



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 3, 2015

H.R. 1295 **IRS Bureaucracy Reduction and Judicial Review Act**

As ordered reported by the House Committee on Ways and Means on March 25, 2015

SUMMARY

H.R. 1295 would amend federal law concerning certain nonprofit and tax exempt civic leagues or organizations operated for the promotion of social welfare—known as 501(c)(4) organizations. Specifically, the bill would:

- Require each such organization to notify the Department of the Treasury of its formation and to pay a fee;
- Require the Treasury to acknowledge receipt of such notifications within 60 days; and
- Establish new monetary penalties for organizations that do not provide timely notification to the Treasury.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 1295 would increase fee and penalty collections (which are recorded in the budget as revenues) by \$16 million over the 2016-2025 period. Because enacting the bill would affect revenues, pay-as-you-go procedures apply. Enacting the bill would not affect direct spending. In addition, CBO estimates that implementing H.R. 1295 would cost \$5 million over the 2016-2020, assuming appropriation of the necessary amounts.

CBO and JCT have determined that H.R. 1295 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not increase the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 1295 are shown in the following table. The effects of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
CHANGES IN REVENUES												
Estimated Revenues	1	1	1	1	1	2	2	2	2	2	5	16
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	1	1	1	1	1	2	2	2	2	2	5	15
Estimated Outlays	1	1	1	1	1	2	2	2	2	2	5	15

Sources: CBO and the staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted before the end of fiscal year 2015.

Revenues

H.R. 1295 would require each entity that forms as a 501(c)(4) organization after the bill's enactment to provide notice to the Treasury of its formation and to pay a fee. Based on information from the Internal Revenue Service (IRS) regarding the number of 501(c)(4) formed in recent years (about 3,000 per year), CBO estimates that this provision would increase revenue collections by \$15 million over the 2016-2025 period. In addition, JCT estimates that the bill would increase revenues by \$1 million over the 2016-2025 period from penalties imposed for violations of the provisions in H.R. 1295.

Spending Subject to Appropriation

H.R. 1295 would authorize IRS to spend amounts collected from entities applying to become 501(c)(4) organizations. CBO estimates that implementing this provision would cost \$15 million over the 2016-2025 period, assuming appropriation of the necessary amounts.

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

CBO Estimate of Pay-As-You-Go Effects for H.R. 1295, as ordered reported by the House Committee on Ways and Means on March 25, 2015

	By Fiscal Year, in Millions of Dollars												2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
NET DECREASE IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-1	-1	-1	-1	-1	-2	-2	-2	-2	-2	-5	-16	

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

CBO and JCT have determined that H.R. 1295 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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