



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 1, 2014

**H.R. 4438
American Research and Competitiveness Act of 2014**

As ordered reported by the House Committee on Ways and Means on April 29, 2014

H.R. 4438 would amend the Internal Revenue Code to modify the calculation method and the rate for the tax credit for qualified research expenses that expired at the end of 2013. The modified credit would be made permanent. The bill would not extend the traditional calculation method and its associated 20 percent credit. It would, however, make permanent the “alternative simplified method” for calculating the tax credit for qualified research expenses and generally increase the associated credit to 20 percent of those expenses that exceed 50 percent of the average qualified research expenses for the three preceding taxable years. It also makes permanent a tax credit for basic research and energy research and changes the base period for the basic research credit from a fixed period to a three-year rolling average.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 4438 would reduce revenues, thus increasing federal deficits, by about \$156 billion over the 2014-2024 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. 4438 would result in revenue losses in each year beginning in 2014. 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 Logan Timmerhoff. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4438, as ordered reported by the House Committee on Ways and Means on April 29, 2014

By Fiscal Year, in Millions of Dollars													
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014- 2019	2014- 2024	
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Effects	4,964	8,648	10,188	11,673	13,083	14,439	15,764	17,100	18,471	19,879	21,296	62,994	155,504

Source: Staff of the Joint Committee on Taxation.

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