



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

April 9, 2012

**H.R. 9
Small Business Tax Cut Act**

As ordered reported by the House Committee on Ways and Means on March 28, 2012

H.R. 9 would amend the Internal Revenue Code to permit certain small businesses to deduct from their taxable income up to 20 percent of their qualifying domestic business income. The deduction would apply only to the entity’s first taxable year that begins after December 31, 2011, and it could not exceed 50 percent of certain wages that the firm pays or reduce the firm’s taxable income below zero. The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 9 would reduce revenues, thus increasing federal budget deficits by \$46 billion over the 2012-2022 period.

H.R. 9 would define qualifying domestic business income as the excess of gross receipts earned from domestic activities over all costs, expenses, or other deductions related to such receipts. A small business would be eligible for the deduction if it engaged in a trade or business and had fewer than 500 full-time equivalent employees in either calendar year 2010 or 2011. If the business was not in existence in those years, then the test would be applied to the firm in 2012.

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending and revenues. Enacting H.R. 9 would result in revenue losses in each year from 2012 to 2014. The net change in revenues is shown in the following table.

CBO Estimate of Pay-As-You-Go Effects of H.R. 9, as ordered reported by the House Committee on Ways and Means on March 28, 2012

	By Fiscal Year, in Millions of Dollars												2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	12,526	32,714	709	0	0	0	0	0	0	0	0	45,950	45,950	

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Kalyani Parthasarathy. The estimate was approved by Frank Sammartino, Assistant Director for Tax Analysis.