CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 29, 2014

Expiring Provisions Improvement Reform and Efficiency (EXPIRE) Act

As ordered reported by the Senate Committee on Finance on April 3, 2014

SUMMARY

The Expiring Provisions Improvement Reform and Efficiency (EXPIRE) Act would reinstate and extend certain expired and expiring tax provisions through December 31, 2015; most of the provisions expired on December 31, 2013, and would be retroactively reinstated, but a few are scheduled to expire on December 31, 2014. In some cases those provisions would be extended and amended. The bill also would make several additional changes to tax law.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting the bill would reduce revenues by about $81.3 billion over the 2014-2024 period. A small portion of those estimated reductions in revenues, less than $0.1 billion over the period from 2014 to 2024, results from off-budget (social security) revenues. CBO and JCT also estimate that the bill would increase direct spending by $2.8 billion over the 2014-2024 period.

On net, JCT and CBO estimate that enacting the bill would increase deficits by about $84.1 billion over the 2014-2024 period. Pay-as-you-go procedures apply because enacting the legislation would affect revenues and direct spending.

JCT has determined that the provisions of the bill contain no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impacts of the bill are shown in the following table.

	By Fiscal Year, in Billions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN REVENUES													
Individual Tax Extensions	-1.0	-8.7	-6.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-16.6	-17.0
Business Tax Extensions	-21.8	-100.5	-8.1	32.4	20.5	14.4	8.5	3.6	1.4	-0.2	-0.6	-63.1	-50.4
Energy Tax Extensions	-2.0	-3.5	-1.6	-0.5	-1.0	-1.4	-1.7	-1.8	-1.9	-2.0	-2.1	-10.1	-19.6
Debt Collection Contracts	*	0.1	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	1.9	4.8
Other Provisions	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	1.0
Total Revenues	-24.8	-112.6	-15.8	32.0	20.0	13.6	7.4	2.4	0.1	-1.6	-2.1	-87.6	-81.3
On-budget	-24.8	-112.6	-15.8	32.0	20.0	13.6	7.4	2.4	0.1	-1.6	-2.1	-87.5	-81.3
Off-budget	*	*	*	0	0	0	0	0	0	0	0	-0.1	-0.1
CHANGES IN DIRECT SPENDING													
Debt Collection Contracts													
Estimated Budget Authority	*	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	1.0	2.4
Estimated Outlays	*	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	1.0	2.4
Rum Excise Tax Payments													
Estimated Budget Authority	0.1	0.2	*	0	0	0	0	0	0	0	0	0.3	0.3
Estimated Outlays	0.1	0.2	*	0	0	0	0	0	0	0	0	0.3	0.3
Health Coverage Credit													
Estimated Budget Authority	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
Estimated Outlays	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
Child Tax Credit													
Estimated Budget Authority	0	0	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	0	0	*	*	*	*	*	*	*	*	*	*	*
Total Direct Spending													
Estimated Budget Authority	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	1.4	2.8
Estimated Outlays	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	1.4	2.8
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Effect on Deficits	25.0	112.9	16.0	-31.8	-19.8	-13.3	-7.1	-2.1	0.2	1.9	2.4	89.0	84.1
On-budget	25.0	112.9	16.0	-31.8	-19.8	-13.3	-7.1	-2.1	0.2	1.9	2.4	88.9	84.1
Off-budget	*	*	*	0	0	0	0	0	0	0	0	0.1	0.1

Sources: Congressional Budget Office and staff of the Joint Committee on Taxation.

Note: Details may not add to totals because of rounding; * = between -$50 million and $50 million.

BASIS OF ESTIMATE

JCT provided the estimates of all provisions except one dealing with outlays of certain rum excise taxes. The estimates reflect an assumed enactment date of July 1, 2014.

Extensions of Individual Tax Provisions

The individual income tax provisions would reduce revenues by $17.0 billion and increase outlays by $0.1 billion over the 2014-2024 period, JCT estimates. Those amounts include, among others, the extension of provisions that allow:

- Individuals to claim state and local sales taxes as an itemized deduction in lieu of state and local income taxes in calculating their individual income tax liability; JCT estimates that the revenue reduction would total $6.5 billion over the 2014-2024 period.

