CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 20, 2018

H.R. 88

Retirement, Savings, and Other Tax Relief Act of 2018 and Taxpayer First Act of 2018

House Rules Committee Print 115-87

SUMMARY

H.R. 88 would make a variety of changes to the tax code. Division A of the bill would provide tax relief for victims of disasters, modify the requirements for tax-favored savings accounts and employer-provided retirement plans, delay or repeal certain health-related taxes, extend certain expiring provisions, make technical corrections to Public Law 115-97, eliminate the increase in unrelated business taxable income related to certain transportation fringe benefits, and allow 501(c)(3) organizations to make statements relating to political campaigns. 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 $99.7 billion over the 2019-2028 period, and decrease outlays by $557 million over the same period, leading to an increase in the deficit of $99.2 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 $0.8 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 $98.4 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 mandate would fall below the annual private-sector threshold established in 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 (Rules Committee Print 115-87)

	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. Disaster Tax Relief	-4,458	252	103	78	157	98	*	*	*	*	-3,868	-3,769
Title II. Retirement and Savings	-46	-489	-684	-884	-1,156	-1,358	-1,559	-1,971	-2,089	-2,180	-3,261	-12,425
Title III. Repeal or Delay of Certain Health-Related Taxes	-35	-14,588	-15,928	-11,539	-8,824	-2,598	-685	-35	-33	-32	-50,914	-54,296
Title IV. Extension of Expiring Provisions	-5,423	-3,262	-3,314	-2,699	-1,895	-1,258	-434	-187	-187	-187	-16,593	-18,845
Title V. Other Provisions	-606	-827	-795	-876	-886	-1,112	-1,062	-1,165	-1,173	-1,478	-3,992	-9,983
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	**-10,568**	**-18,922**	**-20,646**	**-15,966**	**-12,654**	**-6,282**	**-3,794**	**-3,414**	**-3,540**	**-3,937**	**-78,760**	**-99,733**
On-Budget	-10,566	-18,919	-20,636	-15,655	-12,510	-6,241	-3,742	-3,352	-3,478	-3,874	-78,290	-98,983
Off-Budget[a]	-2	-3	-10	-311	-144	-41	-52	-62	-62	-63	-470	-750
NET INCREASE OR DECREASE (-) IN DIRECT SPENDING												
Division A. Retirement, Savings, and Other Tax Relief Act of 2018												
Title I. Disaster Tax Relief												
Estimated Budget Authority	172	43	0	0	0	0	0	0	0	0	215	215
Estimated Outlays	172	43	0	0	0	0	0	0	0	0	215	215

(Continued)

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
Title II. 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
Title III. Repeal or Delay of Certain Health-Related Taxes												
Estimated Budget Authority	0	0	0	-1,359	-582	0	0	0	0	0	-1,941	-1,941
Estimated Outlays	0	0	0	-1,359	-582	0	0	0	0	0	-1,941	-1,941
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	287	160	112	-1,251	-471	114	120	124	124	124	-1,163	-557
Estimated Outlays	287	160	112	-1,251	-471	114	120	124	124	124	-1,163	-557
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Effect on Deficit	**10,855**	**19,082**	**20,758**	**14,715**	**12,183**	**6,396**	**3,914**	**3,538**	**3,664**	**4,061**	**77,597**	**99,176**
On-Budget Deficit	10,853	19,079	20,748	14,404	12,039	6,355	3,862	3,476	3,602	3,998	77,127	98,426
Off-Budget Deficit	2	3	10	311	144	41	52	62	62	63	470	750

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

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

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, (Rules Committee Print 115-87), JCX-83-18, https://www.jct.gov/publications.html?func=startdown&id=5151.

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

Title I. Disaster Tax Relief. Title I 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 $3.8 billion over the 2019-2028 period. In addition, the provisions would increase outlays for refundable tax credits by an estimated $215 million over the same period.

Title II. Retirement and Savings. Title II 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 II would, on net, reduce revenues by $12.4 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 III. Repeal or Delay of Certain Health-Related Taxes. Title III would amend the Internal Revenue Code to delay the excise tax on certain medical devices for five years, delay the excise tax on certain health insurance plans with high premiums for one year, delay the health insurer provider tax by two years and, repeal the excise tax on indoor tanning services. JCT and CBO estimate that the changes from Title III would decrease revenues by $54.3 billion over the 2019-2028 period.

Title IV. Extension of Expiring Provisions. Title IV would permanently extend the tax credit for railroad track maintenance. Also the income and excise tax incentives for biodiesel and renewable diesel fuel would be extended and phased out. JCT estimates that those provisions would reduce revenues by $18.8 billion over the 2019-2028 period.

Title V. Other Provisions. 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. This title would eliminate the increase in unrelated business taxable income related to certain transportation fringe benefits and allow 501(c)(3) organizations to make statements relating to political campaigns in the ordinary course of carrying out its tax exempt purpose. JCT estimates that those provisions would reduce revenues by $10.0 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 (Rules Committee Print 115-87)

	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	10,853	19,079	20,748	14,404	12,039	6,355	3,862	3,476	3,602	3,998	77,127	98,426
Memorandum:[a]												
Change in Outlays	287	160	112	-1,251	-471	114	120	124	124	124	-1,163	-557
Change in On-Budget Revenues	-10,566	-18,919	-20,636	-15,655	-12,510	-6,241	-3,742	-3,352	-3,478	-3,874	-78,290	-98,983

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

Components may not add to totals because of 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 nontax provisions of H.R. 88 contain no intergovernmental mandates, but would impose a private-sector mandate as defined in UMRA. Section 224 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 and would fall below the annual private-sector threshold established in UMRA ($160 million in 2018, adjusted annually for inflation).

ESTIMATE PREPARED BY

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