disturbed by the pandemic, Treasury Department data through Thursday ...

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The surge in individual stock trading by Americans last year contributed to a record tax haul for the federal government this spring — shrinking the budget deficit and surprising Wall Street, but likely leaving President Joe Biden in no stronger shape as he battles for his fiscal agenda in Congress.

Tax collections since the start of the fiscal year in October are running at a record high — up some 43% over the same period in 2019, the most recent comparison not disturbed by the pandemic, Treasury Department data through Thursday show.

Surging wages and corporate profits are behind much of the increase, testament to the powerful economic recovery that Biden and congressional Democrats are struggling to convince voters is under way. But another factor was the capital gains notched by Americans turning to securities trading during the pandemic. Individual taxes from small business proceeds or the sale of stock and other assets are nearly

The surge in revenues spurred the Treasury last week to scale back its debt-sale plans by more than dealers had expected. But whether there’s a fundamental change in flows that shrinks the deficit remains a question. Such a shift would offer Biden ammunition to persuade Democratic Sen. Joe Manchin, who’s held up the president’s longer-term economic agenda over concerns that a big package will further stoke inflation and add to debt.

“There is uncertainty around whether this year’s elevated tax collection is a one-off or a more structural shift,” Goldman Sachs Group Inc. interest-rate strategists led by Praveen Korapaty wrote in a note last week. “There are reasons to suspect it is the former — the biggest surprise has come from non-withheld receipts, and a strong contribution from capital gains taxes (rather than more reliable withheld tax receipts) seems to be the most likely driver.”

There’s also another shoe yet to drop: the impact of inflation in increasing the pace of federal spending. Higher costs are looming for federal workers’ salaries, along with inflation-adjusted benefit programs like Social Security and nutrition assistance. With Treasury yields climbing as the Federal Reserve hikes interest rates, debt-servicing costs also are likely to rise.

“A future of higher interest rates presents a unique challenge as rising interest payments are both a consequence of inflationary spending policies as well as a contributor to the debt brought on by unchecked spending,” Representative Jason Smith, the top Republican on the House Budget Committee said in a statement Friday.

Still, the bumper revenues could help bolster estimated revenues from tax changes proposed to help pay for Biden’s agenda, which spans clean energy to enhanced social investments. The economic assumptions that the Congressional Budget Office and Joint Committee on Taxation will use to determine the cost of the bill will likely

Hoagland, a longtime Senate Budget aide who is now with the Bipartisan Policy Center, said.

Another question is how the record revenues affect estimates for when the federal government is likely to hit the statutory debt limit, which now stands at just under $31.4 trillion. When lawmakers last boosted it, late last year, they estimated it would be enough to last until early 2023.

Crandall at Wrightson figures the government can probably last until 2024 without an increase. But Hoagland is less optimistic, still seeing the ceiling becoming binding in the first quarter of 2023. Brian Smith, the Treasury's deputy assistant secretary for federal finance, said last week that it's "premature" to comment on the debt ceiling.

In the end, the great tax haul of spring 2022 may prove something of a high-water mark.

"I would caution anybody from drawing too much of a conclusion on what we can do with all this found money, because the risks of recession are growing and tax receipts crater when we have a recession," said Gordon Gray, the director of fiscal policy at the American Action Forum. "I wouldn't count our winnings at the table."

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