

**At a Glance**
**H.R. 3151, Taxpayer First Act**

As posted on the House Rules Committee website on June 7, 2019

Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	<b>0</b>	<b>-78</b>	<b>-234</b>
Revenues	*	<b>-41</b>	<b>-198</b>
Deficit Effect	*	<b>-37</b>	<b>-36</b>
Spending Subject to Appropriation (Outlays)	<b>n.e.</b>	<b>n.e.</b>	<b>n.e.</b>
Pay-as-you-go procedures apply?	<b>Yes</b>	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	<b>&lt; \$5 billion</b>	Contains intergovernmental mandate?	<b>No</b>
		Contains private-sector mandate?	<b>No</b>

n.e. = not estimated; \* = between -\$500,000 and \$500,000.

**The bill would**

- Change the management and oversight of the Internal Revenue Service (IRS) with the aim of improving customer service and the process for assisting taxpayers with appeals; restrict certain IRS enforcement activities, including the use of private debt collectors in certain cases; and modify the agency's organization.
- Aim to combat identity theft and tax refund fraud, create an automated system to verify taxpayer information for authorized users, modernize information technology systems within the IRS, and expand the use of electronic information systems within the IRS.
- Change several provisions in the laws that govern the IRS.
- Increase the penalty for tax returns filed more than 60 days after the due date.

**Estimated budgetary effects would primarily stem from**

- A restriction on the use of private debt collectors for certain taxpayers.
- An increase in the penalty for tax returns filed 60 days after the due date.
- A modification to electronic filing requirements for certain preparers.
- CBO has not completed an estimate of the bill's costs that are subject to annual appropriation.

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates such estimates into its cost estimates of the effects of legislation. Virtually all of the estimates for the provisions of H.R. 3151 were provided by JCT.

**Detailed estimate begins on the next page.**



## Bill Summary

H.R. 3151 would change many of the rules that govern the Internal Revenue Service (IRS). The aim would be improving customer service and the process for assisting taxpayers with appeals and to combat identity theft and fraud. Provisions of the bill would restrict certain IRS enforcement activities, modify the agency’s organization, change the operations of the U.S. tax court, create an automated system to verify taxpayer information for authorized users, modernize information technology systems in the IRS, and expand the use of electronic information systems within the agency.

## Estimated Federal Cost

The estimated budgetary effect of H.R. 3151 is shown in Table 1. The costs of the legislation fall within budget function 800 (general government).

**Table 1.  
Estimated Budgetary Effects of H.R. 3151**

	By Fiscal Year, Millions of Dollars											2019-2024	2019-2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
	<b>Increases or Decreases (-) in Revenues</b>												
Title I. Putting Taxpayers First	0	0	-8	-32	-48	-52	-54	-56	-58	-60	-62	-140	-431
Title II. 21st Century IRS	*	*	*	2	2	1	1	2	2	2	1	6	14
Title III. Miscellaneous Provisions	*	5	21	22	22	23	24	24	25	26	27	93	219
Total Revenues	*	5	13	-8	-24	-28	-29	-30	-31	-32	-34	-41	-198
	<b>Decreases in Direct Spending</b>												
Title I. Putting Taxpayers First													
Estimated Budget Authority	0	0	-4	-16	-24	-26	-27	-28	-29	-30	-31	-70	-215
Estimated Outlays	0	0	-4	-16	-24	-26	-27	-28	-29	-30	-31	-70	-215
Title II. 21 <sup>st</sup> Century IRS													
Estimated Budget Authority	0	0	0	-3	-3	-3	-3	-2	-2	-2	-2	-8	-19
Estimated Outlays	0	0	0	-3	-3	-3	-3	-2	-2	-2	-2	-8	-19
Total Outlays	0	0	-4	-19	-27	-28	-30	-30	-31	-32	-33	-78	-234
	<b>Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues</b>												
Effect on the Deficit	*	-5	-17	-11	-3	-1	-1	0	0	0	1	-37	-36

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.  
Components may not sum to totals because of rounding; \* = between -\$500,000 and \$500,000.



