

At a Glance

H.R. 3936, Tax Cuts for Working Families Act

As ordered reported by the House Committee on Ways and Means on June 13, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	8,821	8,821
Revenues	0	-87,599	-87,599
Increase or Decrease (-) in the Deficit	0	96,420	96,420
Spending Subject to Appropriation (Outlays)	0	*	not estimated

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
	Mandate Effects		
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and \$500,000

The bill would

- Rename the standard deduction the guaranteed deduction
- Establish a new bonus guaranteed deduction for tax years 2024 and 2025

Estimated budgetary effects would mainly stem from

- Reduced revenues and increased outlays attributable to the bonus guaranteed deduction for tax years 2024 and 2025

Areas of significant uncertainty include

- Anticipating the number of taxpayers who would switch from itemizing deductions to taking the temporarily increased guaranteed deduction for tax years 2024 and 2025

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. Most of the estimates for the provisions of this bill were provided by JCT.

Detailed estimate begins on the next page.

See also

[CBO's Cost Estimates Explained](#), [CBO Describes Its Cost-Estimating Process](#), [Glossary](#)

Bill Summary

H.R. 3936 would amend portions of the Internal Revenue Code of 1986 that concern the standard deduction, which the bill would rename the guaranteed deduction. The bill also would establish a bonus guaranteed deduction for tax years 2024 and 2025. In tax year 2024, the guaranteed deduction would be increased by \$2,000 for single filers, \$3,000 for head-of-household filers, and \$4,000 for joint filers. For tax year 2025, those amounts would be adjusted for inflation. The bonus guaranteed deduction would decrease by 5 percent of each additional dollar of modified adjusted gross income (a measure of income that adds back certain tax exclusions) above a certain threshold. The threshold would be \$200,000 for single filers, \$300,000 for head-of-household filers, and \$400,000 for joint filers.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3936 is shown in Table 1. The costs of the legislation primarily fall within budget function 600 (income security).

Table 1.
Estimated Budgetary Effects of H.R. 3936

	By Fiscal Year, Millions of Dollars											2023-2028	2023-2033
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
Increases in Direct Spending													
Estimated Budget Authority	0	0	4,359	4,462	0	0	0	0	0	0	0	8,821	8,821
Estimated Outlays	0	0	4,359	4,462	0	0	0	0	0	0	0	8,821	8,821
Decreases (-) in Revenues													
Estimated Revenues	0	-28,614	-43,955	-15,030	0	0	0	0	0	0	0	-87,599	-87,599
Net Increase in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	28,614	48,314	19,492	0	0	0	0	0	0	0	96,420	96,420

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

Components may not sum to totals because of rounding.

CBO estimates that implementing H.R. 3936 would increase spending subject to appropriation by less than \$500,000 in any year over the 2023-2028 period.

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 such estimates



into its cost estimates of the effects of legislation. The estimates for the revenue and direct spending effects of H.R. 3936 were provided by JCT.¹

For this estimate, JCT assumes that the bill will be enacted before the end of calendar year 2023 and that, except as otherwise specified, its provisions will take effect upon enactment.

Revenues and Direct Spending

H.R. 3936 would establish a new bonus guaranteed deduction for tax years 2024 and 2025. In tax year 2024, the guaranteed deduction would be increased by \$2,000 for single filers, \$3,000 for head-of-household filers, and twice the single-filer amount for joint filers (\$4,000). For tax year 2025, those amounts would be adjusted for inflation. The bonus guaranteed deduction would decrease by 5 percent of each additional dollar of modified adjusted gross income above a certain threshold. The threshold would be \$200,000 for single filers, \$300,000 for head-of-household filers, and \$400,000 for joint filers.

H.R. 3936 would reduce revenues from income tax receipts and increase outlays from refundable tax credits because the bonus guaranteed deduction would reduce the amount of income subject to taxation. Tax credits reduce a taxpayer's overall income tax liability; if the refundable portion of those credits exceeds 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 H.R. 3936 would reduce total revenues by \$87.6 billion and increase total outlays by \$8.8 billion over the 2023-2033 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 3936 would increase administrative costs for the Internal Revenue Service by less than \$500,000 over the 2023-2028 period. That spending would be subject to the availability of appropriated funds.

Uncertainty

JCT's estimates of the budgetary effects of H.R. 3936 are subject to uncertainty because they are made on the basis of underlying projections and other factors that could change significantly. In particular, the estimates here rely on CBO's economic projections for the next decade under current law and on expectations about the way taxpayers might respond to changes in tax law—in this case whether filers of returns for tax years 2024 and 2025 would switch from itemizing their deductions to taking the temporarily increased guaranteed deduction.

1. For JCT's preliminary estimates of the provisions that include detail beyond the summary presented here, see Joint Committee on Taxation, *Description of H.R. 3936, the "Tax Cuts for Working Families Act"* (JCX-25-23), June 9, 2023, www.jct.gov/publications/2023/jcx-25-23; other details are in Joint Committee on Taxation, *Description of the Chairman's Amendment in the Nature of a Substitute to H.R. 3936, The "Tax Cuts for Working Families Act"* (JCX-30-23), June 12, 2023, www.jct.gov/publications/2023/jcx-30-23.



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.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3936, the Tax Cuts for Working Families Act, as Ordered Reported by the House Committee on Ways and Means on June 13, 2013

	By Fiscal Year, Millions of Dollars											2023-2028	2023-2033
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
	Net Increase in the Deficit												
Pay-As-You-Go Effect	0	28,614	48,314	19,492	0	0	0	0	0	0	0	96,420	96,420
Memorandum:													
Changes in Outlays	0	0	4,359	4,462	0	0	0	0	0	0	0	8,821	8,821
Changes in Revenues	0	-28,614	-43,955	-15,030	0	0	0	0	0	0	0	-87,599	-87,599

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

Increase in Long-Term Net Direct Spending and Deficits: None.

Mandates: None.

Estimate Prepared By

Federal Revenues:

Nathaniel Frenz

James Pearce

Staff of the Joint Committee on Taxation

Federal Costs: Matthew Pickford

Mandates:

Andrew Laughlin

Staff of the Joint Committee on Taxation



Estimate Reviewed By

Joshua Shakin
Chief, Revenue Estimating Unit

Susan Willie
Chief, Natural and Physical Resources Cost Estimates Unit

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis

John McClelland
Director of Tax Analysis

Estimate Approved By

A handwritten signature in black ink, appearing to read "Phillip L. Swagel".

Phillip L. Swagel
Director, Congressional Budget Office