

Tariff income won't come close to balancing the federal fisc.

fiscal as in
you + year

About That Tariff Budget Surplus

Can tariff revenue balance the federal budget and banish the national debt? That's the latest claim by the Trump Administration, as it trumpets a Friday Treasury report showing that the government posted a \$27 billion surplus last month. Hallelujah, brother—or not.

Treasury's monthly financial report shows the U.S. collected some \$27 billion in custom duties in June, up from \$6 billion in the same month last year. Since total monthly receipts rang in at \$526 billion, while outlays were \$499 billion, voila, a balanced monthly budget. "Another promise made. Another promise kept," tweeted Treasury Secretary Scott Bessent.

This could stand some parsing. Mr. Bessent knows, but would rather not say, that June is one of Treasury's biggest revenue months of the year. That's because it's a month when companies and individuals file their quarterly estimated tax payments. Before the Biden Presidency's spending surge, the U.S. would sometimes run surpluses in such months.

Looking back to October and the first nine months of fiscal 2025, the U.S. has run a \$1.3 trillion deficit. Outlays are running \$318 billion higher than last fiscal year, and that figure would be even bigger if not for some accounting changes. In other words, the budget deficit is still growing, despite the tariffs and buoyant receipts from individual income taxes.

Individual income-tax revenue was \$51 billion higher in June than in the same month last year, a 28% increase, and it's up \$174 billion so far year-over-year (9% for the year). Corporate tax revenue, on the other hand, is lower than last year by \$13 billion in June and \$26 billion year to date. Could tariffs be reducing corporate margins? The truth is that tariffs are still a small share of federal revenue. Customs duties, which include tariffs, have raised \$108 billion so far this fiscal year. June was the highest monthly level so far, but even on an annual basis that's about \$300 billion a year. That's not nothing, but it won't balance a \$7 trillion spending budget, despite Mr. Trump's occasional suggestions that tariffs might offset the income tax.

Keep in mind that a tariff is a tax, and when you tax something you get less of it. One weakness of tariffs as a revenue vehicle is that they restrain trade in goods and thus can raise less revenue than anticipated on a static basis. That's even more likely if a trade war dampens overall economic growth.

Dan Clifton of Strategas Research Partners estimates that Mr. Trump has threatened new tariffs of about \$163 billion since the tax and spending bill passed last month. But even if Mr. Trump follows through on all of those threats—which he probably won't—that still won't come close to balancing the fisc.

One risk of boasting about a single month in the black is that some Americans might conclude that there's no need to cut spending, reform entitlements, or defend the changes to Medicaid and food stamps that the GOP recently enacted. Mr. Bessent's budget boasts about tariffs amount to overcooking the goose, which might come back to burn him too.