security (OASDI) and Medicare Part A, which under current law are funded with payroll taxes and not in any material respect with general revenues.<sup>15,16</sup> By comparison, the FY 2024 projections showed that programs funded by the government's general revenues had an excess of spending over receipts of 2.2 percent of GDP (\$43.6 trillion) while the payroll tax-funded programs had an imbalance of spending over receipts of 1.5 percent of GDP (\$29.0 trillion).

## Sustainability and the Fiscal Gap

This *Financial Report* presents data, including debt, as a percent of GDP to help readers assess whether current fiscal policy is sustainable. The debt-to-GDP ratio was 99 percent at the end of FY 2025.<sup>17</sup> As discussed further in the unaudited RSI, the projections based on this *Financial Report's* assumptions indicate that current policy is not sustainable. If current policy is left unchanged, the projections show the debt-to-GDP ratio will be approximately 102 percent in 2026, rise to 200 percent by 2048 and reach 576 percent in 2100. Moreover, if the trends that underlie the 75-year projections were to continue, the debt-to-GDP ratio would continue to rise beyond the 75-year window.

<sup>13</sup> The increase in the fiscal imbalance is relative to the current law baseline used in the FY 2024 *Financial Report*, which assumed expiration of the individual income and estate and gift tax provisions of the TCJA. In addition to providing WFTC and extending expiring TCJA provisions, P.L. 119-21 decreased direct spending by over \$1.2 trillion between 2025 and 2034, according to the CBO's cost estimate (with small adjustments to match the GDP growth path in the Social Security Trustees' Report – for CBO estimates see: <https://www.cbo.gov/publication/61570>). In the long-term fiscal projections, the inclusion of this spending reduction over the full 75-year window decreases the 75-year PV of total programmatic outlays by \$9.5 trillion (0.5 percent of the 75-year PV of GDP), with \$8.4 trillion of those decreases coming via reduced Medicaid outlays. As a result, it is likely that P.L. 119-21 reduced the fiscal imbalance relative to a current policy baseline that assumed an extension of the TCJA provisions.

<sup>14</sup> The 75-year PV imbalance for Social Security and Medicare Part A of \$32.2 trillion is comprised of several line items from the SLTFP – Social Security outlays net of Social Security payroll taxes (\$36.9 trillion) and Medicare Part A outlays net of Medicare payroll taxes (\$9.5 trillion) – as well as subcomponents of these programs not presented separately in the statement. These subcomponents include Social Security and Medicare Part A administrative costs that are classified as non-defense discretionary spending (\$0.8 trillion) and Social Security and Medicare Part A income other than payroll taxes: taxation of benefits (-\$12.9 trillion), federal employer share (-\$2.1 trillion), and other income (-\$0.1 trillion).

<sup>15</sup> Social Security and Medicare Part A expenditures can exceed payroll tax revenues in any given year to the extent that there are sufficient balances in the respective trust funds; these balances derive from past excesses of payroll tax revenues over expenditures and interest earned on those balances and represent the amount the General Fund owes the respective trust fund programs. When spending does exceed payroll tax revenues, as has occurred each year since 2008 for Medicare Part A and 2010 for Social Security, the excess spending is financed first with interest due from the General Fund and secondly with a drawdown of the trust fund balance. Once the reserves in the trust funds are depleted, under current law benefits for Social Security and Medicare Part A can be paid only to the extent there are resources from dedicated income sources. In order for the long-term fiscal projections to reflect the full size of these programs' commitments to pay future benefits, the projections assume that all scheduled benefits will be financed with borrowing to the extent necessary after the trust funds are depleted.

<sup>16</sup> The fiscal imbalances reported in the long-term fiscal projections are limited to future outlays and receipts. They do not include the initial level of publicly held debt, \$30.2 trillion in the FY 2025 report and \$28.2 trillion in the FY 2024 report, and therefore they do not by themselves answer the question of how large fiscal reforms must be to make fiscal policy sustainable, or how those reforms divide between reforms to Social Security and Medicare Part A and to other programs. Other things equal, past cash flows (primarily surpluses) for Social Security and Medicare Part A reduced federal debt at the end of 2025 by \$2.9 trillion (the trust fund balances at that time); the contribution of other programs to federal debt at the end of 2025 was therefore \$33.1 trillion. Similarly, because the \$32.2 trillion imbalance between outlays and receipts over the next 75 years for Social Security and Medicare Part A does not take account of the Social Security and Medicare Part A trust fund balances, it overstates the magnitude of reforms necessary to make Social Security and Medicare Part A solvent over 75 years by \$2.9 trillion. The \$2.9 trillion combined Social Security and Medicare Part A trust fund balance represents a claim on future general revenues.

