



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

June 21, 2016

**H.R. 5447  
Small Business Health Care Relief Act of 2016**

*As ordered reported by the House Committee on Ways and Means on June 15, 2016*

H.R. 5447 would amend the Internal Revenue Code to define a qualified small employer health reimbursement arrangement (QSEHRA) as an arrangement where an employer pays directly for or reimburses medical expenses of an employee and his or her dependents. In order to be eligible for this arrangement, an employer must generally have had fewer than 50 full-time employees during the prior year. An employee must provide proof of having minimum essential health insurance coverage, as defined for purposes of the individual mandate. The payments from an employer provided through a QSEHRA would not be counted in the employees' gross income and would therefore be exempt from income taxes. An employer that offered a QSEHRA would not be subject to penalties under the Internal Revenue Code, the Employee Retirement Income Security Act of 1974, or the Public Health Service Act that typically apply to group health plans that fail to meet certain requirements.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 5447 would raise both revenues and outlays by \$363 million over the 2016-2026 period. JCT therefore estimates that enacting the bill would have no effect on federal budget deficits over the 2016-2026 period. The change in revenues includes an increase of \$157 million in off-budget revenues (from Social Security payroll taxes). As a result, on-budget deficits are expected to increase by \$157 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 or direct spending. The net changes in revenues and direct spending that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to revenues and direct spending are subject to pay-as-you-go procedures.

**CBO Estimate Of Pay-As-You-Go Effects for H.R. 5447, as ordered reported by the House Committee on Ways and Means on June 15, 2016.**

	By Fiscal Year, in Millions of Dollars											2016-	2016-
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
<b>NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT</b>													
Statutory Pay-As-You-Go Effects	9	178	93	98	30	11	-2	-17	-51	-74	-116	418	157
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<b>Memorandum: <sup>a</sup></b>													
Change in Outlays	0	27	30	32	34	36	38	40	40	42	44	159	363
Change in On-Budget Revenues	-9	-151	-63	-66	4	25	39	57	91	116	160	-259	206
Change in Off-Budget Revenues	-13	-46	-27	-29	6	16	24	32	49	61	83	-92	157

Source: Staff of the Joint Committee on Taxation.

a. A positive sign for outlays indicates an increase in outlays. A positive sign for revenues indicates an increase in revenues.

Note: Components may not sum to total because of rounding;

CBO and JCT estimate that enacting the bill would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four 10-year periods beginning in 2027.

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 Nathaniel Frentz. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.