CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 16, 2006

H.R. 4
Pension Protection Act of 2006

As cleared by the Congress on August 3, 2006

SUMMARY

H.R. 4 changes the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (IRC), affecting the operations of private pension plans. It does so mostly by changing the funding requirements for tax-qualified, defined-benefit pension plans and the premiums paid to the Pension Benefit Guaranty Corporation (PBGC). It also extends certain tax incentives for retirement savings, modifies tax provisions related to spending for health care, temporarily suspends certain customs duties, and provides for additional railroad retirement benefits.

The Congressional Budget Office (CBO) estimates that H.R. 4 will reduce federal spending over the 2007-2011 period by $1.7 billion and by $5.0 billion over the 2007-2016 period; CBO and the Joint Committee on Taxation (JCT) estimate that the act will decrease federal revenues for the same periods by $7.7 billion and $72.9 billion, respectively.

CBO estimates that H.R. 4 will have the following effects on federal spending over the 2007-2016 period:

- Increase the PBGC's premium receipts by $5.8 billion;
- Increase the PBGC's net benefit payments by $0.3 billion; and
- Increase unemployment insurance and railroad retirement benefits, suspend customs duties, and require the PBGC to pay interest on premium overpayments, with costs totaling $0.4 billion.

The provisions of H.R. 4 with the most-significant revenue effects will:

- Make the pension and individual retirement account (IRA) provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) permanent and index the income thresholds that determine eligibility to make IRA contributions—for a reduction in revenues of $38.4 billion over the 2007-2016 period;

- Make the saver's credit provisions of EGTRRA permanent—reducing revenues by $10.1 billion over 10 years;

- Allow tax relief under certain conditions to individuals who use funds from retirement accounts for insurance payments—reducing revenue by $10.2 billion over the 2007-2016 period;

- Encourage greater participation in defined contribution pension plans by providing some regulatory relief to companies who establish automatic enrollment arrangements—for a reduction in revenues of $6.6 billion over 10 years;

- Permanently extend the provisions for qualified tuition programs—decreasing revenues by $4.1 billion over the 2011-2016 period; and

- Change the funding rules for single-employer defined benefit pension plans—reducing revenues by $2.4 billion over the next decade.

In combination, the act's spending and revenue effects will increase federal budget deficits by $5.9 billion over the 2007-2011 period and by $67.9 billion over the 2007-2016 period, CBO estimates. (Of these totals, the off-budget effects are expected to increase revenues by $157 million over the 2007-2011 period, but decrease revenues by $1.4 billion over the 2007-2016 period, primarily due to the provisions for automatic enrollment arrangements for defined-contribution plans and changes to the funding rules for single-employer defined benefit pension plans.)

MAJOR PROVISIONS

H.R. 4 requires sponsors of single-employer pension plans to meet a funding target that is at least 100 percent of current liabilities, to amortize unfunded liabilities over seven years in most cases, to smooth assets and liabilities over a two-year period, and to calculate the present value of future liabilities using high-grade corporate bond rates. It also makes permanent an additional premium on sponsors of terminated pension plans that otherwise would have expired in 2010, and will require sponsors to pay the risk-based (variable rate) premium based on 100 percent of the plans' underfunding.

The act also allows commercial airlines and certain government contractors to use less-stringent funding rules, restricts when and how plan sponsors can use credit balances to offset pension contributions, places limits on benefit accruals, and creates stricter funding rules for severely underfunded plans.

H.R. 4 will reduce federal tax revenues by changing the funding rules for pension plans, increasing the limits on the tax-deductible contributions sponsors may make to plans, and permanently extending the saver's tax credit and tax provisions relating to pensions and individual retirement accounts. It also will reduce federal tax revenues by modifying the rules about combinations of life insurance and long-term care insurance and allowing tax-free distributions from retirement plans for public safety officers in certain instances.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4 is shown in Table 1. The direct spending effects of this legislation fall within budget functions 600 (income security), 350 (agriculture), and 370 (commerce and housing credit).

BASIS OF ESTIMATE

Direct Spending

CBO estimates that the largest spending effects of the act will result from changes in premiums paid to the PBGC, with combined savings of nearly $5.5 billion over 10 years. Partially offsetting those savings, H.R. 4 will increase spending for unemployment compensation, railroad retirement benefits, and grants to wool producers and manufacturers of worsted wool fabrics by a total of $0.4 billion over 10 years.

