Note 24. Long-Term Fiscal Projections

The SLTFP is prepared pursuant to SFFAS No. 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 prospective information about receipts and spending, the resulting debt, and how these amounts relate to the size of the economy. A sustainable policy is defined 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 so as 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 continuing refinement.

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 time period 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.[6] The projections for FYs 2022 and 2021 are expressed in PV dollars and as a percent of the PV of GDP[7] as of September 30, 2022 and September 30, 2021, respectively. The PV of a future amount, for example $1.0 billion in October 2097, is the amount of money that if invested on September 30, 2022 in an account earning the government borrowing rate would have a value of $1.0 billion in October 2097.[8]

The PV of a receipt or spending category over 75 years is the sum of the annual PV amounts. 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, and a residual category of "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 2022 SOSI, which is as of January 1, 2022. The long-term projections are not adjusted for the more current near-term economic information (e.g., higher inflation and lower real growth). 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 2022 or budgetary estimates from the President's FY 2023 Budget.[9] Where possible, those budget totals are adjusted before spending is projected to remove outlays for programs or activities that are judged to be temporary, such as spending related to the COVID-19 pandemic and economic recovery. Such an adjustment is not possible for increased Medicaid outlays under the COVID-19 Public Health Emergency, resulting in higher projections of future spending, increasing the uncertainty surrounding the projections.

[6] 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.
[7] 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.
[8] 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.
[9] 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 featured in 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 2022 and 2021.

Changes in Long-Term Fiscal Projections

PV of 75-Year Projections	Trillions of $	Percent of 75-Year PV of GDP
Receipts less non-interest spending as of September 30, 2021……	(97.6)	(5.7) %
Components of Change:		
Change in Reporting Period……	(2.1)	-
Change in Model Technical Assumptions……	11.9	0.7
Change due to Economic and Demographic Assumptions……	(1.5)	0.2
Change due to Program-Specific Actuarial Assumptions……	5.0	0.3
Change due to Updated Budget Data……	4.6	0.2
Total	18.0	1.4
Receipts less non-interest spending as of September 30, 2022……	(79.5)	(4.2)

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 4.2 percent of the current 75-year PV of GDP, compared to 5.7 percent as was projected in last year's *Financial Report*.[10] The above table reports the effects of various factors on the updated projections.

- The largest factor affecting the projections is an adjustment to the model's technical assumptions, which decreases the imbalance by 0.7 percent of the 75-year PV of GDP ($11.9 trillion). In last year's projections, discretionary spending grew from the 2022 baseline estimate in the President's 2022 Budget. As discussed below, discretionary spending in this year's projections grows with GDP from actual budget results following an adjustment to remove outlays of supplemental funding[11] provided in response to the COVID-19 pandemic. This adjustment prevents inflating projections with spending considered temporary.
- The second largest factor is the effect of new Social Security, Medicare, and Medicaid program-specific actuarial assumptions, which decrease this imbalance as a share of the 75-year PV of GDP by 0.3 percentage points ($5.0 trillion).[12]
- The third largest factor affecting the projections—decreasing the imbalance as a share of the 75-year PV of GDP by 0.2 percentage points ($4.6 trillion)—is attributable to actual budget results for FY 2022 and baseline estimates published in the FY 2023 President's Budget, and changes to spending and receipts from legislation enacted toward

[10] The fiscal imbalances reported in the long-term fiscal projections do not include the initial level of publicly held debt, which was $24.3 trillion in 2022 and $22.3 trillion in 2021, 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 26 to the financial statements here: https://fiscal.treasury.gov/reports-statements/#.

[11] Discretionary outlays of supplemental funding provided in response to COVID-19 are identified using Disaster Emergency Fund Code attributes in budget execution data for the following laws: the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (P.L. 116-123); *Families First Coronavirus Response Act* (P.L. 116-127); the CARES Act (P.L. 116-136); the *Paycheck Protection Program and Health Care Enhancement Act* (P.L. 116-139); and the CAA (P.L. 116-260, Division M).

[12] For more information on Social Security and Medicare actuarial estimates, refer to Note 25—Social Insurance.

the end of the fiscal year.[13] This improvement in the fiscal position is primarily due to a lower 75-year PV of spending for mandatory programs other than Social Security, Medicare, and Medicaid. That decrease in spending is partially offset by a lower 75-year PV of individual income taxes receipts and other receipts (includes excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts).

