CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 16, 2018

H.R. 5444
Taxpayer First Act

As reported by the House Committee on Ways and Means on April 13, 2018

SUMMARY

H.R. 5444 would make a number of changes to the management and oversight of the Internal Revenue Service (IRS). The bill would:

- Aim to improve customer service and the taxpayer appeals assistance process;
- Restrict certain IRS enforcement activities;
- Modify the agency's organization; and
- Change the operations of the U.S. Tax Court.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting the bill would reduce revenues by $102 million over the 2019-2028 period, and CBO estimates that enacting H.R. 5444 would decrease direct spending by $51 million over the same period. On net, H.R. 5444 would increase deficits by $52 million over the period. CBO has not completed an estimate of the bill's costs that are subject to annual appropriation.

Because enacting the bill would affect direct spending and revenues, pay-as-you-go procedures apply.

CBO and JCT estimate that enacting H.R. 5444 would not increase net direct spending or significantly affect on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

JCT has reviewed H.R. 5444 and determined that it contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 5444 is shown in the following table. The costs of the legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
DECREASES IN REVENUES													
Estimated Revenues	0	-32	-57	-12	-1	*	*	*	*	*	*	-101	-102
DECREASES IN DIRECT SPENDING [a]													
Estimated Budget Authority	0	-16	-29	-6	*	*	*	*	*	*	*	-51	-51
Estimated Outlays	0	-16	-29	-6	*	*	*	*	*	*	*	-51	-51
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Effect on the Deficit	0	16	29	6	*	*	*	*	*	*	*	51	52

Components may not sum to totals because of rounding; * = between -$500,000 and zero.

a. CBO expects that implementing the bill would increase spending for the Internal Revenue Service (IRS) that is subject to appropriation. CBO has not completed an estimate of those costs. In 2018, the Congress appropriated $11.1 billion for IRS operations.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 5444 will be enacted by the end of fiscal year 2018.

Revenues

Under current law, the IRS is authorized to use private debt collection companies to locate and contact taxpayers who owe federal taxes and to arrange for the payment of those amounts. The bill would prohibit the use of private collection companies when the affected taxpayer's adjusted gross income is at or below 250 percent of the poverty level (as determined by the Secretary of the Treasury). The provision would take effect six months after the enactment of the legislation and end in December 2019. JCT estimates that the change would reduce revenues by $102 million over the 2019-2028 period. The provision also would affect direct spending, as discussed under the heading, "Direct Spending."

JCT estimates that other provisions in the bill would reduce revenues by an insignificant amount in each year.

Direct Spending

The bill's prohibition on using private debt collectors in certain cases would reduce direct spending. Under current law, the IRS enters into contracts with private companies to collect delinquent tax liabilities owed to the federal government. Under those contracts, the IRS may allow those businesses to retain up to 25 percent of the amounts they collect. Another 25 percent of the amounts collected is available to the IRS to spend on enforcement activities. CBO estimates that repealing the private debt collection authority and allowing the current contracts to expire would reduce direct spending by $51 million over the 2019-2028 period, or 50 percent of the estimated reduction in revenues stemming from this provision.

Other provisions in the bill would have an insignificant effect on direct spending.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 5444, the Taxpayer First Act, as Ordered Reported by the House Committee on Ways and Means on April 11, 2018

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2018-2023	2018-2028
					NET INCREASE IN THE DEFICIT								
Statutory Pay-As-You-Go Impact	0	16	29	6	*	*	*	*	*	*	*	51	52
Memorandum:													
Decreases in Outlays	0	-16	-29	-6	*	*	*	*	*	*	*	-51	-51
Decreases in Revenues	0	-32	-57	-12	-1	*	*	*	*	*	*	-101	-102

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO and JCT estimate that enacting H.R. 5444 would not increase net direct spending or significantly affect on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

JCT has reviewed H.R. 5444 and determined that it contains no intergovernmental or private-sector mandates as defined in UMRA.

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