- An exclusion from gross income for the discharge of indebtedness on a principal residence; JCT estimates that the revenue reduction would be $5.4 billion over the 2014-2024 period.

- Individuals to claim the refundable health coverage tax credit, which JCT estimates would reduce revenues by $28 million and increase outlays for refundable tax credits by $106 million over the 2014-2024 period.

Extensions of Business Tax Provisions

The business tax provisions would reduce revenues by $50.4 billion over the 2014-2024 period, JCT estimates. In addition, CBO estimates that outlays would increase by $0.3 billion over the 2014-2024 period. Those amounts include, among others, provisions that allow:

- Businesses to qualify for both additional first-year depreciation of 50 percent of the basis for qualifying property and additional expensing (that is, immediate deduction from taxable income) for qualifying property under section 179 of the Internal Revenue Code. JCT estimates that those provisions would reduce revenues by $101.8 billion over the 2014-2015 period, and increase revenues by $95.7 billion over the 2016-2024 period, with the net effect of reducing revenues by $6.0 billion over the 2014-2024 period.

- Businesses to claim the research tax credit, which JCT estimates would reduce revenues by $16.0 billion over the 2014-2024 period. The provision would extend the credit in effect in 2013 in modified form.

- Certain foreign subsidiaries that engage in banking, financial, and related businesses to defer taxation of certain income until it is repatriated to the U.S. parent corporation; JCT estimates that the provision would reduce revenues by $10.4 billion over the 2014-2024 period.

- The Treasuries of Puerto Rico and the Virgin Islands to receive increased payments relating to excise taxes on rum manufactured in those places as well as rum imported from other countries. CBO estimates that those payments, which are recorded in the budget as outlays, would total $336 million over the 2014-2024 period.

Extensions of Energy Tax Provisions

The extension of the energy tax provisions would lower revenues by about $19.6 billion over the 2014-2024 period. The provision with the largest effect on revenues—reducing them by an estimated $13.3 billion over the 2014-2024 period—would extend to the end of 2015, the date by which construction must begin in order for renewable power facilities to be eligible for the electricity production credit or the investment credit in lieu of the production credit.

Debt Collection Contracts

The bill would require the Internal Revenue Service (IRS) to contract with private collection agencies to collect payments of certain tax liabilities. JCT estimates that the provision would increase revenues by $4.8 billion over the period from 2014 to 2024. The IRS would retain up to 25 percent of the amount collected by the private collection agencies to pay for the services of those collection agencies. In addition, up to an additional 25 percent would be retained by the IRS to fund a program of personnel hiring and training related to tax compliance, and to administer the contracts with private collection agencies. As a result, direct spending would increase by $2.4 billion over the 2014-2024 period.

Other Provisions

JCT estimates that the remaining provisions in the bill would increase revenues by $1.0 billion over the 2014-2024 period. The provision with the largest effect on revenues would allow the Treasury Department to levy up to 100 percent of a payment to a Medicare provider to collect unpaid taxes; JCT estimates that the provision would increase revenues by $0.8 billion over the 2014-2024 period. JCT also estimates that a provision that would apply penalties to tax preparers who fail to exercise certain due diligence requirements for claims of the refundable child tax credit would reduce outlays for refundable tax credits by $40 million over the 2014-2024 period.

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 net changes in revenues and outlays that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for the Expiring Provisions Improvement and Efficiency (EXPIRE) Act, as ordered reported by the Senate Committee on Finance on April 3, 2014

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Effects	24,959	112,872	16,007	-31,824	-19,763	-13,332	-7,137	-2,143	153	1,875	2,388	88,921	84,058
Memorandum:													
Changes in Revenues	-24,797	-112,587	-15,753	32,045	19,994	13,574	7,390	2,408	125	-1,583	-2,083	-87,526	-81,272
Changes in Outlays	162	285	254	221	231	242	253	265	278	292	305	1,395	2,786

Sources: Congressional Budget Office and staff of the Joint Committee on Taxation.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the provisions of the EXPIRE Act contain no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

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