TABLE 1. ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES UNDER H.R. 4, THE PENSION PROTECTION ACT OF 2006

	By Fiscal Year, in Millions of Dollars											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2011	2007-2016
CHANGES IN DIRECT SPENDING (OUTLAYS)												
Direct Spending												
On-budget	119	-337	-372	-504	-643	-727	-724	-683	-623	-552	-1,737	-5,047
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0
Total Change	119	-337	-372	-504	-643	-727	-724	-683	-623	-552	-1,737	-5,047
CHANGES IN REVENUES												
Revenues												
On-budget	363	199	-1,091	-1,807	-5,481	-9,163	-11,323	-13,271	-14,521	-15,420	-7,817	-71,514
Off-budget	147	137	31	-46	-111	-224	-350	-400	-336	-255	157	-1,409
Total Change	510	336	-1,060	-1,853	-5,592	-9,387	-11,673	-13,671	-14,857	-15,675	-7,660	-72,923
NET INCREASE OR DECREASE (-) IN BUDGET DEFICITS												
Effect on Deficit												
On-budget	-244	-536	719	1,303	4,838	8,436	10,599	12,588	13,898	14,868	6,080	66,468
Off-budget	-147	-137	-31	46	111	224	350	400	336	255	-157	1,409
Total Change	-391	-673	688	1,349	4,949	8,660	10,949	12,988	14,234	15,123	5,922	67,876

Sources: Congressional Budget Office and Joint Committee on Taxation.

PBGC Variable Premiums. Under current law, sponsors of single-employer plans with assets less than liabilities are generally required to pay a variable premium that is based on the amount of underfunding in the plan. The variable premium rate is $9 per $1,000 of underfunding, although some plans with underfunding are exempted from that premium because they recently were close to full funding (at least 90 percent funded). Beginning in 2006, existing law requires plan sponsors to discount their pension obligations using an interest rate based on the 30-year Treasury bond.

H.R. 4 extends provisions that expired at the end of plan-year 2005 allowing sponsors to use the interest rate on investment-grade corporate bonds for discounting liabilities.[1] Beginning with plan-year 2008, the act phases in over three years a new requirement that plans use a higher grade of corporate bonds and a segmented yield curve (reflecting varying maturities

1. Plan year: A 12-month period of time during which a pension plan is required to make certain calculations and perform certain tasks. The plan year does not necessarily correspond with the calender year or fiscal year. For example, a particular plan might record its plan year 2005 as running from July 1, 2005, through June 30, 2006.

that correspond to the timing of when plan liabilities become payable) to discount their pension obligations. The act also requires additional contributions from poorly funded plans and limits certain benefits those plans can provide. Further, H.R. 4 requires PBGC's variable-rate premiums to be paid on 100 percent of a plan's underfunding and also limits the premiums charged to small employers.

CBO estimates that the combined effects of these various changes will increase PBGC's premium collections by $1.8 billion over the 2007-2011 period and $5.0 billion over the 2007-2016 period (see Table 2).

PBGC Termination Premiums. Under current law, sponsors that terminate their plans on a distress basis, or whose plans are terminated on an involuntary basis by the PBGC, are required to pay a termination premium of $1,250 per participant for three years. For sponsors whose plans are terminated while the program was being reorganized under chapter 11 of the bankruptcy code, the first premium installment is due one month after the sponsor emerges from bankruptcy. This premium does not apply to firms that are liquidated by a bankruptcy court, and expires after 2010. H.R. 4 eliminates the 2010 sunset date for the premium.

Based on data provided by PBGC, CBO estimates that 50 percent of participants in terminated plans will be covered by sponsors that will be liquidated in chapter 7 bankruptcy proceedings after the plan is terminated. CBO estimates that the remaining 50 percent of participants will seek chapter 11 protection. The majority of these sponsors who under this act are required to pay a termination premium for three years are not likely to successfully emerge from bankruptcy.

The high failure rate among plan sponsors after plan termination will significantly dampen the PBGC's collections from the termination premium. CBO estimates that additional collections to PBGC from termination premiums will total $23 million in 2011 and $411 million over the 2011-2016 period.

Special Funding Rules for Commercial Airlines. Under current law, plan sponsors maintain funding standard accounts that are charged and credited each year with changes in liabilities and assets. These charges and credits are amortized over varying time periods, generally ranging from five to 30 years. Plan sponsors whose plans' funding ratio falls below 90 percent must make additional contributions to their plans, called deficit reduction contributions. Prior to enactment of H.R. 4, commercial airlines were required to follow the same funding rules as all other plan sponsors, with the exception that they were provided temporary relief from deficit-reduction contribution requirements in 2004 and 2005.

