



February 18, 2010

Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, DC 20510

Dear Mr. Leader:

The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) have prepared the enclosed table showing the estimated effects on revenues and direct spending for the Hiring Incentives to Restore Employment Act, as introduced in the Senate on February 11, 2010. The legislation has been introduced as Senate Amendment 3310, in the nature of a substitute for H.R. 2847.

The legislation contains several tax provisions, including temporarily exempting from payroll taxes paid by employers the wages of certain individuals hired in 2010, providing an additional business tax credit for firms that retain such individuals for at least one year of employment, increasing allowable expensing in 2010 for certain depreciable business assets, amending the treatment of interest paid in connection with issuances of certain tax credit bonds, and modifying rules applicable to foreign accounts and the allocation of interest expenses on the part of corporations with worldwide activities.

In addition, the legislation would extend through December 31, 2010, the authorization for surface transportation programs and would increase the budgetary resources for those programs by \$20.8 billion in fiscal year 2010 and \$12.2 billion in fiscal year 2011, relative to the amounts assumed in CBO's baseline. Finally, the bill would provide for the transfer of \$19.5 billion from the general fund of the Treasury to the Highway Trust Fund. Spending from the trust fund, however, is generally controlled by appropriation actions; as a result, the transfer may facilitate future spending but would not, by itself, increase such expenditures.

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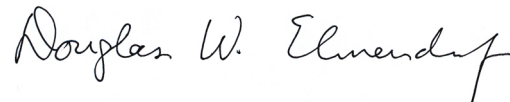
According to CBO and JCT estimates, the proposed legislation would reduce revenues by about \$4.4 billion and increase direct spending by about \$0.1 billion in fiscal year 2010, resulting in an increase in the deficit of about \$4.5 billion this year. The legislation would increase the deficit in fiscal year 2011 by an additional \$6.0 billion.

As shown in the attached table, CBO and JCT estimate that the proposed legislation would lead to a net increase in deficits of \$11.4 billion over the 2010-2015 period, but would yield a net reduction in deficits of \$1.1 billion over the 2010-2020 period. (None of the effects of the legislation would change Social Security or Postal Service receipts or spending; thus, all of the estimated effects are classified as "on-budget.")

CBO has determined that the non-tax provisions of the proposed legislation contain no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), and would impose no costs on state, local, or tribal governments. JCT has reviewed the tax provisions of the legislation and determined that they contain no intergovernmental mandates as defined in UMRA. JCT has also determined that the tax provisions contain two private-sector mandates: foreign account tax compliance and the delay in implementing worldwide allocation of interest expense until 2020. JCT estimates that the costs required to comply with the mandates would exceed the threshold established by UMRA for private-sector mandates (\$141 million in 2010, adjusted annually for inflation) in each of the 11 years from 2010 through 2020.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Pete Fontaine.

Sincerely,

A handwritten signature in cursive script that reads "Douglas W. Elmendorf".

Douglas W. Elmendorf  
Director

Enclosure

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cc: Honorable Mitch McConnell  
Republican Leader

Honorable Kent Conrad  
Chairman  
Committee on the Budget

Honorable Judd Gregg  
Ranking Member

Honorable Max Baucus  
Chairman  
Committee on Finance

Honorable Chuck Grassley  
Ranking Member

Honorable Barbara Boxer  
Chairman  
Committee on Environment and Public Works

Honorable James M. Inhofe  
Ranking Member