<sup>17</sup> Calculated with the September 2025 total debt held by the public and the FY 2025 GDP, as reported in BEA's second estimate. Total debt held by the public is adjusted to account for borrowing by other (non-Treasury) entities and for net unamortized premiums/discounts. It excludes accrued interest payable. See Note 12 for details.

The fiscal gap measures how much the primary surplus (receipts less non-interest spending) must increase for fiscal policy to achieve a target debt-to-GDP ratio in a particular future year. In these projections, the fiscal gap is estimated over a 75-year period, from 2026 to 2100, and the target debt-to-GDP ratio is equal to the ratio at the beginning of the projection period, in this case the estimated debt-to-GDP ratio at the end of FY 2025. The target year is the last year of the 75-year period (2100).

The 75-year fiscal gap under current policy is estimated at 4.7 percent of GDP, which is 25.1 percent of the 75-year PV of projected receipts and 20.7 percent of the 75-year PV of non-interest spending. This estimate of the fiscal gap rounds to 0.3 percentage points higher than estimated in 2024 (4.3 percent of GDP).

Projected primary deficits average 3.9 percent of GDP over the next 75 years under current policy. If policies were put in place that would close the fiscal gap, the average primary surplus over the next 75 years would be 0.8 percent of GDP, 4.7 percentage points higher than the projected PV of receipts less non-interest spending shown in the SLTFP. In these projections, closing the fiscal gap requires running a positive level of primary surplus, rather than simply eliminating the primary deficit. The primary reason is that the projections assume future interest rates will exceed the growth rate of nominal GDP. Achieving primary balance (that is, running a primary surplus of zero) implies that the debt held by the public grows each year by the amount of interest spending, which under such assumptions would result in debt growing faster than GDP.

### Assumptions Used and Relationship to Other Financial Statements

A fundamental assumption underlying the projections is that current federal policy (defined below) does not change. The projections are therefore neither forecasts nor predictions, and do not consider large infrequent events such as natural disasters, military engagements, or economic crises. By definition, they do not build in future changes to policy. If policy changes are enacted, perhaps in response to projections like those presented here, then actual fiscal outcomes will be different than those projected.

Even if policy does not change, actual spending and receipts could differ materially from those projected here. Long-range projections are inherently uncertain and are necessarily based on simplifying assumptions. For example, one key simplifying assumption is that interest rates paid on debt held by the public do not vary with the amount of debt outstanding. To the contrary, it is likely that future interest rates would increase if the debt-to-GDP ratio rises as shown in these projections. To help illustrate this uncertainty, projections that assume higher and lower interest rates are presented in the “Alternative Scenarios” discussion in the unaudited RSI section of this *Financial Report*.

The assumptions for GDP, interest rates, and other economic and demographic variables underlying this year’s projections are the same assumptions that underlie the most recent Social Security and Medicare Trustees Report projections, adjusted for historical revisions that occur annually. These assumptions differ from those in both the *Budget* and CBO’s January 2025 projections in several key ways.<sup>18</sup> For example, they assume extension of current policy whereas the economic assumptions in the *Budget* assume full implementation of policy proposals reflected in the *Budget*, and CBO’s projections use a current law baseline. The use of discount factors consistent with the Social Security Trustees rate allows for consistent PV calculations over 75 years between the SLTFP and the SOSI.

The following bullets summarize the key assumptions used in the 2025 projections for the categories of receipts and spending presented in the SLTFP and the disclosures:

- **Social Security:** The projections of Social Security spending and Social Security payroll taxes are based on future spending and payroll taxes projected in the 2025 Social Security Trustees Report, adjusted for presentational differences, and converted to a fiscal year basis. Projected Social Security (OASDI) spending in the SLTFP excludes administrative expenses, which are classified as discretionary spending, and is based on the projected spending in the 2025 Social Security Trustees Report for benefits and for the Railroad Retirement interchange. Projected Social Security payroll taxes are adjusted to exclude the estimated federal employer share, which is classified in the SLTFP and federal budget as an offset to other mandatory spending. There is also an adjustment to exclude certain taxation of Social Security benefits. More information about the assumptions for Social Security cost growth can be found in Note 25 and the unaudited RSI discussion of Social Insurance.
- **Medicare:** Projected Medicare spending and Medicare Part A payroll taxes are based on Medicare spending and payroll taxes in the Medicare Trustees Report, adjusted for presentational differences and converted to a fiscal year basis. Medicare spending projections in the SLTFP exclude administrative expenses, which are classified as discretionary spending. Medicare Part A, B and D premiums, as well as state contributions to Part D, are subtracted from gross spending in measuring Part A, B and D spending, just as they are subtracted from gross cost to yield net cost in the financial statements.<sup>19</sup> Here, as in the federal budget, premiums are treated as “negative spending” rather

<sup>18</sup> In prior years, the SLTFP has been based in part on assumptions in the *Budget*. Where it has not been possible to follow the assumptions of the *Budget*, this year’s SLTFP has substituted estimates and projections from CBO.