- The fourth factor was the update of economic and demographic assumptions. While the 75-year PV of receipts less non-interest spending deteriorated by $1.5 trillion and appears to worsen the fiscal position, the imbalance decreased by 0.2 percentage points as a share of the 75-year PV of GDP. The 75-year PV of GDP for this year's projections is $1,872.9 trillion, greater than last year's $1,724.4 trillion. That increase in GDP exceeds the increase in the imbalance of receipts less non-spending, and thus improves the fiscal position as a percent of GDP. Larger GDP is attributable to updates that raised the level of GDP for 2022 and higher growth rates near the start of the projection period.
- The last factor in the table, the change in reporting period—the effect of shifting calculations from 2022 through 2096 to 2023 through 2097—increases the imbalance of the 75-year PV of receipts less non-interest spending by $2.1 trillion, which has a negligible effect as a share of the 75-year PV of GDP.

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 4.2 percent of the 75-year PV of GDP (negative $79.5 trillion, as compared to a GDP of $1,872.9 trillion). This imbalance can be broken down by funding source. Spending projections exceeded receipts by 2.7 percent of GDP (about $50.2 trillion) among programs funded by the government's general revenues, and there is an imbalance of 1.6 percent of GDP (about $29.4 trillion)[14] 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.[15,16] By comparison, the FY 2021 projections showed that programs funded by the government's general revenues had an excess of spending over receipts of 4.0 percent of GDP ($68.6 trillion) while the payroll tax-funded programs had an imbalance of spending over receipts of 1.7 percent of GDP ($29.0 trillion).

Sustainability and the Fiscal Gap

This 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 approximately 97 percent at the end of FY 2022. As discussed further in the unaudited RSI, the projections based on this 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 100 percent in 2025, rise to 200 percent by 2046 and reach 566 percent in 2097. 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.

The fiscal gap measures how much the primary surplus (receipts less non-interest spending) must increase in order 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 2023 to 2097, 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 2022. The target year is the last year of the 75-year period (2097).

---

[13] Legislation enacted toward the end of FY 2022 includes: An act making appropriations for Legislative Branch for the fiscal year ending September 30, 2022, and for other purposes (P.L. 117-167); PACT Act (P.L. 117-168); and an act to provide for reconciliation pursuant to title II of S. Con.Res. 14 (P.L. 117-169).

[14] The 75-year PV imbalance for Social Security and Medicare Part A of $29.4 trillion is comprised of several line items from the SLTFP – Social Security outlays net of Social Security payroll taxes ($31.1 trillion) and Medicare Part A outlays net of Medicare payroll taxes ($10.7 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 ($0.7 trillion) and Social Security and Medicare Part A income other than payroll taxes: taxation of benefits (-$6.0 trillion), federal employer share (-$1.5 trillion), and other income (-$5.5 trillion).

[15] 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; in either case, the spending is ultimately supported by general revenues or borrowing. Under current law, benefits for Social Security and Medicare Part A can be paid only to the extent that there are sufficient balances in the respective trust funds. 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.

[16] 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, $24.3 trillion in 2022 and $22.3 trillion in 2021, 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 2022 by $3.0 trillion (the trust fund balances at that time); the contribution of other programs to federal debt at the end of 2022 was therefore $27.3 trillion. Similarly, because the $29.4 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 $3.0 trillion. The $3.0 trillion combined Social Security and Medicare Part A trust fund balance represents a claim on future general revenues.

The 75-year fiscal gap under current policy is estimated at 4.9 percent of GDP, which is 26.0 percent of the 75-year PV of projected receipts and 21.2 percent of the 75-year PV of non-interest spending. This estimate of the fiscal gap is 1.4 percentage points smaller than was estimated in 2021 (6.2 percent of GDP).

The projections show that projected primary deficits average 4.2 percent of GDP over the next 75 years under current policy. If policies were put in place that would result in a zero fiscal gap, the average primary surplus over the next 75 years would be 0.6 percent of GDP, 4.9 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 substantially 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 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 these 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 remain unchanged, regardless of 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*.

