CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 9, 2002

H.R. 4626
Encouraging Work and Supporting Marriage Act of 2002

As ordered reported by the House Committee on Ways and Means on May 2, 2002

SUMMARY

The Congressional Budget Office and the Joint Committee on Taxation (JCT) estimate that enacting H.R. 4626 would reduce revenues by $257 million in fiscal year 2003, by $907 million over the 2003-2007 period, and by $908 million over the 2003-2012 period. Because the bill would affect receipts, pay-as-you-go procedures would apply.

H.R. 4626 would provide increases in the standard deduction for married taxpayers filing jointly that would take effect before the increases enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). As a result, the standard deduction would increase in the years 2003 and 2004 above the amounts applicable under current law. The bill also would combine the work opportunity tax credit with the welfare-to-work tax credit for employers who hire employees from one of nine targeted groups. The combined credit would expire at the end of 2003, like the separate credits under current law. The credit would be calculated in the same manner as under current law for employees in those groups targeted under the work opportunity tax credit. For employees in those groups targeted under the welfare-to-work tax credit, the credit would equal 40 percent of qualified first year wages, or 25 percent of such wages if the employee were to work less than 400 hours.

In addition, the bill would eliminate the requirement that ex-felons be members of lower-income earning families in order for their employers to receive the credit, increase the age limit from 25 to 30 for food stamp recipients so that their employers are still eligible for the credit, and make eligible certain individuals with substantial handicaps to employment who are receiving vocational services as members of the vocational rehabilitation targeted group.

H.R. 4626 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4626 is shown in the following table. All estimates of the revenue effects of the bill were provided by JCT. The provision of the bill that would have the greatest impact on revenues would increase the standard deduction for married taxpayers filing jointly in 2003 and 2004. This provision would, if enacted, reduce revenues by $241 million in 2003, by $861 million over the 2003-2007 period, and by the same amount over the 2003-2012 period.

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN REVENUES						
Estimated Revenues	0	-257	-486	-161	-2	-2

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 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 through 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	200\2	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	Not applicable										
Changes in receipts	0	-257	-486	-161	-2	-2	-1	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4626 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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