Congressional Budget Office
Cost Estimate

April 22, 2020

At a Glance

H.R. 4545, Private Loan Disability Discharge Act of 2019

As ordered reported by the House Committee on Financial Services on December 11, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	0	0	0
Revenues	0	0	-60
Increase in the Deficit	0	0	60
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

The bill would

- Amend the Truth in Lending Act to require any private student loan to be discharged if the student is determined to have a total and permanent disability
- Amend the Internal Revenue Code so that such a discharge is not treated as income for tax purposes
- Impose private-sector mandates by requiring holders of private student loans to discharge certain debts and prohibiting loan holders from attempting to collect on those debts

Estimated budgetary effects would primarily stem from

- A decrease in tax revenue from the provision that would exempt from taxable income certain discharges of student loan debt

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. All of the estimates for the tax provisions of H.R. 4545 were provided by JCT.

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 4545 would amend the Truth in Lending Act to require that any private student loan be discharged (that is, forgiven) if the student is determined to have a total and permanent disability. The bill also would amend the Internal Revenue Code so that such a discharge would not be treated as income for tax purposes.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4545 is shown in Table 1.

Table 1.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4545, the Private Loan Disability Discharge Act of 2019, as Ordered Reported by the House Committee on Financial Services on December 11, 2019

	By Fiscal Year, Millions of Dollars												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020-2025	2020-2030
	Net Increase in the Deficit												
Pay-As-You-Go Effect	0	0	0	0	0	0	1	14	14	15	16	0	60

Source: Staff of the Joint Committee on Taxation.

Basis of Estimate

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates those estimates into its cost estimates of the effects of legislation. All of the estimates for the tax provisions of H.R. 4545 were provided by JCT.

Because the bill would not affect federal student loans, CBO estimates that there would be no effect on federal spending.

Revenues

JCT estimates that the bill would decrease revenues by $60 million over the 2020-2030 period.

Uncertainty

The estimates provided here are uncertain because they rely on underlying projections and other estimates that are uncertain. Specifically, they are based in part on CBO's economic projections for the next decade under current law, and on estimates of changes in taxpayers' behavior in response to changes in tax rules.

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 changes in revenues that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Deficits

JCT estimates that enacting H.R. 4545 would increase on-budget deficits by less than $5 billion in each of the four consecutive 10-year periods beginning in 2030.

Mandates

The nontax provisions of H.R. 4545 contain private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) by requiring debt holders to discharge the debt of a student borrower who has been declared permanently and totally disabled and prohibiting those debt-holders from attempting to collect on the discharged debt. CBO estimates that, given the small number of loans affected, the cost of the mandate would fall below the annual private-sector threshold of $168 million in 2020, adjusted annually for inflation.

CBO has determined that the nontax provisions of the bill would not impose intergovernmental mandates as defined in UMRA.

JCT has determined that the tax provisions of the bill would not impose intergovernmental or private-sector mandates.

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