Congressional Budget Office
Cost Estimate

January 25, 2024

At a Glance

H.R. 7024, Tax Relief for American Families and Workers Act of 2024
As reported by the House Committee on Ways and Means on January 23, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	3,590	12,840	12,840
Revenues	-113,926	-31,857	12,441
Increase or Decrease (-) in the Deficit	117,516	44,697	399
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	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 2034?	> $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

The bill would

- Increase refunds under, expand eligibility for, and adjust the child tax credit to account for inflation for tax years 2023 through 2025
- Allow businesses to deduct expenses for domestic research and experimentation and to depreciate certain equipment more quickly than under current law
- Increase the amount of interest that businesses can deduct as an expense
- Increase the threshold for businesses to report certain payments to contractors and subcontractors
- Stop claims of the employee retention tax credit and increase penalties for promoters' violations

Estimated budgetary effects would mainly stem from

- Increased outlays for the refundable portion of the child tax credit
- Reduced revenues attributable to extending tax deductions for business expenses
- Lower outlays and increased revenues from the prevention of future claims of the employee retention tax credit

Areas of significant uncertainty include

- Anticipating changes in population, personal income, and business investment

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. 7024 would amend portions of the Internal Revenue Code of 1986. The revisions discussed in this estimate include those concerning the child tax credit, the employee retention tax credit (ERTC), and various business tax deductions. The bill also would provide tax relief to some people affected by federally declared disasters, make changes to the federal Low-Income Housing Tax Credit (LIHTC) program, and raise the threshold for businesses to report payments to some contractors and subcontractors. In addition, H.R. 7024 would modify the tax treatment of income from U.S. sources that is earned or received by qualified residents of Taiwan and establish a bilateral process for tax agreements between the United States and Taiwan.

Estimated Federal Cost

The estimated budgetary effect of H.R. 7024 is shown in Table 1. The costs of the legislation fall within budget functions 600 (income security) and 800 (general government).

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) will be 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. The estimates for the tax provisions of H.R. 7024 were provided by JCT.[1]

For this estimate, CBO and JCT assume that the legislation will be enacted on January 31, 2024.

Direct Spending

CBO and JCT estimate that H.R. 7024 would increase total direct spending by $12.8 billion, on net, over the 2024-2033 period. That increase would result from provisions in title I and title VI. Those titles also would have revenue effects, which are described later in the estimate.

1. See Joint Committee on Taxation, "Estimated Revenue Effects of the Chairman's Amendment in the Nature of a Substitute to H.R. 7024, The 'Tax Relief for American Families and Workers Act of 2024,' Scheduled for Markup by the Committee on Ways and Means on January 19, 2024," JCX-5-24 (January 18, 2024), www.jct.gov/publications/2024/jcx-5-24.

Table 1.
Estimated Budgetary Effects of H.R. 7024

	By Fiscal Year, Billions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases or Decreases (-) in Direct Spending											
Title I. Tax Relief for Working Families												
Budget Authority	8.2	9.3	13.1	0	0	0	0	0	0	0	30.6	30.6
Estimated Outlays	8.2	9.3	13.1	0	0	0	0	0	0	0	30.6	30.6
Title VI. Tax Administration and Eliminating Fraud												
Budget Authority	-4.6	-8.5	-4.7	0	0	0	0	0	0	0	-17.8	-17.8
Estimated Outlays	-4.6	-8.5	-4.7	0	0	0	0	0	0	0	-17.8	-17.8
Total Direct Spending												
Budget Authority	3.6	0.8	8.4	0	0	0	0	0	0	0	12.8	12.8
Estimated Outlays	3.6	0.8	8.4	0	0	0	0	0	0	0	12.8	12.8
	Increases or Decreases (-) in Revenues											
Title I. Tax Relief for Working Families												
Revenues	0	-1.4	-1.4	0	0	0	0	0	0	0	-2.9	-2.9
Title II. American Innovation and Growth												
Revenues	-124.8	-60.3	7.6	55.5	39.9	27	14.9	5.4	1.5	0.4	-82.1	-32.8
Title IV. Assistance for Disaster-Impacted Communities												
Revenues	-3.3	-1	-0.5	-0.2	0	0	0	0	0	0	-4.9	-4.9
Title V. More Affordable Housing												
Revenues	0	-0.2	-0.5	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-2.2	-6.3
Title VI. Tax Administration and Eliminating Fraud												
Revenues	14.1	26	16.2	3.2	0.7	-0.2	-0.2	-0.2	-0.2	-0.2	60.2	59.3
Total Revenues	-113.9	-36.9	21.4	57.8	39.8	26.1	13.9	4.4	0.5	-0.6	-31.9	12.4
	Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues											
Effect on the Deficit	117.5	37.8	-13	-57.8	-39.8	-26.1	-13.9	-4.4	-0.5	0.6	44.7	0.4

Source: Staff of the Joint Committee on Taxation.

All amounts for budget authority are estimated; components may not sum to totals because of rounding.

CBO estimates that implementing H.R. 7024 would increase spending subject to appropriation for the Internal Revenue Service by less than $500,000 in every year and over the 2024-2033 period; that spending would be subject to the availability of appropriated funds.

