CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

December 2, 2014

Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

CBO and the staff of the Joint Committee on Taxation (JCT) have analyzed the budgetary effects of H.R. 647, the Achieving a Better Life Experience Act (ABLE Act) of 2014, as posted on the website of the House Committee on Rules on December 1, 2014.[1] Our analysis is summarized in the enclosed table.

CBO and JCT estimate that enacting H.R. 647 would increase on-budget deficits by $187 million and reduce off-budget deficits by $220 million over the 2015-2024 period. (Effects in the legislation related to Social Security are categorized as "off-budget.")

In total, enacting H.R. 647 would reduce unified budget deficits by $33 million over the 2015-2024 period. The bill would reduce outlays by $294 million and reduce revenues by $261 million over those 10 years.

CBO estimates that enacting H.R. 647 would increase direct spending by $5 billion in at least one of the four consecutive 10-year periods beginning in 2024.

Title I: Qualified ABLE Accounts

CBO and JCT estimate that enacting the provisions of title I would increase deficits by $2,051 million over the 2015-2024 period. (All budget effects in title I are on-budget.) The provisions of title I would increase outlays by $1,153 million and reduce revenues by $898 million over that period.

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[1] On September 22, 2014, CBO published an estimate of H.R. 647 as ordered reported by the House Committee on Ways and Means on July 31, 2014. That version of the bill included a different definition of disability, which resulted in a smaller estimated reduction in revenues. That version of the bill did not include the offset provisions that are contained in title II of this version. See: www.cbo.gov/publication/45743.

Title I would amend the Internal Revenue Code to permit individuals to establish "ABLE accounts" for certain disabled beneficiaries. Those accounts would resemble the qualified tuition programs—often called "529 accounts"—that have been established under that section of the tax code since 1996. Earnings on an ABLE account would generally not be included in the taxable income of the contributor to the account or the designated beneficiary; because earnings on assets set aside to fund expenses of such beneficiaries would generally be taxed under current law, the legislation would reduce tax revenues. Moreover, assets in an ABLE account and distributions from the account for qualified disability expenses would be disregarded when determining the designated beneficiary's eligibility for most federal means-tested benefits. Thus, the legislation would increase the number of beneficiaries of means-tested programs and federal spending from such programs.

Title II: Offsets

CBO and JCT estimate that the provisions of title II would reduce on-budget deficits by $1,864 million and reduce off-budget deficits by $220 million over the 2015-2024 period. In total, title II would reduce unified budget deficits by $2,084 million over that period. Title II would reduce outlays by $1,446 million and increase revenues by $638 million over the 2015-2024 period.

Title II of the ABLE Act would change a variety of provisions of law:

- Section 201 would increase the age at which the workers compensation offset in the Social Security program no longer applies, from 65 to the full retirement age (now 66 and set to increase to 67). CBO estimates that provision would reduce off-budget outlays by $220 million over 10 years.

- Section 202 would begin adjusting the measure of resources used to determine payment rates for misvalued physicians' services in 2016 rather than in 2017 under current law. CBO estimates that provision would reduce Medicare spending by $365 million over 10 years.

- Section 203 would end Medicare coverage of and payment for vacuum pump systems used in treating erectile dysfunction effective July 1, 2015. CBO estimates that provision would reduce spending by $444 million over the 2015-2024 period.

- Section 204 would extend the current policy of separate Medicare payments for certain oral drug formulations used by beneficiaries with end-stage renal disease, rather than including those drugs in the bundle of services for which Medicare pays a flat rate. CBO estimates that provision would yield outlay savings of $380 million—all in fiscal year 2024.

- Interactions between several of the health provisions would generate an additional $37 million in outlay reductions over 10 years, CBO estimates.

- Section 205 would increase to 29 cents per gallon the excise tax rate on fuel used in powering commercial cargo vessels on inland waterways, which is set at 20 cents per gallon under current law. JCT estimates that provision would increase revenues by $260 million over the 2015-2024 period.

- Section 208 would index for inflation certain tax penalties starting in 2015, with an estimated increase in revenues of $115 million over 10 years.

- Section 209 would permit the Secretary of Treasury to continuously levy up to 30 percent of certain federal payments made to Medicare providers to collect unpaid taxes, instead of the levy of up to 15 percent allowed under current law. JCT estimates that provision would increase revenues by $241 million over 10 years.

- Other provisions in title II would modify the tax treatment of certain professional employer organizations and personal holding companies. In sum, those provisions would increase revenues by $22 million over the 2015-2024 period, according to JCT estimates.

I hope this information is helpful. The CBO staff contact for this estimate is David Rafferty.

Sincerely,

Douglas W. Elmendorf

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Enclosure

cc: Honorable Sander Levin
Ranking Member

December 2, 2014

ESTIMATED BUDGETARY EFFECTS OF H.R. 647, THE ACHIEVING A BETTER LIFE EXPERIENCE ACT, AS POSTED ON THE WEBSITE OF THE HOUSE COMMITTEE ON RULES ON DECEMBER 1, 2014

	By Fiscal Year, in Millions of Dollars											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
CHANGES IN DIRECT SPENDING												
Title I: Qualified ABLE Accounts												
Estimated Budget Authority	1	12	31	47	78	109	150	202	243	280	170	1,153
Estimated Outlays	1	12	31	47	78	109	150	202	243	280	170	1,153
Title II: Offsets												
Estimated Budget Authority	-9	-149	-273	-292	-217	-58	-2	-12	-34	-403	-939	-1,446
Estimated Outlays	-9	-149	-273	-292	-217	-58	-2	-12	-34	-403	-939	-1,446
On-Budget Outlays	*-9*	*-144*	*-258*	*-272*	*-197*	*-38*	*23*	*18*	*6*	*-358*	*-879*	*-1,226*
Off-Budget Outlays	*0*	*-5*	*-15*	*-20*	*-20*	*-20*	*-25*	*-30*	*-40*	*-45*	*-60*	*-220*
Total Changes in Direct Spending												
Estimated Budget Authority	-8	-137	-242	-244	-138	52	148	190	209	-123	-770	-294
Estimated Outlays	-8	-137	-242	-244	-138	52	148	190	209	-123	-770	-294
On-Budget Outlays	*-8*	*-132*	*-227*	*-224*	*-118*	*72*	*173*	*220*	*249*	*-78*	*-710*	*-74*
Off-Budget Outlays	*0*	*-5*	*-15*	*-20*	*-20*	*-20*	*-25*	*-30*	*-40*	*-45*	*-60*	*-220*
CHANGES IN REVENUES												
Title I: Qualified ABLE Accounts	-1	-4	-10	-24	-49	-82	-117	-158	-203	-249	-89	-898
Title II: Offsets	21	57	60	61	64	69	72	75	77	81	263	638
Total Changes in Revenues	20	53	50	38	16	-12	-45	-83	-126	-168	173	-261
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Total Changes in the Deficit	-28	-190	-292	-282	-154	64	193	273	335	45	-943	-33
On-Budget Deficit	*-28*	*-185*	*-277*	*-262*	*-134*	*84*	*218*	*303*	*375*	*90*	*-883*	*187*
Off-Budget Deficit	*0*	*-5*	*-15*	*-20*	*-20*	*-20*	*-25*	*-30*	*-40*	*-45*	*-60*	*-220*

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Note: Estimates are relative to CBO’s April 2014 baseline; components may not sum to totals because of rounding.