CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 3, 2000

Marriage Tax Relief Act of 2000

As ordered reported by the Senate Committee on Finance on March 30, 2000

SUMMARY

The Marriage Tax Relief Act would increase the basic standard deduction for a married couple filing a joint return to twice that of a taxpayer filing a single return. The bill would also expand, over a six-year phase-in period, the 15-percent and 28-percent regular income tax rate brackets for a married couple filing a joint return to twice the size of the corresponding brackets for an individual filing a single return. In addition, the bill would permanently extend the current Alternative Minimum Tax (AMT) treatment of refundable and non-refundable personal credits. Finally, the bill would increase by $2,500 the beginning and ending income levels for phasing out the Earned Income Credit (EIC) for married couples filing jointly.

The Joint Committee on Taxation (JCT) estimates that the bill would decrease revenues by about $4 billion in 2001, by about $64 billion over the 2001-2005 period, and by about $236 billion over the 2001-2010 period. In addition, JCT estimates that the bill would increase direct spending—the outlay effect of the EIC changes—by about $7 million in 2001, by $5 billion over the 2001-2005 period, and by about $12 billion over the 2001-2010 period. Because the bill would affect receipts and direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. JCT provided all revenue and outlay estimates of provisions for the bill.

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN REVENUES						
Estimated Revenues	0	-4,106	-8,250	-12,621	-17,536	-21,910
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	7	1,345	1,311	1,321	1,343
Estimated Outlays	0	7	1,345	1,311	1,321	1,343

SOURCE: Joint Committee on Taxation.

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										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in receipts	0	-4,106	-8,250	-12,621	-17,536	-21,910	-24,788	-32,673	-37,042	-38,120	-38,637
Changes in outlays	0	7	1,345	1,311	1,321	1,343	1,354	1,382	1,375	1,361	1,349

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

As estimated by JCT, the bill contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On February 7, 2000, CBO prepared a cost estimate for H.R. 6, a similar bill ordered reported by the House Committee on Ways and Means. The version ordered reported by the Finance Committee would result in a greater reduction in revenues than H.R. 6 largely because it would expand the 28 percent regular income tax bracket as well as the 15 percent regular income tax bracket included in the House bill. The outlay increase from the Senate bill would be greater than from H.R. 6 because the Senate bill would change the income limits for the EIC by a larger amount.

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