



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

February 18, 2011

**H.R. 705
Comprehensive 1099 Taxpayer Protection and Repayment of Exchange
Subsidy Overpayments Act of 2011**

*As ordered reported by the House Committee on Ways and Means
on February 17, 2011*

SUMMARY

H.R. 705, the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, would repeal certain scheduled expansions in information reporting requirements, and modify repayment requirements for the advance premium assistance credits available to certain individuals starting in 2014 for the purchase of health insurance through health insurance exchanges. The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 705 would reduce revenues over the 2011-2021 period by \$19.7 billion, and reduce outlays by \$19.9 billion. JCT therefore estimates that enacting the legislation would reduce federal budget deficits by \$166 million over the 2011-2021 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. JCT has determined that the tax provisions of the bill contain no intergovernmental mandates and one private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA). Based on information provided by JCT, the cost of the bill's private-sector mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$142 million in 2011, adjusted annually for inflation) in each of the first five years the mandate is in effect.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 705 is shown in the following table.

		By Fiscal Year, in Millions of Dollars											2011-	2011-
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021
CHANGES IN REVENUES														
Repeal Information Reporting on Rental Property Expense Payments		*	-227	-239	-251	-261	-275	-285	-299	-314	-325	-335	-1,253	-2,811
Repeal 1099 Information Reporting Requirements for Certain Other Payments		0	-263	-2,785	-1,995	-2,064	-2,135	-2,309	-2,413	-2,523	-2,636	-2,782	-9,242	-21,905
Modify Repayment of Certain Tax Credits		<u>0</u>	<u>0</u>	<u>0</u>	<u>107</u>	<u>287</u>	<u>435</u>	<u>601</u>	<u>782</u>	<u>870</u>	<u>915</u>	<u>995</u>	<u>829</u>	<u>4,990</u>
Total Estimated Changes in Revenues		0	-490	-3,024	-2,139	-2,038	-1,975	-1,993	-1,930	-1,967	-2,046	-2,122	-9,666	-19,726
On-budget		0	-490	-3,024	-2,050	-1,827	-1,604	-1,555	-1,462	-1,484	-1,545	-1,601	-8,995	-16,644
Off-budget		0	0	0	-89	-211	-371	-438	-468	-483	-501	-521	-671	-3,082
CHANGES IN DIRECT SPENDING														
Modify Repayment of Certain Tax Credits														
Estimated Budget Authority		0	0	0	-566	-1,314	-2,198	-2,661	-3,048	-3,207	-3,350	-3,547	-4,078	-19,892
Estimated Outlays		0	0	0	-566	-1,314	-2,198	-2,661	-3,048	-3,207	-3,350	-3,547	-4,078	-19,892
NET INCREASE OR DECREASE(-) IN THE DEFICIT FROM CHANGES IN REVENUES AND DIRECT SPENDING														
Estimated Deficit Impact ^a		0	490	3,024	1,573	724	-223	-668	-1,118	-1,240	-1,304	-1,425	5,588	-166
On-budget		0	490	3,024	1,484	513	-594	-1,106	-1,586	-1,723	-1,805	-1,946	4,917	-3,248
Off-budget		0	0	0	89	211	371	438	468	483	501	521	671	3,082

Source: Staff of the Joint Committee on Taxation.

Note: * = change in revenue between -\$500,000 and \$500,000.

a. Negative numbers indicate a reduction in the deficit; positive numbers indicate the opposite.

BASIS OF ESTIMATE

JCT estimated all of the effects of H.R. 705 on revenues and outlays.

H.R. 705 would repeal expansions in two 1099 information reporting requirements currently scheduled to take effect in 2011 and 2012. Under current law, businesses that pay more than \$600 during a calendar year to an individual or unincorporated business for services rendered, or for certain investment income, are required to report that information to the recipients and the Internal Revenue Service on form 1099. Beginning in 2011, most landlords also became subject to those reporting requirements under current law. H.R. 705 would repeal that requirement, reducing revenues by an estimated \$2.8 billion over the 2011-2021 period. In addition, under current law, beginning in 2012, certain additional payments will become subject to those reporting requirements, including payments made to corporations and payments made for a broader range of expenses. H.R. 705 would also repeal that expansion, reducing revenues by an estimated \$21.9 billion over the 2011-2021 period.

Starting in 2014, qualifying taxpayers will become eligible to receive refundable health care premium assistance credits based on income estimated from tax returns for prior years. Taxpayers may later be required to repay some or all of the credit, subject to certain limits based on income, if their actual income proves to be higher than estimated. H.R. 705 would generally raise those limits, subjecting more taxpayers to the repayment requirement. JCT estimates that the provision will raise revenues by \$5.0 billion and reduce outlays by \$19.9 billion over the 2011-2021 period. The estimated effect on revenues includes a reduction of \$3.1 billion in off-budget (Social Security) receipts over the 2011-2021 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. JCT estimates that enacting H.R. 705 would decrease both direct spending and revenues, and would result in a net increase in the deficit over the 2011-2016 period, but would reduce the cumulative deficits over the 2011-2021 period. The pay-as-you-go procedures apply only to on-budget effects.

The net changes in outlays and revenues that are subject to pay-as-you go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Act Effects for H.R. 705, the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, as Ordered Reported by the House Committee on Ways and Means on February 17, 2011

	By Fiscal Year, in Millions of Dollars											2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021
NET ON-BUDGET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You Go Impact	0	490	3,024	1,484	513	-594	-1,106	-1,586	-1,723	-1,805	-1,946	4,917	-3,248
Memorandum:													
Changes in Outlays	0	0	0	-566	-1,314	-2,198	-2,661	-3,048	-3,207	-3,350	-3,547	-4,078	-19,892
Changes in Revenues	0	-490	-3,024	-2,050	-1,827	-1,604	-1,555	-1,462	-1,484	-1,545	-1,601	-8,995	-16,644

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the bill contains no intergovernmental mandates and one private-sector mandate as defined in UMRA. That mandate would change limits on the amounts taxpayers would be required to repay for advance premium assistance tax credits associated with health insurance exchanges, in the event of an overpayment.

Based on information provided by JCT, the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$142 million in 2011, adjusted annually for inflation) in each of the first five years the mandate is in effect.

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