<sup>19</sup> Medicare Part A, B, and D premiums and state contributions to Part D are subtracted from gross Medicare spending to arrive at net Medicare spending displayed in the SLTFP. The total 75-year PV of these subtractions is \$24.6 trillion, or 1.2 percent of GDP.

than receipts since they represent payment for a service rather than payments obtained through the government's sovereign power to tax. This is similar to the financial statement treatment of premiums as "earned" revenue as distinct from all other sources of revenue, such as taxes. Projected Medicare Part A payroll taxes are adjusted to exclude the estimated federal employer share, which is classified in the SLTFP and federal budget as an offset to other mandatory spending. There is also an adjustment to exclude certain taxation of Social Security benefits. More information about the assumptions for Medicare cost growth can be found in Note 25 and the unaudited RSI discussion of Social Insurance. There is uncertainty about whether the reductions in health care cost growth assumed in the Medicare Trustees Report will be fully achieved. Note 25 illustrates this uncertainty by presenting an illustrative alternative scenario. Additionally, PV calculations for alternative health care cost growth assumptions are presented in the "Alternative Scenarios" section of the unaudited RSI.

- **Medicaid:** The Medicaid spending projections start with NHE projections prepared by CMS's Office of the Actuary, which were released in June 2025.<sup>20</sup> These projections are based on recent trends in Medicaid spending and the demographic, economic, and health cost growth assumptions in the Medicare Trustees Report. The NHE projections, which end in 2033, are adjusted to accord with the actual Medicaid spending in FY 2025. After 2033, the number of beneficiaries is projected to grow at the same rate as total population. Medicaid cost per beneficiary after 2033 is assumed to transition over a four-year period to grow at the same rate as Medicare benefits per beneficiary. Between 1989 and 2024, the average annual growth rates of spending per beneficiary for Medicaid and Medicare were within 0.7 percentage point of each other. Projections of Medicaid spending are subject to added uncertainty related to: 1) assumed reductions in health care cost growth discussed above in the context of Medicare; and 2) the projected size of the Medicaid enrolled population, which depends on a variety of factors, including future state actions regarding the PPACA Medicaid expansion. Additionally, Medicaid cost projections were adjusted from 2026-2034 following CBO's P.L. 119-21 estimates. In 2035 and thereafter, the effects of P.L. 119-21 on Medicaid are assumed to continue.
- **Other Mandatory Spending:** Other mandatory spending includes federal employee retirement, veterans' disability benefits, and means-tested entitlements other than Medicaid. Current mandatory spending components that are judged permanent under current policy are assumed to increase by the rate of growth in nominal GDP starting in 2026, implying that such spending will remain constant as a percent of GDP.<sup>21</sup> Projected spending for health insurance marketplace subsidies starting in 2026 grows with the NHE projected enrollment and per enrollee cost growth for direct purchase private health insurance over the NHE projection period (through 2033 for the FY 2025 projections). After 2033, marketplace subsidies grow with growth in the non-elderly population and with growth in per enrollee health care costs as projected for the Medicare program after that period. As noted above and discussed in Note 25, there is uncertainty about whether the reductions in health care cost growth projected in the Medicare Trustees Report will be fully achieved. Projected marketplace subsidy spending as a percent of GDP remains below the failsafe provision in the PPACA that limits the federal share of spending to 0.504 percent of GDP. Additionally, other mandatory spending projections were adjusted from 2026-2034 following CBO's P.L. 119-21 estimates. In 2035 and thereafter, the effects of P.L. 119-21 on other mandatory spending are assumed to continue.
- **Defense and Non-defense Discretionary Spending:** Discretionary spending grows with GDP, starting in 2026. To illustrate sensitivity to a different assumption, PV calculations when discretionary growth matches inflation and population growth are presented in the unaudited "Alternative Scenarios" RSI section.
- **Individual Income Tax Receipts:** From 2026-2035, individual income taxes are projected using CBO's January 2025 baseline projection of individual income taxes, expressed as a share of salaries and wages. Those shares are then adjusted to reflect the salaries and wages projections in the Social Security 2025 Trustees Report. Starting in 2036, individual income taxes are initially fixed at the percentage of wages and salaries projection for 2035, then adjusted each year to reflect the tendency of effective tax rates to increase as growth in income per capita outpaces inflation (also known as "bracket creep"). Additionally, those rates are adjusted to reflect the P.L. 119-21 tax cuts, as estimated by CBO. Like with the P.L. 119-21 spending adjustments, starting in 2035, individual income tax receipts were adjusted using a fixed yearly reduction, at the percentage of wages and salaries that CBO estimated for 2034. Individual income taxes increase gradually from 20 percent of wages and salaries in 2026 to 27 percent of wages and salaries in 2100 as real taxable incomes rise over time and an increasing share of total income is taxed in the higher tax brackets. To illustrate uncertainty, PV calculations for higher and lower levels of bracket creep are presented in the "Alternative Scenarios" section of the unaudited RSI.