TABLE 2. H.R. 4's EFFECTS ON DIRECT SPENDING, BY MAJOR COMPONENT

	Outlays in Millions of Dollars, by Fiscal Year											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2011	2007-2016
Pension Benefit Guaranty Corporation												
Variable-Rate Premium	107	-356	-406	-539	-652	-708	-681	-640	-584	-518	-1,846	-4,976
Variable-Rate Premium for Small Plans	1	1	1	1	1	1	1	1	1	1	5	10
Termination Premium	0	0	0	0	-23	-51	-76	-84	-87	-90	-23	-411
Special Funding Rules for Commercial Airlines	-7	-15	-23	-31	-40	-49	-58	-59	-59	-59	-115	-399
Net Benefit Payments	1	3	9	16	25	32	39	45	50	54	53	274
Special Rules for Plans of Certain Government Contractors	*	*	*	*	1	1	1	1	1	2	2	8
Interest on Premium Overpayment Refunds	3	3	3	3	3	3	3	3	3	4	15	31
Subtotal	104	-363	-416	-550	-685	-770	-770	-732	-674	-607	-1,910	-5,463
Unemployment Insurance												
UI Offsets of 401(k) Rollover	15	26	37	38	40	42	45	47	49	52	156	391
Railroad Retirement												
Tier II Benefits to Surviving Divorced Spouse	*	*	1	1	1	1	2	2	2	3	2	12
Wool Provisions	0	0	6	7	1	0	0	0	0	0	14	14
Total Changes	119	-337	-372	-504	-643	-727	-724	-683	-623	-552	-1,737	-5,047

NOTES: Components may not add up to totals because of rounding.

UI = unemployment insurance.

* = Less than $500,000.

H.R. 4 provides special funding rules for single-employer plans sponsored by commercial passenger airlines and plans sponsored by companies whose primary business is providing catering services to these airlines. The act provides the following relief to these plan sponsors:

- Extends for an additional two years (2006 and 2007) relief from deficit reduction contributions.

- Allows sponsors that freeze their plans (that is, do not allow any further accrual of benefits) to amortize their unfunded liabilities over a 17-year period, compared with the seven years accorded other sponsors. In addition, these sponsors would be able to use an interest rate of 8.85 percent to discount their future liabilities to a present value.

- Provides sponsors that opt to continue plan accruals with a 10-year period to amortize their plans' unfunded liabilities.

In exchange for such funding relief, plan sponsors that terminate their plans within five years are required to pay a termination premium of $2,500 per participant per year for three years (in lieu of $1,250 per year). This requirement, however, may be waived by the Secretary of Labor if the Secretary determines that the termination resulted from extraordinary circumstances such as terrorist attacks or other similar events.

CBO estimates that the additional termination premium requirement will have no effect on PBGC premium income because plans electing the less-stringent funding rules either will survive beyond the five-year period, or would be granted a waiver by the Secretary. CBO estimates that changes to the funding rules will increase PBGC’s variable-rate premium collections by $115 million over the 2007-2011 period and by $399 million over the 2007-2016 period.

Net Benefit Payments. The PBGC pays benefits according to the rules governing each individual pension plan up to the limits of the guarantee specified in law (ERISA). However, plan participants whose plans were terminated by the PBGC may receive more than these maximum guarantees if plans were sufficiently funded at termination, or additionally, if the PBGC recovered enough plan assets, to pay the additional amounts promised by the plan.

Although PBGC's benefit guarantee limits are set in law, and increase incrementally each year, its payments of benefits are less predictable, because they are affected by changes in plan sponsor behavior. Ultimately, these changes in behavior will affect the funding status of the plans the agency insures and the timing of plan terminations.

H.R. 4 will make the following changes to the pension funding rules, which will affect how much plans' sponsors would be required to contribute to their plans over the next 10 years:

- Require the use of an interest rate based on high-grade corporate bonds instead of Treasury securities to discount liabilities;
- Increase the full funding limitation, which requires plan sponsors to make deficit reduction contributions if assets are less than 100 percent of current liabilities;
- Require sponsors to amortize unfunded liabilities over seven years;
- Limit the use of previously accumulated credit balances and require plans to adjust the value of any balances for net gains or losses on the plans assets;
- Reduce the "smoothing" period used to calculate the actuarial value of assets and liabilities;
- Update the mortality table used to project future benefits; and
- Add a "loading factor" to the funding target of plans that are severely underfunded, or considered at risk.

