



December 3, 2014

Honorable Pete Sessions
Chairman
Committee on Rules
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As requested, CBO and the staff of the Joint Committee on Taxation (JCT) have analyzed H.R. 5759, the Preventing Executive Overreach on Immigration Act of 2014, as amended and posted on the website of the House Committee on Rules on December 2, 2014. The legislation would prohibit the executive branch from exempting or deferring from removal certain categories of aliens considered to be unlawfully present in the United States. It also would prohibit the executive branch from treating those people as if they were lawfully present or had lawful immigration status, or providing those people with the authorization to work legally.

CBO and JCT expect that enacting the proposed amendment in the nature of a substitute for H.R. 5759 would reduce both revenues and outlays for direct spending programs. However, because of the short time available since the President announced his action, CBO and JCT cannot provide a specific estimate of those effects at this time. Moreover, because the effects on revenues and outlays would be at least partially offsetting, CBO and JCT cannot currently determine whether the legislation would increase or decrease federal budget deficits over the next 10 years. (The legislation could also have effects on spending subject to appropriation, but CBO cannot determine the extent or direction of those effects on discretionary spending.)

Effects on Direct Spending

Under the bill, participation in several programs would decline because some people would no longer be eligible to participate or because they would choose not to participate for fear of revealing their unlawful presence. CBO and JCT expect that spending for the following programs would be reduced if the legislation was enacted:

- **Earned Income Tax Credit (EITC).** To receive an EITC, an individual must have a valid Social Security number (SSN). Those people affected by the bill would not be able to apply for an SSN and thus would not be eligible to receive the EITC.

- **Additional Child Tax Credit (ACTC).** To receive an ACTC, or refundable child tax credit, a taxpayer must have a certain amount of earned income. As some individuals would reduce their reported employment income, they may qualify for fewer refundable child tax credits.
- **Social Security and Medicare.** To collect Social Security and Medicare benefits while in the United States, an individual must be lawfully present. Under the bill those people who would no longer be lawfully present would be ineligible to receive such benefits. Over the 2015-2024 period, relatively few of the people affected by the bill would have reached the eligibility ages for Social Security old-age benefits or for Medicare. Some of the affected people would have become eligible for Social Security disability benefits and for Medicare based on their disability status.
- **Other Federal Benefits.** Many of the people who would be affected by the legislation have children who are natural-born U.S. citizens. Those children, like other citizens, are eligible for federal benefits if they meet the relevant eligibility criteria for particular programs. CBO expects that some of those children's parents who would apply for benefits on their children's behalf under the President's deferral actions would opt not to apply for such benefits if H.R. 5759 was enacted because they would fear revealing their own unlawful presence.

Effects on Revenues

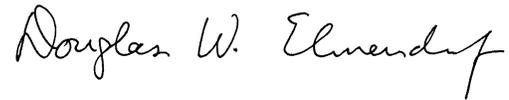
The proposed amendment in the nature of a substitute for H.R. 5759 would affect tax revenues in a number of ways, some of which would decrease receipts and some of which would increase them. After accounting for all of the effects, JCT expects that enacting the legislation would reduce tax revenues.

JCT expects that the legislation would result in reduced reporting of employment income by people who, under the President's executive order, will be treated as lawfully present or authorized to work. That decrease in reported wages would cause decreases in receipts from both individual income taxes and payroll taxes.

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If you wish further details about this letter, we will be pleased to provide them. The CBO staff contact is Melissa Merrell.

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail on the 'f'.

Douglas W. Elmendorf
Director

cc: Honorable Louise M. Slaughter
Ranking Member

Honorable Ted S. Yoho