CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 23, 2010

H.R. 829
Contracting and Tax Accountability Act of 2011

As ordered reported by the House Committee on Oversight and Government Reform on April 13, 2011

SUMMARY

H.R. 829 would prohibit federal agencies from awarding contracts or grants to persons or companies that have seriously delinquent tax debt. The legislation defines seriously delinquent tax debt as outstanding tax debt to the federal government for which a public lien has been filed. Tax debt that is being paid in a timely manner, or is part of a requested or pending collection-due-process hearing, would not be considered seriously delinquent. Under the bill, certain contractors and grantees that receive federal funds would have to certify that they do not have such tax debt, and the Internal Revenue Service (IRS) would be authorized to confirm or refute those claims for the federal agencies involved.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 829 would decrease revenues by $121 million over the 2011-2021 period. CBO estimates that enacting the bill also could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration; however, any net increase in spending by those agencies would not be significant. Because the legislation would affect direct spending and revenues, pay-as-you-go procedures apply. We also estimate that additional administrative costs for other federal agencies under the bill would total less than $500,000 annually over the 2011-2016 period, assuming the availability of appropriated amounts.

H.R. 829 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 829 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
CHANGES IN REVENUES[a]													
Revenues from Delinquent Contractors or Grantees	*	-6	-12	-12	-12	-12	-13	-13	-13	-14	-14	-54	-121

Note: * = between 0 and -$500,000.

a. In addition to the revenue effects shown above, CBO estimates that implementing H.R. 829 also would cost less than $500,000 annually over the 2011-2016 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2012, the necessary funds will be provided each year, and spending will follow historical patterns for similar programs.

Revenues and Direct Spending

Under current law, unpaid federal taxes do not disqualify a taxpayer from receiving federal contracts or grants. Once a federal contractor or grantee has been appropriately notified of their debt, the IRS has the authority to levy government payments made to that recipient until the debt is settled.

Under H.R. 829, some taxpayers might choose not to compete for contracts or grants if they are required to settle their federal tax debts before doing so. Thus, the IRS would lose a source to recover unpaid taxes because those individuals would no longer receive payments from the government that could be levied. However, some taxpayers might pay outstanding tax debts to receive federal contracts or grants, increasing federal revenue. JCT estimates that on net, those changes would result in a revenue loss of $121 million over the 2011-2021 period. Enacting H.R. 829 would not have a significant impact on direct spending.

Spending Subject to Appropriation

Provisions of H.R. 829 would expand the current administrative practices of the federal government. According to the Office of Management and Budget and the General Services Administration, the government currently collects information on contractors and grants through a variety of databases. In addition, the IRS has a database regarding tax liens and already provides tax-debt information to various Treasury Department programs that withhold or reduce certain federal payments to collect delinquent tax and nontax debt owed to federal agencies. Under the bill, CBO estimates that changes to the process would increase administrative costs by less than $500,000 annually, assuming the availability of appropriated funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 829 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The changes in revenues that are subject to those pay-as-you-go procedures are shown in the following table. Enacting the legislation would have no significant effect on direct spending.

CBO Estimate of Pay-As-You-Go Effects for H.R. 829 as ordered reported by the House Committee on Oversight and Government Reform on April 13, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	6	12	12	12	12	13	13	13	14	14	54	121

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