H.R. 4 also will make the following changes, reducing liabilities in plans insured by the PBGC:

- Limit the ability of plans with a funding ratio of less than 80 percent to make lump-sum payments or to increase benefits;
- Require plans with funding ratios of less than 60 percent to freeze normal benefit increases; and
- Prohibit plans from paying benefits for unpredictable contingent events, such as shutdown benefits to workers in facilities that are closed.

The biggest reason for an expected increase in net benefit payments by the PBGC is the projected decrease in required contributions, at least during the first several years of the 2007-2016 period. This effect, which will result primarily from the higher interest rate that plans must use to discount current liabilities, would be offset to some degree, especially during the 2011-2016 period, by the higher funding target and limits on benefit accruals.

CBO estimates that the changes made by H.R. 4 will lead to an increase in underfunding among plans that will be terminated over the next decade, thus increasing outlays by the PBGC for pension benefits. CBO estimates the act will increase net benefit payments by $53 million over the 2007-2011 period and $274 million over the 2007-2016 period.

Special Rules for Certain Government Contractors. H.R. 4 will defer the implementation of the new single-employer funding rules for the defined-benefit plans sponsored by certain government contractors, and give time for the accounting requirements for government contracts to be modified to accommodate the changes in the act. In addition, those plans will be able to use a higher discount rate than those permitted other plans for valuing liabilities. Based on information provided by PBGC, CBO estimates that the special rules will increase net benefit payments by $2 million over the next five years and by $8 million over the next decade. The effects on premium collections are likely to be negligible, CBO estimates.

Interest Payments on Premium Overpayment Refunds. H.R. 4 authorizes the PBGC to pay interest to plan sponsors on premium overpayments. Interest paid on overpayments will be calculated at the same rate as interest charged on premium underpayments. On average, the PBGC receives $19 million per year in premium overpayments, charges an interest rate of 8 percent for underpayments, and experiences a two-year lag between the receipt of payments and the issuance of refunds. Based on this information, CBO estimates that direct spending for interest will increase by $15 million over the next five years and by $31 million over the next 10 years.

Other Direct Spending Provisions. H.R. 4 also contains provisions affecting other mandatory spending programs. One change will increase spending on unemployment insurance benefits by ensuring that distributions from certain employer-sponsored retirement plans or individual retirement accounts that are rolled over into other tax-deferred accounts could not offset a person's unemployment benefits. That change will increase outlays by an estimated $156 million over the 2007-2011 period and $391 million over the 2007-2016 period.

The act also increases railroad retirement benefits by allowing a divorced spouse to continue to receive tier II benefits after the former spouse (a one-time railroad worker) dies. CBO estimates these additional costs will total $12 million over the 2007-2016 period. Another provision allowing divorced spouses to receive railroad retirement benefits even if the former spouse continues to work will have a negligible effect on spending.

Finally, H.R. 4 extends the authority of the Departments of Agriculture and Commerce to provide grants to wool producers through 2010 and to U.S. manufacturers of worsted wool fabrics through 2009. CBO estimates that enacting this provision will increase direct spending by $14 million over the 2009-2011 period.

Revenues

The provisions of H.R. 4 that most significantly affect revenues will result in an expansion in IRA and pension plan coverage through a broad range of retirement savings instruments. In some instances, H.R. 4 requires greater uniformity in calculations related to pension plans by plan administrators and provides for a transition to the new regulations to ease the financial burden on companies who fund the plans. H.R. 4 also allows greater flexibility for participants in the use of retirement funds, primarily in the payment of insurance premiums. A small number of provisions do not relate to retirement savings, but provide incentives for education savings and charitable giving or provide clearer guidance on the tax treatment of certain activities. In aggregate, CBO and JCT estimate that the provisions of H.R. 4 will reduce revenues by $7.7 billion over the 2007-2011 period and by $72.9 billion over the 2007-2016 period.