<sup>20</sup> NHE data are available at <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data>.

<sup>21</sup> This assumed growth rate for other mandatory programs after 2025 is slightly higher than the average growth rate in the most recent CBO 10-year budget baselines.

- **Corporate Income Tax Receipts:** Through the first 10 years of the projections, corporation tax receipts as a percent of GDP reflect CBO’s January 2025 baseline revenue projections. That percentage is then adjusted according to CBO’s estimated effects of P.L. 119-21 corporate tax reductions. Starting in 2036, corporation tax receipts grow at the same rate as nominal GDP, and still incorporate the effects of P.L. 119-21, as estimated by CBO for 2034 (an effect of less than 0.01 percent of GDP per year). Corporation tax receipts rise from 1.1 percent of GDP in 2027 to 1.2 percent of GDP in 2035, where they stay for the remainder of the projection period.
- **Customs Duties:** New in the FY 2025 SLTFP, customs duties are estimated separately from “Other Receipts.” For 2026-2035, customs duties as a percent of GDP follow the projections given in the MSR to the FY 2026 *Budget*. Starting in 2036, customs duties are fixed at their MSR-estimated 2035 percent of GDP, which is 1.2 percent. In 2024, customs duties were 0.3 percent of GDP, and in 2025 they were 0.6 percent of GDP. To illustrate the potential economic and legal uncertainty surrounding these increased customs duties, PV calculations, using different assumptions for customs duties, are presented in the “Alternative Scenarios” section of the unaudited RSI. Revenue projections in this statement do not encompass any effects of the result of the Supreme Court decision affecting tariffs imposed under the International Emergency Economic Powers Act (IEEPA). For more information regarding that decision and any effects or consideration of effects, see Note 29—Subsequent Events.
- **Other Tax Receipts:** From 2026-2035, other tax receipts reflect CBO’s January 2025 baseline levels as a share of GDP, and then grow with GDP starting in 2036. Following the same procedure as outlined for other line items, CBO estimates for reductions to other tax revenues due to P.L. 119-21 are incorporated directly from 2026-2034, then extended as a fixed percent of GDP starting in 2035. The P.L. 119-21-based reduction in 2034 other tax revenues was 0.1 percent of GDP. The ratio of other receipts, including excise taxes, estate and gift taxes, and miscellaneous receipts, to GDP is estimated to increase from 0.8 percent in 2026 to 1.0 percent by 2035 where it remains through the projection period.
- **Debt and Interest Spending:** Interest spending is determined by projected interest rates and the level of outstanding debt held by the public. The long-run interest rate assumptions accord with those in the 2025 Social Security Trustees Report.<sup>22</sup> The average interest rate over this year’s projection period is 4.5 percent, slightly higher than in the 2024 *Financial Report*. These rates are also used to convert future cash flows to PVs as of the start of FY 2026. Debt at the end of each year is projected by adding that year’s deficit and other financing requirements to the debt at the end of the previous year.

## Departures of Current Policy from Current Law

The long-term fiscal projections are made on a current policy basis, which in some cases is assumed to be different from current law. The notable differences between current policy underlying the projections and current law are: 1) projected spending, receipts, and borrowing levels assume raising or suspending the current statutory limit on federal debt; 2) continued discretionary appropriations are assumed throughout the projection period; 3) scheduled Social Security and Medicare Part A benefit payments are assumed to occur beyond the projected point of trust fund depletion; 4) sections of P.L. 119-21 scheduled to expire in 2034 are assumed to be extended, and the Senior’s Deduction in P.L. 119-21 Section 70103 is assumed to be extended, as opposed to expiring in 2029; and 5) many mandatory programs with expiration dates prior to the end of the 75-year projection period are assumed to be reauthorized.

<sup>22</sup> See related interest rate discussion in Note 25 to the financial statements.