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

Douglas W. Elmendorf, Director

February 16, 2012

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

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation (JCT) have reviewed the conference agreement for H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2012, as posted on the Web site of the House Committee on Rules on February 16, 2012. The attached table provides CBO's and JCT's estimates of the legislation's budgetary effects.

According to CBO's and JCT's estimates, enacting H.R. 3630 would change revenues and direct spending to produce increases in the deficit of $101.1 billion in fiscal year 2012 and $89.3 billion over the 2012-2022 period. The bill would reduce revenues by $77.6 billion over the 2012-2022 period and increase direct spending by $11.7 billion over that period, according to CBO's and JCT's estimates.

H.R. 3630 would direct the Office of Management and Budget to exclude the budgetary effects of H.R. 3630 from its scorecard of balances under the Statutory Pay-As-You-Go Act of 2010.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Douglas W. Elmendorf

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Enclosure

cc: Honorable Sander M. Levin
Ranking Member

Identical letter sent to the Honorable Max Baucus.

Budgetary Effects of the Conference Agreement for H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2012, as Posted on the Web Site of the House Committee on Rules on February 16, 2012

(Millions of dollars, by fiscal year) **2/16/2012**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
CHANGES IN REVENUES[a]													
Extension of Payroll Tax Reduction (On-budget)[b]	748	541	0	0	0	0	0	0	0	0	0	1,289	1,289
Extension of Payroll Tax Reduction (Off-budget)[b]	-70,881	-23,627	0	0	0	0	0	0	0	0	0	-94,508	-94,508
Unemployment Compensation	0	26	82	72	32	-9	-10	-16	-13	-6	-2	201	154
Federal Employee Retirement Contributions	0	100	342	636	948	1,279	1,628	2,001	2,405	2,835	3,290	3,305	15,464
Repeal of Corporate Tax Timing Shift	-235	235	-28,993	-1,196	30,189	0	0	-4,555	4,555	0	0	0	0
Total Changes in Revenues	**-70,368**	**-22,726**	**-28,569**	**-488**	**31,169**	**1,269**	**1,618**	**-2,570**	**6,946**	**2,829**	**3,288**	**-89,713**	**-77,601**
On-budget revenues	*513*	*901*	*-28,569*	*-488*	*31,169*	*1,269*	*1,618*	*-2,570*	*6,946*	*2,829*	*3,288*	*4,795*	*16,907*
Off-budget revenues	*-70,881*	*-23,627*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*-94,508*	*-94,508*
CHANGES IN DIRECT SPENDING (Outlays)													
Title I - Extension of Payroll Tax Reduction													
Extension of Payroll Tax Reduction (On-budget)[b]	70,881	23,627	0	0	0	0	0	0	0	0	0	94,508	94,508
Extension of Payroll Tax Reduction (Off-budget)[b]	-70,881	-23,627	0	0	0	0	0	0	0	0	0	-94,508	-94,508
Subtotal, Title I	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Title II - Unemployment Compensation	**19,796**	**10,283**	**16**	**9**	**4**	**4**	**4**	**5**	**6**	**6**	**7**	**30,111**	**30,139**
Title III - Medicare and other Health Provisions													
Physician Payment Update	8,120	5,060	-430	220	600	800	820	770	710	670	630	14,370	17,970
Other Health Provisions	1,280	920	-1,730	-2,970	-1,610	-1,720	-1,710	-1,690	-1,670	-5,730	-1,540	-5,830	-18,170
Subtotal, Title III	**9,400**	**5,980**	**-2,160**	**-2,750**	**-1,010**	**-920**	**-890**	**-920**	**-960**	**-5,060**	**-910**	**8,540**	**-200**
Title V - Federal Employees Retirement													
Federal Employees Retirement (On-budget)	0	0	0	0	0	0	0	-1	-1	-2	-4	0	-9
Postal Service Employees Retirement (Off-budget)	0	-7	-39	-96	-163	-232	-305	-382	-464	-551	-643	-537	-2,880
Subtotal, Title V	**0**	**-7**	**-39**	**-96**	**-163**	**-232**	**-305**	**-382**	**-465**	**-553**	**-646**	**-537**	**-2,889**
Title VI - Spectrum	**1,425**	**1,516**	**-183**	**-3,008**	**-3,710**	**-4,270**	**-3,138**	**-2,385**	**-641**	**-957**	**137**	**-8,230**	**-15,214**
Title VII - Miscellaneous Provisions (Repeal Timing Shift for Merchandise Processing Fees)	**146**	**-248**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-102**	**-102**
Total Changes in Direct Spending	**30,767**	**17,524**	**-2,366**	**-5,845**	**-4,878**	**-5,418**	**-4,329**	**-3,683**	**-2,061**	**-6,564**	**-1,413**	**29,783**	**11,734**
On-budget outlays	*101,648*	*41,158*	*-2,327*	*-5,749*	*-4,716*	*-5,186*	*-4,024*	*-3,301*	*-1,597*	*-6,013*	*-770*	*124,827*	*109,122*
Off-budget outlays	*-70,881*	*-23,634*	*-39*	*-96*	*-163*	*-232*	*-305*	*-382*	*-464*	*-551*	*-643*	*-95,045*	*-97,388*
NET INCREASE OR DECREASE (-) IN DEFICITS FROM REVENUES AND DIRECT SPENDING													
NET CHANGES IN DEFICITS	**101,135**	**40,249**	**26,204**	**-5,357**	**-36,047**	**-6,688**	**-5,947**	**-1,113**	**-9,007**	**-9,393**	**-4,701**	**119,496**	**89,335**
On-budget deficit change	*101,135*	*40,256*	*26,242*	*-5,261*	*-35,885*	*-6,456*	*-5,643*	*-731*	*-8,543*	*-8,842*	*-4,058*	*120,032*	*92,215*
Off-budget deficit change	*0*	*-7*	*-39*	*-96*	*-163*	*-232*	*-305*	*-382*	*-464*	*-551*	*-643*	*-537*	*-2,880*

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

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

a. For revenues, positive numbers indicate a decrease in the deficit; negative numbers indicate an increase in the deficit.

b. The bill would modify and extend the payroll-tax holiday for the rest of 2012, causing a reduction in off-budget revenues credited to the Social Security trust funds. The bill also would transfer from the Treasury to the Social Security trust funds an amount equal to that off-budget revenue loss. The off-budget receipt would offset the lost revenue and, thus, Title I would have no net off-budget effect.