Expanded IRA and Pension Coverage. H.R. 4 permanently increases the amounts that can be contributed to pension plans or IRAs by either directly increasing the limits on contribution amounts or benefits that can be paid or by providing for inflation adjustments to the limits. The provisions that most significantly affect revenues makes the pensions and IRA provisions of EGTRRA permanent. These provisions of EGTRRA were scheduled to expire in 2010. EGTRRA affected a number of the pension and IRA provisions, but the most significant effects on revenues result from the provisions that:

- Increase the contribution limits for deductible and Roth IRAs from $2,000 in 2001 to $5,000 in 2008, with indexing for inflation thereafter;

- Allow catch-up contributions to IRAs and 401(k)-type plans for individuals age 50 and older;

- Increase the maximum normal benefit that can be funded by a defined benefit plan from $140,000 to $160,000, with indexing for inflation thereafter;

- Increase the limits on employee contribution to 401(k) plans from $10,500 in 2001 to $15,000 in 2006, with indexing for inflation thereafter;

- Change the deferred compensation plans of state and local governments and tax-exempt organizations to make the limits more similar to those of defined contribution plans; and

- Increase the contribution limits on SIMPLE retirement plans from $6,500 in 2001 to $10,000 in 2005, with indexing for inflation thereafter.

Another provision of H.R. 4 allows the indexation of the income thresholds that determine eligibility to make deductible or Roth IRA contributions beginning in 2007. These provisions will reduce revenues, in aggregate, by an estimated $3.1 billion over the 2007-2011 period and by $38.4 billion over the 2007-2016 period.

TABLE 3. H.R. 4's EFFECTS ON REVENUES, BY MAJOR COMPONENT

	Revenues in Millions of Dollars, by Fiscal Year											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2011	2007-2016
Expanded IRA and Pension Coverage	-22	-68	-106	-136	-2,814	-5,069	-5,969	-7,017	-8,101	-9,104	-3,146	-38,409
Saver's Credit	-245	-989	-1,010	-1,014	-1,071	-1,142	-1,147	-1,163	-1,153	-1,142	-4,329	-10,076
Health and Medical Benefits	-292	-303	-331	-412	-624	-959	-1,301	-1,652	-2,008	-2,363	-1,962	-10,245
Diversification and Participation	0	-137	-321	-501	-668	-802	-897	-992	-1,080	-1,196	-1,628	-6,591
Extend Qualified Tuition Programs	0	0	0	0	-273	-583	-660	-748	-847	-959	-273	-4,071
Funding Rules (Single Employer)	1,526	2,127	916	279	-75	-770	-1,677	-2,120	-1,685	-912	4,772	-2,392
Other Provisions	-457	-294	-208	-69	-67	-62	-22	21	17	1	-1,095	-1,141
Total Changes	510	336	-1,060	-1,853	-5,592	-9,387	-11,673	-13,671	-14,857	-15,675	-7,660	-72,923

NOTES: Components may not add up to totals because of rounding.

UI = unemployment insurance; IRA = individual retirement account.

Saver's Credit. H.R. 4 permanently extends the saver's credit and provides for cost-of-living increases to the income threshold beginning in 2007. The saver's credit is a non-refundable credit available to low-income individuals who make contributions to an IRA or a 401(k)-type plan. Individuals who qualify for the credit receive an income tax credit of between 10 and 50 percent on the first $2,000 of annual contributions. This provision of EGTRRA would have expired at the end of 2006. JCT estimates that this provision will reduce revenues by $4.3 billion over the 2007-2011 period and by $10.1 billion over the 2007-2016 period.

Health and Medical Benefits. H.R. 4 specifies the tax treatment of annuity and life insurance contracts that include a long-term care insurance feature and applies to contracts issued after 1996. The provision is effective for transactions that occur in taxable years beginning after 2009 and defines the types of tax-free transfers that will be permitted for long-term care riders on annuity contracts. The provision also provides special tax treatment for the long-term care component of a life insurance or annuity contract.

Another provision permits tax-free distributions of up to $3,000 annually to pay for qualified health insurance premiums of eligible retired public safety officers. Qualified health insurance premiums include premiums for health, accident, or long-term care insurance contracts for the taxpayer, the taxpayer's spouse, and any dependents. In aggregate, the health and medical benefits provisions are estimated to reduce revenues by about $2 billion over the 2007-2011 period and by $10.2 billion over the 2007-2016 period, according to JCT estimates.

