Congressional Budget Office
Cost Estimate

June 27, 2019

At a Glance

H.R. 549, Venezuela TPS Act of 2019

As ordered reported by the House Committee on the Judiciary on May 22, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	649	940
Revenues	0	259	437
Deficit Effect	0	390	503
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	**Yes**	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	**No**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**No**

The bill would

- Allow Venezuelans in the United States to apply for temporary protected status (TPS) for 18 months

Estimated budgetary effects would primarily stem from

- Changes in revenues and outlays for refundable tax credits when individuals who receive TPS become eligible to work legally and receive Social Security numbers
- Subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act by individuals receiving TPS

Areas of significant uncertainty include

- Estimating the number of Venezuelans who are in the United States in nonimmigrant status or without legal status
- Estimating the number of those Venezuelans who would apply for TPS
- Projecting the employment and tax-paying behavior of those Venezuelans if they did not receive TPS

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 549 would allow Venezuelans in the United States to apply for and receive temporary protected status for 18 months. Aliens with TPS may work legally, receive Social Security numbers (SSNs), and claim the earned income and child tax credits. Additionally, they are eligible for subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act (ACA), provided that they meet the other eligibility requirements for those subsidies.

Estimated Federal Cost

The estimated budgetary effect of H.R. 549 is shown in Table 1. The costs of the legislation fall within budget functions 550 (health), 600 (income security), and 750 (administration of justice).

Table 1.
Estimated Budgetary Effects of H.R. 549

	By Fiscal Year, Millions of Dollars												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
Increases in Direct Spending													
Estimated Budget Authority	0	239	204	63	73	70	69	66	53	51	52	649	940
Estimated Outlays	0	239	204	63	73	70	69	66	53	51	52	649	940
Increases or Decreases (-) in Revenues													
Estimated Revenues	0	35	60	59	54	51	44	35	34	33	32	259	437
On-Budget	0	-71	-94	-72	-67	-63	-54	-54	-50	-50	-49	-367	-624
Off-Budget	0	106	154	131	121	114	98	89	84	83	81	626	1,061
Net Increases or decreases (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	204	144	4	19	19	25	31	19	18	20	390	503
On-Budget	0	310	298	135	140	133	123	120	103	101	101	1,016	1,564
Off-Budget	0	-106	-154	-131	-121	-114	-98	-89	-84	-83	-81	-626	-1,061

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.
All off-budget effects would come from changes in Social Security revenues.

Basis of Estimate

For this estimate, CBO assumes that H.R. 549 will be enacted near the start of fiscal year 2020. CBO expects that the Department of Homeland Security (DHS) would receive and process TPS applications during the first half of fiscal year 2020.

CBO assumes that under current law, most of the Venezuelan nationals who would be affected by the bill will remain in the United States, either in legal nonimmigrant status or without legal status.[1] Spending in CBO's baseline reflects the expectation that resources available to DHS to remove aliens without legal status are constant in inflation-adjusted terms over the 2019-2029 period and that DHS's policies—notably its enforcement priorities—remain the same over that period.

CBO anticipates that under H.R. 549, most of the Venezuelan nationals who would be affected by the bill would remain in the United States after the expiration of the 18-month period of temporary protected status. The staff of the Joint Committee on Taxation (JCT) expects that some of the individuals who would receive TPS would continue to work, pay taxes, and receive tax credits after that status expires. Thus, some budgetary effects of the bill would continue after that 18-month period.

The President could extend the TPS designation for Venezuela at the end of that 18-month period. The budgetary effects of any such decision are not attributable to this legislation.

People Affected by the Legislation

H.R. 549 would allow Venezuelans to receive TPS if they were physically present in the United States continuously between enactment of the bill and adjudication of their application, if they apply for such status, and if they are not inadmissible on certain grounds (related to crime and national security). Venezuelans who receive TPS would retain it during the 18-month period following enactment.

The actual number of aliens present in the United States at any time is not known. The Department of State tracks the visas it has issued that allow aliens to travel to a U.S. port of entry to seek admission into the country. DHS records aliens' admissions into the United States, as well as their departures from most air and sea ports of entry. However, DHS generally does not collect information about aliens' departures to Mexico via land ports of entry. DHS and a variety of immigration researchers estimate the number of aliens without legal status in the United States using census data and comparing that survey information with administrative data.

On the basis of that research and data, CBO estimates that around 300,000 Venezuelans will be in the United States either in legal nonimmigrant status or without legal status upon enactment. (Venezuelans with lawful permanent resident status would have no need to apply for TPS.) CBO estimates that 10,000 to 20,000 of those Venezuelans would remain in their current nonimmigrant status (such as H-1B temporary workers) or would acquire another status (such as asylee) during the 18 months after enactment and thus also would have no need to apply for TPS. Finally, CBO anticipates that about 75 percent of the remaining

1. 8 U.S.C. 1101(a)(15) defines many classes of nonimmigrant aliens who are permitted to reside in the United States temporarily and for specified purposes. Examples of nonimmigrant classifications include F-1 students and H-1B temporary workers, named for their authorizing provisions, 8 U.S.C. 1101(a)(15)(F)(i) and 8 U.S.C. 1101(a)(15)(H)(i)(b), respectively.

