



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

June 19, 2008

**H.R. 4044**  
**National Guard and Reservists Debt Relief Act of 2008**

*As ordered reported by the House Committee on the Judiciary on June 11, 2008*

CBO estimates that implementing this bill would have no significant impact on the federal budget. Enacting H.R. 4044 could affect the collection of offsetting receipts (a credit against direct spending) and revenues; however, CBO estimates that any net effect would be insignificant.

H.R. 4044 would exempt National Guard members and active reservists from meeting certain income requirements to qualify for Chapter 7 bankruptcy protection. This exemption would apply to cases filed within three years of the bill's enactment. Under current law, a debtor's income, less certain expenses, must fall below a certain threshold relative to the outstanding debt to qualify for protection under Chapter 7 of the bankruptcy code. Those who do not qualify can file under Chapter 13. Disabled veterans are not required to satisfy this means testing. The bill would extend this benefit to members of the National Guard and reservists that are called to active duty for at least 90 days.

Because H.R. 4044 would exempt National Guard members and active reservists from means testing for Chapter 7 bankruptcy filings, CBO expects that enacting this legislation would enable some individuals to file for bankruptcy that would not do so under current law. Fees collected from those individuals would increase revenues and offsetting receipts to the federal government.

CBO also expects that, under the bill, some reservists that would apply for Chapter 13 bankruptcy under current law would instead apply under Chapter 7. Based on information from the Government Accountability Office and the Administrative Office of the United States Courts, CBO estimates that National Guard members and active reservists make up about one-tenth of one percent of all bankruptcy filers, and that fewer than 500 people who would otherwise file for Chapter 13 protection would file for Chapter 7 under this bill. Because filing fees for Chapter 7 are lower than those for Chapter 13, a shift of cases from Chapter 13 to Chapter 7 would slightly reduce the amount of revenues and offsetting receipts received by the federal government. CBO estimates that this reduction would approximately

equal the increase in revenues and offsetting receipts that would result from new filers under the bill—resulting in no significant net effect on the federal budget.

H.R. 4044 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The staff contact for this estimate is Leigh Angres. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.