Increasing Diversification and Participation in Pension Plans. H.R. 4 is expected to increase participation in defined contribution plans through automatic enrollment arrangements. Section 401(k) plans must satisfy two tests that are designed to ensure that a disproportionate share of the benefits of the 401(k) plan are not given to highly compensated employees. H. R. 4 provides that plans with automatic enrollment features that satisfy certain requirements cannot fail these tests. To be eligible for this treatment, such plans must meet certain requirements regarding the automatic deferral, the matching and nonelective contributions, and notice to employees about the plan, including the option for employees to not participate in the plan. This provision is expected to encourage adoption of these types of plans because it reduces the compliance costs for firms.

Another provision of H.R. 4 that is expected to increase pension plan diversification and participation will allow small employers (not more than 500 employees) to establish combined defined-benefit/401(k) plans. To be considered as a combined plan, the assets of the plan must be held in a single trust and clearly identified and allocated to the defined benefit plan and the defined-contribution plan. In addition, the plan must meet certain benefit, contribution, vesting, nondiscrimination, and compliance requirements.

JCT estimates that the provisions that increase pension plan diversification and participation are expected to decrease revenues by $1.6 billion over the 2007-2011 period and by $6.6 billion over the 2007-2016 period.

Extension of EGTRRA provisions for Qualified Tuition Programs. H.R. 4 permanently extends the tax rules that were enacted as part of EGTRRA related to qualified tuition programs. Under these programs, earnings accumulate tax-free until the distribution is made. If the distribution is used to pay qualified higher education expenses, no portion of the distribution is subject to income tax. If the distribution does not fund higher education expenses, the distribution is subject to federal income taxes and a 10-percent additional tax, in most circumstances. The provisions also grant regulatory authority to the Treasury to clarify the tax treatment of certain transfers and to ensure that qualified tuition program accounts are used for the intended purpose of saving for higher education expenses. The provisions also permit certain private educational institutions to establish prepaid tuition programs to qualify under 529 when certain conditions are met. JCT estimates that the extension of these provisions will have no revenue effect until 2011 and will decrease revenues by $0.3 billion in 2011 and by $4.1 billion over the 2007-2016 period.

Funding Rules for Single-Employer Defined Benefit Pension Plans. H.R. 4 reforms the funding rules for single-employer defined benefit pension plans. The Employment Retirement Income Security Act of 1974 and the Internal Revenue Code allowed plan administrators to use one of a number of acceptable actuarial cost methods to calculate the established minimum funding requirements for single-employer defined benefit pension plans. H.R. 4 provides more uniformity in the determination of the minimum required contribution for single-employer plans by specifying the methodology, the interest rates and mortality tables to be used in determining the annual minimum required contribution.

In general, H.R. 4 imposes more-stringent funding requirements on many companies. But because even prior law required very large contributions in the short term, H.R. 4 provides transition rules to get plans from their current underfunded position to the funding level mandated by the legislation. H.R. 4 will result in lower contributions to plans initially and higher contributions later in the projection period, thereby increasing taxable corporate profits and revenues in the near term and lowering profits and revenues in the latter years of the baseline period. JCT estimates that these provisions will increase revenues by $4.8 billion over the 2007-2011 period, and will reduce revenues by about $2.4 billion over the 2007-2016 period.

Other Provisions. The other provisions that affect revenues include charitable-giving incentives; tighter guidelines on amounts deductible for charitable giving of property; changes to funding rules for multi-employer defined benefit plans; and tariff provisions. In aggregate, CBO and JCT estimate that the other provisions will reduce revenues by nearly $1.1 billion over the 2007-2011 period and by slightly more than $1.1 billion over the 2007-2016 period.

PREVIOUS CBO ESTIMATE

On July 31, 2006, CBO transmitted a cost estimate for H.R. 4, as passed by the House of Representatives on July 28, 2006.

Although the cleared version of H.R. 4 is identical to the version passed by the House, we have obtained new information from the PBGC that has led CBO to decrease its estimate of the PBGC's termination premium collections. That new information indicates that a much larger share of participants are likely to be in terminated plans whose sponsors cannot reorganize successfully after filing for bankruptcy. CBO now estimates that, over the 2007-2011 and 2007-2016 periods, the PBGC will receive $23 million and $411 million in termination premiums, respectively. In the previous estimate, CBO estimated that the PBGC would receive $91 million over the 2007-2011 period and $1.8 billion over the 2007-2016 period in premium income from terminated plans. As a result, CBO now estimates that the net change in direct spending under the legislation will total about $5 billion in savings over the 2007-2016 period, whereas our previous estimate showed a total of $6.5 billion over that period.

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