CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 22, 2015

H.R. 961
Permanent Active Financing Exception Act of 2015

As ordered reported by the House Committee on Ways and Means on September 17, 2015

H.R. 961 would amend the Internal Revenue Code to permanently allow the deferral of tax on certain income earned in foreign companies when calculating taxable income. Under Subpart F rules in the Internal Revenue Code, U.S. shareholders that hold 10 percent or more of a controlled foreign corporation are subject to U.S. tax annually on certain income earned by that corporation, whether or not that income is distributed to shareholders. H.R. 961 would make permanent the temporary exceptions from Subpart F tax treatment for income from active banking, financing, insurance, or similar business that generally expired after December 31, 2014.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 961 would reduce revenues, thus increasing federal budget deficits, by about $78 billion over the 2016-2025 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending and revenues. Enacting H.R. 961 would result in revenue losses in each year beginning in 2016. The estimated increases in the deficit are shown in the following table.

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 David Weiner, Assistant Director for Tax Analysis.

CBO Estimate Of Pay-As-You-Go Effects for H.R. 961, as ordered reported by the House Committee on Ways and Means on September 17, 2015.

	By Fiscal Year, in Millions of Dollars											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
NET INCREASE IN THE DEFICIT												
Statutory Pay-As-You-Go Effects	9,975	7,050	7,097	7,150	7,247	7,347	7,698	8,036	8,151	8,254	38,519	78,005

Source: Staff of the Joint Committee on Taxation.