CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 7, 2018

H.R. 88
Retirement, Savings, and Other Tax Relief Act of 2018 and Taxpayer First Act of 2018

As amended by the House Committee on Rules on November 28, 2018

SUMMARY

H.R. 88 would make a variety of changes to the tax code. Division A of the bill would extend many tax provisions that expired at the end of 2017 and provide tax relief for victims of disasters. The bill would also modify the requirements for tax-favored savings accounts and employer-provided retirement plans, change the deduction for start-up and organizational expenditures, make technical corrections to Public Law 115-97, and eliminate the increase in unrelated business taxable income related to certain transportation fringe benefits. Division B of the bill would make numerous changes to rules governing the Internal Revenue Service (IRS).

The staff of the Joint Committee on Taxation (JCT) and CBO estimate that enacting the bill would reduce revenues by about $52.7 billion over the 2019-2028 period, and increase outlays by $1.4 billion over the same period, leading to an increase in the deficit of $54.1 billion over the 2019-2028 period. A portion of the changes in revenues would be from Social Security payroll taxes, which are classified as off-budget. Excluding the estimated $0.3 billion decrease in off-budget revenues over the next 10 years, JCT and CBO estimate that H.R. 88 would increase on-budget deficits by about $53.7 billion over the 2019-2028 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO and JCT estimate that enacting H.R. 88 would increase on-budget deficits by more than $5 billion in at least one of the four 10-year periods beginning in 2029. CBO and JCT estimate that enacting the legislation would not increase net direct spending by more than $5 billion in any of the four consecutive 10-year periods beginning in 2029.

The staff of the Joint Committee on Taxation has determined that the tax provisions of H.R. 88 contain no intergovernmental or private sector mandates as defined in Unfunded Mandates Reform Act (UMRA).

CBO has determined that the nontax provisions of H.R. 88 contain no intergovernmental mandates, but would impose a private-sector mandate as defined in UMRA. CBO estimates the cost of the mandates would fall below the annual private-sector thresholds established by UMRA ($160 million in 2018, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 88 is shown in the following table.

Estimate of the Revenue and Direct Spending Effects for the House Amendment to the Senate Amendment to H.R. 88, as amended by the House Committee on Rules on November 28, 2018

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
NET INCREASE OR DECREASE (-) IN REVENUES												
Division A. Retirement, Savings, and Other Tax Relief Act of 2018												
Title I. Extension of Expiring Provisions	-13,663	-5,164	-3,964	-2,734	-1,937	-1,307	-466	-222	-233	-237	-27,465	-29,930
Title II. Disaster Tax Relief	-4,174	244	99	74	147	92	*	*	*	*	-3,612	-3,520
Title III. Retirement and Savings	-31	-463	-656	-854	-1,124	-1,323	-1,521	-1,929	-2,044	-2,131	-3,129	-12,084
Title IV. American Innovation	-61	-141	-208	-288	-390	-520	-675	-766	-868	-1,017	-1,088	-4,935
Title V. Certain Tax Technical Corrections and Clarifications	*	-1	-1	-2	-3	-4	-4	-5	-5	-6	-7	-31
Title VI. Exempt Organizations	-255	-151	-154	-158	-163	-168	-173	-179	-185	-191	-880	-1,776
Division B. Taxpayer First Act of 2018												
Title I. Putting Taxpayers First	*	-8	-28	-46	-50	-54	-54	-56	-58	-60	-132	-415
Title II. 21st Century IRS	*	*	*	*	*	*	*	*	*	*	*	*
Title III. Miscellaneous Provisions	*	*	*	*	*	*	*	*	*	*	*	*
Total Estimated Changes in Revenues	**-18,183**	**-5,684**	**-4,912**	**-4,007**	**-3,520**	**-3,284**	**-2,893**	**-3,157**	**-3,393**	**-3,642**	**-36,313**	**-52,691**
On-Budget	-18,181	-5,681	-4,902	-3,987	-3,489	-3,243	-2,841	-3,095	-3,331	-3,579	-36,247	-52,345
Off-Budget[a]	-2	-3	-10	-20	-31	-41	-52	-62	-62	-63	-66	-346
NET INCREASE OR DECREASE (-) IN DIRECT SPENDING												
Division A. Retirement, Savings, and Other Tax Relief Act of 2018												
Title II. Disaster Tax Relief												
Estimated Budget Authority	187	47	0	0	0	0	0	0	0	0	233	233
Estimated Outlays	187	47	0	0	0	0	0	0	0	0	233	233