## Basis of Estimate

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates those estimates into its cost estimates of the effects of legislation. Virtually all of the estimates for the provisions of H.R. 3151 were provided by JCT.<sup>1</sup>

## Revenues

On net, JCT estimates, enacting the bill would decrease revenues by \$198 million over the 2019-2029 period.

**Title I. Putting Taxpayers First.** Title I would change the management and oversight of the IRS to improve customer service and the process of providing taxpayers with assistance for appeals, restrict certain IRS enforcement activities, and modify the agency's organization. JCT estimates that those provisions would, on net, reduce revenues by \$431 million over the 2019-2029 period. CBO has not completed an estimate of the bill's costs that are subject to annual appropriation.

**Title II. 21st Century IRS.** Title II would combat identity theft and tax refund fraud, create an automated system to verify taxpayer information for authorized users, and modernize information technology systems within the IRS. Title II also would expand the use of electronic information systems within the IRS, in part by relaxing current restrictions on the authority of the Secretary of the Treasury to mandate electronic filing based on the number of returns required to be filed by a taxpayer. JCT estimates that those provisions would increase revenues by \$14 million over the 2019-2029 period.

**Title III. Miscellaneous Provisions.** Title III would make other changes to the laws governing the IRS, change the organization of the tax court, and increase the penalty for a return filed 60 days after its due date. JCT estimates that this provision would increase revenues by \$219 million over the 2019-2029 period.

## Direct Spending

On net, JCT estimates, enacting the bill would reduce direct spending by \$234 million over the 2019-2029 period.

### Title I. Putting Taxpayers First.

Title 1 of H.R. 3151 would prohibit the IRS from using private debt collectors in certain cases, which would reduce direct spending. Currently, the IRS contracts with

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1. For JCT's estimates of the provisions, which include detail beyond the summary presented below, see Joint Committee on Taxation, *Estimated Budget Effects of H.R. 3151, The "Taxpayer First Act,"* JCX-24-19 (June 10, 2019) <https://go.usa.gov/xmztS>



private companies to collect delinquent federal taxes. Under those contracts, the IRS may allow businesses to retain up to 25 percent of their collections; another 25 percent is available to the IRS to spend on enforcement. CBO and JCT estimate that repealing the private debt collection authority and allowing the current contracts to expire would reduce direct spending by \$215 million over the 2019-2029 period, or 50 percent of the estimated reduction in revenues stemming from this provision.

## **Title II. 21<sup>st</sup> Century IRS.**

Title II would relax current restrictions on the authority of the Secretary of the Treasury to mandate electronic filing based on the number of returns required to be filed by a taxpayer, and authorizes the Secretary to waive electronic filing requirements for tax preparers that lack internet availability. JCT estimates that this provision would reduce direct spending by \$19 million over the 2019-2029 period.

### **Spending Subject to Appropriation**

CBO has not completed an estimate of the bill's costs that are subject to annual appropriation.

### **Uncertainty**

These budgetary estimates are uncertain because they rely on underlying projections and other estimates that are uncertain. Specifically, they are based in part on CBO's economic projections for the next decade under current law, and on estimates of changes in taxpayers' behavior in response to changes in tax rules.

### **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 net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown above in Table 1.

### **Increase in Long-Term Deficits**

JCT estimates that enacting H.R. 3151 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2030.

### **Mandates**

JCT has reviewed H.R. 3151 and determined that it contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

### **Previous CBO Estimate**

On April 5, 2019, CBO transmitted a cost estimate for H.R. 1957, the Taxpayer First Act of 2019, as ordered reported by the House Committee on Ways and Means on



April 2, 2019. JCT estimated enacting that version of bill would decrease revenues by \$212 million, decrease direct spending by \$215 million, and decrease the deficit by \$3 million over the 2019-2029 period; that amount is \$33 million less than the deficit reduction under H.R. 3151. H.R. 3151 does not include provisions related to the IRS Free File program and includes other technical amendments.

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