As is true for prior long-term fiscal projections for the *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 the President's Budget because they extend for 75 years, rather than 25 years. Additionally, they assume extension of current policy whereas the economic assumptions in the President's Budget assume full implementation of policy proposals reflected in the Budget.[17] 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 for the categories of receipts and spending presented in the SLTFP and the disclosures:

- **Social Security:** Projected Social Security (OASDI) spending excludes administrative expenses, which are classified as discretionary spending, and is based on the projected spending in the 2022 Social Security Trustees Report for benefits and for the Railroad Retirement interchange. The projections of Social Security payroll taxes and Social Security spending are based on future spending and payroll taxes projected in the 2022 Social Security Trustees Report, adjusted for presentational differences and converted to a fiscal year basis. 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 also excludes administrative expenses, which are classified as discretionary spending, and is based on projected spending from the 2022 Medicare Trustees Report. The projections here make some adjustments to the Trustees Report projections. Medicare Part B and D premiums, as well as state contributions to Part D, are subtracted from gross spending in measuring Part B and Part D spending, just as they are subtracted from gross cost to yield net cost in the financial statements.[18] Here, as in the federal budget, premiums are treated as "negative spending" rather 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. The projections are based on Medicare spending in the Medicare Trustees Report, adjusted for presentational differences and converted to a fiscal year basis. Medicare Part A payroll taxes are projected similarly. More information about the assumptions for Medicare cost growth can be found in Note 25 and the unaudited RSI discussion of Social Insurance. As discussed in Note 25, there is uncertainty about whether the reductions in health care cost growth assumed in the Medicare

[17] See the FY 2023 President's Budget, Analytical Perspectives Volume, Chapter 3 "Long-Term Budget Outlook."
[18] Medicare Part B and D premiums and state contributions to Part D are subtracted from the Part B and D spending displayed in the SLTFP. The total 75-year PV of these subtractions is $22.3 trillion, or 1.2 percent of GDP.

Trustees Report will be fully achieved. Note 25 illustrates this uncertainty by considering Medicare cost growth assumptions under varying policy assumptions.

- **Medicaid:** The Medicaid spending projections start with the projections from the 2018 *Medicaid Actuarial Report* prepared by CMS's Office of the Actuary, which is the most recent report available.[19] These projections are based on recent trends in Medicaid spending; the demographic, economic, and health cost growth assumptions in the 2018 Medicare Trustees Report; and projections of the effect of the PPACA on Medicaid enrollment. The projections in the Medicaid Actuarial Report, which end in 2027, are adjusted to accord with the actual Medicaid spending in FY 2022. Actual Medicaid spending includes temporary spending increases due to changes in enrollment and other temporary measures related to the pandemic.[20] The amounts related to these temporary spending increases cannot be identified, which adds uncertainty to the projections. After 2027, the projections assume no further change in State Medicaid coverage under the PPACA, and the numbers of aged beneficiaries (65-plus years) and non-aged beneficiaries (less than 65 years) are expected to grow at the same rates as the aged and non-aged populations, respectively. Medicaid costs per beneficiary are assumed to grow at the same rate as Medicare benefits per beneficiary, as is generally consistent with the experience since 1987. Between 1987 and 2017, the average annual growth rates of spending per beneficiary for Medicaid and Medicare were within 0.3 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; 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; and 3) certain limitations relating to the data used to generate the projected per enrollee spending in the 2018 Medicaid actuarial report.
- **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 2023, implying that such spending will remain constant as a percent of GDP.[21,22] Other mandatory spending includes changes to net outlays attributable to legislation[23] enacted toward the end of the fiscal year; those changes are added to projections based on CBO estimates and assumed to grow with GDP. Projected spending for insurance exchange subsidies starting in 2023 grows with growth in the non-elderly population and with the NHE projected per enrollee cost growth for other private health insurance for the NHE projection period (through 2030 for the FY 2022 projections), and with growth in per enrollee health care costs as projected for the Medicare program after that period. As 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 exchange 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.
- **Defense and Non-defense Discretionary Spending:** Discretionary spending is grown with GDP starting in 2023. Spending grows from a base level that excludes outlays of supplemental funding[24] provided during the COVID-19 pandemic, which are judged to be temporary.[25] To illustrate sensitivity to different assumptions, PV calculations under alternative discretionary growth scenarios are presented in the unaudited "Alternative Scenarios" RSI section.

---

[19] Christopher J. Truffer, Kathryn E. Rennie, Lindsey Wilson, and Eric T. Eckstein II, *2018 Actuarial Report on the Financial Outlook for Medicaid*, Office of the Actuary, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services.