Venezuelans would apply for and be granted TPS. In total, about 200,000 people would receive TPS under the bill, CBO estimates.

Direct Spending

CBO and JCT estimate that H.R. 549 would increase net direct spending for refundable tax credits, for health benefits, and for DHS processing costs and collections of application fees by $940 million over the 2020-2029 period.

Refundable Tax Credits. JCT estimates that H.R. 549 would increase outlays for the earned income and child tax credits, which are refundable, by about $640 million over the 2020-2029 period. Refundable tax credits reduce a taxpayer's overall income tax liability; if those credits exceed other tax liabilities, the taxpayer may receive the excess in a refund. Such refunds are classified as outlays in the federal budget.

JCT estimates that the increase in outlays for refundable credits projected for the 2020-2029 period would be mostly attributable to earned income tax credits. H.R. 549 would increase the number of people with valid SSNs, which taxpayers and their dependents must have to qualify for those credits. (That effect is also discussed below under the heading "Revenues.")

Health Benefits. People who are lawfully present in the United States, including aliens with TPS, generally can receive subsidies for health insurance purchased through the marketplaces established under the ACA provided that they meet other criteria: they cannot have access to affordable health insurance coverage through certain other sources and their household income must be between 100 percent and 400 percent of the federal poverty guidelines. If their income is below 100 percent of the guidelines, they also must be ineligible for Medicaid because of their immigration status.

CBO and JCT estimate that about 20,000 people who receive TPS under H.R. 549 would purchase health insurance through the marketplaces in 2020 and would have income that was low enough to qualify for the subsidies. That coverage would end when their TPS expired during 2021. The agencies estimate that the average cost of those subsidies would be about $10,600 per person in 2020 and about $11,300 in 2021. In total, those subsidies would increase direct spending by $300 million.

DHS Application Fees and Processing Costs. DHS collects fees of between $50 and $545 to process an initial application for TPS. The fees are classified as offsetting receipts (that is, as reductions in direct spending) and are available for spending by DHS upon collection under current law. Enacting the bill would increase the number of applicants for temporary protected status and employment authorization. CBO estimates that fee collections also would increase and that additional collections and spending would total about $85 million each over the 2020-2022 period. Because the collections and spending offset, the net effect on direct spending would be insignificant.

Revenues

H.R. 549 would both increase and decrease revenues. CBO and JCT estimate that H.R. 549 would increase net revenues by about $440 million over the 2020-2029 period. On-budget revenues would decline by about $620 million, and off-budget revenues (Social Security payroll taxes) would increase by about $1,060 million.

Higher revenues, according to JCT's estimates, would largely stem from increased reporting of employment income by people who would gain work authorization and SSNs under the bill. Those workers would continue to possess SSNs in their own name after TPS expires. Thus, JCT estimates that some of those individuals would continue to earn and report income after the 18-month period of temporary protected status. That increase in reported wages would increase revenues, mostly in the form of Social Security taxes.

Slightly more than half of the increase in revenues from workers would be offset for two reasons. First, increased reporting of employment income would increase tax deductions by businesses for labor compensation, including those businesses' contributions to payroll taxes. As a result, corporations would report lower taxable profits and pay less in income taxes. Noncorporate businesses, such as partnerships and sole proprietorships, also would report lower taxable income, which would decrease individual income taxes paid by their partners and owners. (Some of those effects also would persist after the 18-month period of temporary protected status.)

Second, CBO and JCT estimate revenues would decrease by $22 million over the 2020-2022 period because tax credits for health insurance purchased through the marketplaces established under the ACA would reduce individuals' tax liability.

Uncertainty

A significant source of uncertainty is the number of Venezuelans who are in the United States in nonimmigrant status or without legal status. Uncertainty about the number of Venezuelans who enter without inspection (that is, who cross the border without legal permission), the number of Venezuelans who leave the United States to enter Mexico via a land port of entry, and the number of Venezuelans who are not counted by census surveys could affect CBO's estimate.

Another source of uncertainty is the number of those Venezuelans who would apply for TPS. Some could become eligible for other legal immigration statuses—removing the need to apply for TPS—at higher or lower rates than CBO estimates. Additionally, they could return to Venezuela or depart for another country, or otherwise decline to apply for TPS while within the United States, at different rates than reflected in this estimate.

The estimated change in revenues and refundable tax credits also includes uncertainty about whether affected Venezuelans would work without authorization and whether and how they would pay taxes—both under current law and after the expiration of TPS authorized in the bill. Aliens without work authorization might choose to work outside of the tax system, to pay taxes under their own previously received SSN, or to pay taxes under a false or stolen SSN.

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 in Table 2. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Table 2.
CBO's Estimate of Pay-As-You-Go Effects of H.R. 549

	By Fiscal Year, Millions of Dollars												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
	Net Increase in the On-Budget Deficit												
Statutory Pay-As-You-Go Effect	0	310	298	135	140	133	123	120	103	101	101	1,016	1,564
Memorandum:													
Changes in Outlays	0	239	204	63	73	70	69	66	53	51	52	649	940
Changes in Revenues	0	-71	-94	-72	-67	-63	-54	-54	-50	-50	-49	-367	-624

Increase in Long-Term Deficits: None.

Mandates: None.

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