(Continued)

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
Title III. Retirement and Savings												
Estimated Budget Authority	115	121	126	131	136	141	147	152	153	154	629	1,376
Estimated Outlays	115	121	126	131	136	141	147	152	153	154	629	1,376
Division B. Taxpayer First Act of 2018												
Title I. Putting Taxpayers First												
Estimated Budget Authority	0	-4	-14	-23	-25	-27	-27	-28	-29	-30	-66	-207
Estimated Outlays	0	-4	-14	-23	-25	-27	-27	-28	-29	-30	-66	-207
Total Estimated Changes in Direct Spending												
Estimated Budget Authority	302	164	112	108	111	114	120	124	124	124	796	1,402
Estimated Outlays	302	164	112	108	111	114	120	124	124	124	796	1,402
NET INCREASE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Effect on Deficit	**18,485**	**5,848**	**5,024**	**4,115**	**3,631**	**3,398**	**3,013**	**3,281**	**3,517**	**3,766**	**37,109**	**54,093**
On-Budget Deficit	18,483	5,845	5,014	4,095	3,600	3,357	2,961	3,219	3,455	3,703	37,043	53,747
Off-Budget Deficit	2	3	10	20	31	41	52	62	62	63	66	346

Source: Staff of the Joint Committee on Taxation and Congressional Budget Office.

Components may not add to totals due to rounding; * = between -$500,000 and $500,000.

CBO has not completed an estimate of the bill's costs that are subject to annual appropriation.

a. Off-budget revenues result from changes in Social Security payroll tax receipts.

BASIS OF ESTIMATE

Revenues and Direct Spending

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation will be the official estimates for all tax legislation considered by the Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. Virtually all of the estimates for the provisions of H.R. 88 were provided by JCT.[1]

[1] For JCT's estimates of the provisions, which include detail beyond the summary presented below, see Joint Committee on Taxation, Estimated Budget Effects of the Revenue Provisions Contained in the House Amendment to the Senate Amendment to H.R. 88 Scheduled for Consideration by the House of Representatives, JCX-82-18, https://www.jct.gov/publications.html?func=startdown&id=5150.

Division A – Retirement, Savings, and Other Tax Relief Act of 2018

Title I. Extension of Expiring Provisions. Title I of H.R. 88 would reinstate and extend many expired tax provisions through 2018 in most cases. The provisions with the largest revenue effects include the following:

- Permanent extension and modification of railroad track maintenance credit;
- Extension and phaseout of biodiesel and renewable diesel incentives;
- Extension of excise tax credits and outlay payments for alternative fuel, and excise tax credits for alternative fuel mixtures; and
- Extension of exclusion from gross income of discharge of indebtedness on qualified principal residence indebtedness.

JCT estimates that the provisions in Title I would reduce revenues by $29.9 billion from 2019 to 2028.

Title II. Disaster Tax Relief. Title II of H.R. 88 would establish special rules for qualified disaster-related personal casualty losses and temporarily suspend the limitation on charitable contributions, among other provisions related to disaster relief. JCT estimates that the provisions in this title would, on net, reduce revenues by $3.5 billion over the 2019-2028 period. In addition, the provisions would increase outlays for refundable tax credits by an estimated $233 million over the same period.

Title III. Retirement and Savings. Title III of H.R. 88 would amend the tax code to modify requirements for tax-favored savings accounts and employer-provided retirement plans. The largest provisions include changes to the rules governing multiple and pooled employer retirement plans, and an exemption from required minimum distribution rules for individuals with account balances below certain amounts.

JCT and CBO estimate that the provisions in Title III would, on net, reduce revenues by $12.1 billion over the 2019-2028 period. The provisions would also increase outlays by $1.4 billion over the same period. Some of the provisions in this section would affect off-budget revenues, decreasing them by $346 million over the 2019-2028 period, JCT and CBO estimate.

