CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 28, 1999

H.R. 2923

A bill to amend the Internal Revenue Code of 1986 to extend expiring provisions, to fully allow the nonrefundable personal credits against regular tax liability, and for other purposes

As ordered reported by the House Committee on Ways and Means on September 24, 1999

SUMMARY

H.R. 2923 would amend existing tax laws and extend numerous tax provisions that have expired recently or are about to expire. The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that H.R. 2923 would decrease governmental receipts by $23 billion over the 2000-2004 period. CBO estimates that the bill would also increase direct spending by $25 million over same period.

H.R. 2923 contains one new intergovernmental mandate, the cost of which would not exceed the threshold for intergovernmental mandates ($50 million in fiscal year 1996, adjusted annually for inflation) established in the Unfunded Mandates Reform Act (UMRA). The bill also contains one new private-sector mandate. The costs of this mandate would not exceed the threshold established by UMRA for private-sector mandates ($100 million in fiscal year 1996, adjusted annually for inflation) in fiscal years 2000 through 2004.

DESCRIPTION OF MAJOR PROVISIONS

H.R. 2923 would amend the Internal Revenue Code in order to:

- Extend a provision in effect from 1998 that allows individuals to use nonrefundable personal tax credits without regard to the alternative minimum tax and repeal the provision that reduces the refundable child tax credit by the amount of an individual's alternative minimum tax;

- Extend the research and experimentation tax credit through June 30, 2004;

- Extend the exemption from Subpart F for active financing income through December 31, 2004;
- Extend the suspension of income limitation on percentage depletion from marginal oil and gas wells though December 31, 2004;
- Extend the work opportunity and welfare-to-work tax credits through December 31, 2001;
- Add the Streptococcus Pneumoniae vaccine to the list of taxable vaccines; and
- Increase Individual Estimated Tax Safe Harbor to 108.5 percent in 2000 only.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2923 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated Revenues	0	44	-7,071	-4,890	-5,542	-5,838
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	2	4	6	6	7
Estimated Outlays	0	2	4	6	6	7

Note: Implementing the bill would also increase spending subject to appropriation, but CBO estimates that such costs would not be significant.

Sources: Congressional Budget Office and Joint Committee on Taxation.

BASIS OF ESTIMATE

Revenues

All revenue estimates were provided by JCT.

Direct Spending

H.R. 2923 would add conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines and thus would allow for compensation for injuries related to those vaccines from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision would increase outlays by $4 million over the 2000-2004 period. This provision would also increase federal Medicaid outlays by $21 million over the 2000-2004 period because Medicaid would be required to pay the excise tax on purchases of vaccines against streptococcus pneumoniae. The federal government purchases about one-half of all vaccines through its Vaccines for Children program.

Also, by adding conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines, the bill would increase the cost of vaccines purchased under section 317 of the Public Health Service Act. Section 317 authorizes grants to states for the purchase of vaccines under federal contracts with vaccine manufacturers. Any increase in spending under this section would be subject to the annual appropriation process; CBO estimates that the additional costs would not be significant.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in receipts	0	44	-7,071	-4,890	-5,542	-5,838	-5,292	-4,251	-4,918	-5,799	-7,066
Changes in outlays	0	2	4	6	6	7	7	7	7	7	7

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

JCT has determined that the provision that would add streptococcus pneumoniae to the list of taxable vaccines is an intergovernmental mandate. JCT estimates that the cost of this mandate would not exceed the threshold specified in UMRA ($50 million in fiscal year 1996, adjusted for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

JCT has determined that the provision that would add streptococcus pneumoniae to the list of taxable vaccines is a private-sector mandate. JCT estimates that the cost of the private-sector mandate would not exceed the threshold established in UMRA ($100 million in fiscal year 1996, adjusted annually for inflation) in each fiscal year of the 2000-2004 period.

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