CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 5, 2011

H.R. 2192
National Guard and Reservist Debt Relief Extension Act of 2011

As ordered reported by the House Committee on the Judiciary on September 21, 2011

Under current law, National Guard members and active reservists are exempt from meeting certain income requirements to qualify for Chapter 7 bankruptcy protection. That exemption expires after the beginning of fiscal year 2012. H.R. 2192 would extend that exemption through 2016.

CBO estimates that implementing this bill would have no significant impact on the federal budget. Enacting H.R. 2192 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that any net effects would be insignificant for each year.

CBO expects that enacting this legislation would lead some individuals to file for bankruptcy who would not do so under current law. Bankruptcy filing fees collected from those individuals would increase both federal revenues and offsetting receipts, because portions of such fees are classified in the budget as revenues and offsetting receipts.

CBO also expects that, by extending the exemption, some reservists who would apply for Chapter 13 bankruptcy under current law would instead apply under Chapter 7. (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.)

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 a year 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, shifting cases from Chapter 13 to Chapter 7 would slightly reduce net federal revenues and offsetting receipts. CBO estimates that those reductions would roughly offset 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. 2192 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 CBO staff contact for this estimate is Martin von Gnechten. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.