Title IV. American Innovation. Title IV would amend the Internal Revenue Code by modifying the deduction for start-up and organizational expenditures and the treatment of losses, carryforwards and unused pre-change tax credits for companies after an ownership change. The bill raises the amount which may be deducted for start-up and organizational expenditures. In addition, it removes some limitations on the use of losses, carryforwards, and unused pre-change tax credits for new loss corporations that have experienced an ownership change. JCT estimates that the changes from Title IV would decrease revenues by $4.9 billion over the 2019-2028 period.

Title V. Certain Tax Technical Corrections and Clarifications. Title V would make some technical corrections to tax law relating to Public Law 115-97, in addition to clarifications regarding treatment of veterans for the low-income housing tax credit and the public use requirement for qualified residential rental project. JCT estimates that the changes from Title V would decrease revenues by $31 million over the 2019-2028 period.

Title VI. Exempt Organizations. This title would both eliminate the increase in unrelated business taxable income related to certain transportation fringe benefits and modify the rules related to the business holdings of private foundations. JCT estimates that those provisions would reduce revenues by $1.8 billion over the 2019-2028 period.

Division B – Taxpayer First Act of 2018

Title I. Putting Taxpayers First. Title I would make a number of changes to the management and oversight of the IRS with the aim to improve customer service and the taxpayer appeals assistance process, restrict certain IRS enforcement activities, and modify the agency's organization. JCT estimates that the provisions in this title would, on net, reduce revenues by $415 million over the 2019-2028 period. In addition, CBO estimates the provisions would reduce direct spending by an estimated $207 million over the same period. CBO has not completed an estimate of the bill's costs that are subject to annual appropriation.

Title II. 21st Century IRS. Title II aims to combat identity theft and tax refund fraud at the IRS, create an automated system to verify taxpayer information for authorized users, modernize information technology systems within the IRS, and expand the use of electronic information systems within the IRS. JCT estimates that the provisions of Title II would increase revenues by less than $500,000 over the 2019-2028 period.

Title III. Miscellaneous Provisions. Title III would make other changes to the laws governing the IRS and change the organization of the tax court. JCT estimates that the provisions in this title would have a negligible effect on revenues.

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. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Estimate of Pay-As-You-Go Effects for the House Amendment to the Senate Amendment to H.R. 88, as amended by the House Committee on Rules on November 28, 2018

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
NET INCREASE IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Effects	18,483	5,845	5,014	4,095	3,600	3,357	2,961	3,219	3,455	3,703	37,043	53,747
Memorandum:[a]												
Change in Outlays	302	164	112	108	111	114	120	124	124	124	796	1,402
Change in On-Budget Revenues	-18,181	-5,681	-4,902	-3,987	-3,489	-3,243	-2,841	-3,095	-3,331	-3,579	-36,247	-52,345

Source: Staff of the Joint Committee on Taxation and Congressional Budget Office.

Components may not add to totals due to rounding.

a. A positive sign for outlays indicates an increase in outlays. A negative sign for revenues indicates a reduction in revenues.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO and JCT estimate that enacting H.R. 88 would increase on-budget deficits by more than $5 billion in at least one of the four 10-year periods beginning in 2029. CBO and JCT estimate that enacting the legislation would not increase net direct spending by more than $5 billion in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

The staff of the Joint Committee on Taxation has determined that the tax provisions of H.R. 88 contain no intergovernmental or private sector mandates as defined in UMRA.

CBO has determined that the non-tax provisions of H.R. 88 contain no intergovernmental mandates, but would impose a private-sector mandate as defined in UMRA.

Section 324 would impose a mandate by requiring administrators of pension and benefit plans to disclose the plan's lifetime income stream, as defined by the bill, in statements provided to beneficiaries. Because the mandate imposes a minor administrative burden, CBO estimates the cost would be small. CBO estimates the cost of the mandate will fall below the annual private-sector threshold established by UMRA ($160 million in 2018, adjusted annually for inflation).

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