[20] *The Consolidated Appropriations Act, 2023* (P.L. 117-328) established a process to unwind temporary Medicaid requirements, which would decrease spending relative to the projections. The act was signed into law on December 29, 2022, and is therefore not reflected in the projections shown in the SLTFP or this note, and the effects thereon cannot be reasonably estimated at this time.

[21] Other mandatory spending in 2022 from legislation enacted in response to the COVID-19 pandemic is considered temporary and is not assumed to increase with nominal GDP. Such spending is identified using Disaster Emergency Fund Code attributes in budget execution data for the following: the *Families First Coronavirus Response Act* (P.L. 116-127); the CARES Act (P.L. 116-136); the *Paycheck Protection Program and Health Care Enhancement Act* (P.L. 116-139); the CAA (P.L. 116-260, Division N); and the ARP (P.L. 117-2). Spending data for COVID-19 response legislation are available on USAspending.gov.

[22] This assumed growth rate for other mandatory programs after 2023 is slightly higher than the average growth rate in the most recent OMB and CBO 10-year budget baselines.

[23] Legislation enacted toward the end of FY 2022 includes: An act making appropriations for Legislative Branch for the fiscal year ending September 30, 2022, and for other purposes (P.L. 117-167); PACT Act (P.L. 117-168); and an act to provide for reconciliation pursuant to title II of S. Con.Res. 14 (P.L. 117-169). All estimated changes to mandatory outlays included in the long-term fiscal projections are reflected in the other mandatory category.

[24] Discretionary outlays of supplemental funding provided in response to COVID-19 are identified using Disaster Emergency Fund Code attributes in budget execution data for the following laws: the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (P.L. 116-123); *Families First Coronavirus Response Act* (P.L. 116-127); the CARES Act (P.L. 116-136); the *Paycheck Protection Program and Health Care Enhancement Act* (P.L. 116-139); and the CAA (P.L. 116-260, Division M).

[25] This method reflects an update to the model's technical assumptions. Discretionary spending in the 2021 projections grew from the 2022 baseline estimate in the President's 2022 Budget.

- **Receipts (Other than Social Security and Medicare Payroll Taxes):** Individual income taxes are based on the share of salaries and wages in the current law baseline projection in the FY 2023 President's Budget, and the salaries and wages projections in the Social Security 2022 Trustees Report. That baseline accords with the tendency of effective tax rates to increase as growth in income per capita outpaces inflation (also known as "bracket creep") and the expiration dates of individual income and estate and gift tax provisions of TCJA. Effects of recent legislation enacted toward the end of FY 2022 are added to projections based on CBO estimates and assumed to continue through the projection period. After falling to 19 percent of wages and salaries in 2024, individual income taxes increase gradually to 29 percent of wages and salaries in 2097 as real taxable incomes rise over time and an increasing share of total income is taxed in the higher tax brackets. Through the first 10 years of the projections, corporation tax receipts as a percent of GDP reflect the economic and budget assumptions used in developing the FY 2023 President's Budget ten-year advance baseline budgetary estimates plus estimated effects of recent legislation. After this time, corporation tax receipts grow at the same rate as nominal GDP. Other receipts also reflect FY 2023 President's Budget baseline levels as a share of GDP throughout the budget window, plus estimated effects of recent legislation, and grow with GDP outside of the budget window. Corporation tax receipts peak at 1.8 percent of GDP in 2024 before falling to 1.3 percent of GDP in 2032, where they stay for the remainder of the projection period. The ratio of other receipts, including excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts, to GDP is estimated to be 1.3 percent in 2023, after which it gradually declines to 1.1 percent by 2032 where it remains through the projection period. To illustrate uncertainty, PV calculations under higher and lower receipts growth scenarios are presented in the "Alternative Scenarios" section.
- **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 2022 Social Security Trustees Report.[26] The average interest rate over this year's projection period is 4.5 percent, up slightly from the 2021 *Financial Report's* 4.4 percent. These rates are also used to convert future cash flows to PVs as of the start of FY 2023. 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 the basis of current policy, which in some cases is assumed to be different from current law. The notable differences between current policy that underlies 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; and 4) many mandatory programs with expiration dates prior to the end of the 75-year projection period are assumed to be reauthorized. As is true in the Medicare Trustees Report and in the SOSI, the projections incorporate programmatic changes already scheduled in law, such as the PPACA productivity adjustment for non-physician Medicare services and the expiration of certain physician bonus payments in 2025.

[26] As indicated in the more detailed discussion of Social Insurance in Note 25 to the financial statements.