CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 16, 2016

H.R. 3957
Emergency Citrus Disease Response Act of 2016

As ordered reported by the House Committee on Ways and Means on September 14, 2016

H.R. 3957 would amend the Internal Revenue Code to allow certain investors to deduct the costs of replanting lost or damaged citrus plants in the year in which the costs are paid or incurred. Under current law, only the taxpayer who incurs the casualty loss to citrus plants or an investor with a minority interest who materially participates in the planting and related activities can deduct the replanting costs in the year of the activity—rather than capitalizing those costs and taking the deductions over a number of years. H.R. 3957 would allow minority owners who do not materially participate in the business to similarly deduct the costs of replanting. The bill would also allow a person who purchases the entire property for the purpose of replanting the lost or damaged citrus plants to take the same accelerated deduction. The provisions would expire for costs paid or incurred after December 31, 2025.

The staff of the Joint Committee on Taxation (JCT) estimates that the legislation would reduce revenues, thus increasing federal budget deficits, by $30 million over the 2016-2026 period.

The Statutory Pay-As-You Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting revenues and direct spending. Enacting H.R. 3957 would reduce revenues; therefore, pay-as-you-go procedures apply. The net changes in revenues and that are subject to those pay-as-you-go procedures are shown in the following table. Enacting the bill would not affect direct spending.

CBO Estimate of Pay-As-You-Go Effects for H.R. 3957, as ordered reported by the House Committee on Ways and Means on September 14, 2016.

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Effects	0	2	4	5	5	4	3	2	2	2	1	20	30

Source: Staff of the Joint Committee on Taxation.

JCT and CBO estimate that enacting the bill would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2027, and would increase on-budget deficits after 2027 by negligible amounts.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Peter Huether. The estimate was approved by John McClelland, Assistant Director for Tax Analysis.