Title I, Tax Relief for Working Families, would expand the child tax credit for tax years 2023 through 2025. For that same period, it would change the refundable portion of the child tax credit to be made on a per-child basis.[2] The provision also would increase the maximum refundable credit from $1,600 per child to $1,800 per child in tax year 2023, and from $1,700 to $1,900 in 2024. In 2025, it would be $2,000 per child. Title I also would adjust the child tax credit for inflation in 2024 and 2025 and adjust the maximum refundable credit for inflation in 2025. In addition, the title would allow tax filers to use their taxable income from the previous year to calculate their earned income eligible for the credit in tax years 2024 and 2025. In total, JCT estimates, those changes to the child tax credit would increase outlays by $30.6 billion over the 2024-2026 period.

Title VI, Tax Administration and Eliminating Fraud, has one section with outlay effects: Section 602, Enforcement Provisions With Respect to COVID-Related Employee Retention Credits, would reduce outlays by ending the ability of employers to claim the employee retention tax credit after January 31, 2024. The ERTC was in effect for employers during 2020 and 2021. Under current law, until April 15, 2025, businesses can amend their payroll tax returns to claim the credit. CBO and JCT estimate that section 602 would decrease outlays by $17.8 billion over the 2024-2033 period.

Revenues

In total, JCT estimates, H.R. 7024 would increase revenues by $12.4 billion over the 2024-2033 period.

Title I, Tax Relief for Working Families, would reduce revenues by adjusting the child tax credit for inflation in tax years 2024 and 2025. That provision's outlay effects are described above. JCT estimates that enacting title I would reduce revenues by $2.9 billion over the 2023-2033 period.

Title II, American Innovation and Growth, would reduce revenues by $32.8 billion over the 2024-2033 period, JCT estimates.

Section 201, Deduction for Domestic Research and Experimental Expenditures, would reinstate tax rules in effect before 2022 that allowed businesses to fully deduct domestic research or experimental expenditures in the year in which the expenses are paid or incurred. Under current law, those expenditures typically are deducted over the course of five years. The provision would apply to expenditures made after December 31, 2021, and before January 1, 2026. JCT estimates that enacting section 201 would reduce revenues by $8.5 billion over the 2024-2033 period.

Section 202, Extension of Allowance for Depreciation, Amortization, or Depletion in Determining the Limitation on Business Interest, would increase the amount that businesses

2. 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.

can deduct in interest expenses. Under current law, the limitation is based on adjusted taxable income, accounting for depreciation, amortization, or depletion. Before 2022, the limitation on the deduction was based on EBITDA—earnings before interest, taxes, depreciation, and amortization—which increased the amount that could be deducted. Section 202 would extend the application of EBITDA until January 1, 2026, and would allow for claims to be made retroactively to 2022. JCT estimates that enacting section 202 would reduce revenues by $18.8 billion over the 2024-2033 period.

Section 203, Extension of 100 Percent Bonus Depreciation, would generally increase through December 31, 2025, the amount of bonus depreciation that businesses can deduct. Bonus depreciation allows a business to immediately deduct a portion of the cost of certain investments, and over the 2017-2022 period, businesses could claim 100 percent of that amount. Under current law, bonus depreciation will be reduced by 20 percentage points each year over the 2023-2026 period (thus, in 2023, the bonus depreciation allowance was 80 percent). Section 203 would extend 100 percent bonus depreciation through December 31, 2025 (and through December 31, 2026, for some types of property with a longer production period). JCT estimates that enacting section 203 would reduce revenues by $3 billion over the 2024-2033 period.

Section 204, Increase in Limitations on Expensing of Depreciable Business Assets, would increase the amount of immediately deductible business expenses. Under section 179 of the Internal Revenue Code, businesses can expense $1 million for eligible property; that amount is reduced if the value of the property exceeds $2.5 million. Both limits are indexed to inflation. For taxable years beginning in 2024, taxpayers can expense $1.22 million; that amount is reduced if expenses exceed $3.05 million. Section 204 would increase the amount that can be deducted for taxable years beginning in 2024 to $1.29 million, to be reduced if expenses exceed $3.22 million. Both limits would be adjusted for inflation after 2024. JCT estimates that enacting section 204 would reduce revenues by $2.5 billion over the 2024-2033 period.

Title III, Increasing Global Competitiveness, would have no effect on federal revenues over the 2024-2033 period, JCT estimates, because the changes described below would only take effect following future actions by Taiwan and the Congress. However, CBO and JCT anticipate that if the required actions occurred and the changes took effect, U.S. taxes on income from U.S. sources earned by qualified residents of Taiwan would be reduced. Taiwanese taxes on income from Taiwanese sources earned by U.S. residents also would be reduced, thus increasing collections of U.S. taxes because of reduced foreign tax credits claimed by those U.S. taxpayers.

Subtitle A, United States-Taiwan Expedited Double-Tax Relief Act, would amend portions of the tax code to align the tax treatment of income from U.S. sources that is earned or received by qualified residents of Taiwan with the treatment that is typically offered by the United States under bilateral tax treaties. Those provisions would take effect only after

Taiwan provides comparable tax relief for income from Taiwanese sources that is earned or received by U.S. residents.

Subtitle B, United States-Taiwan Tax Agreement Authorization Act, would authorize the Administration to negotiate with and enter into one or more tax agreements with Taiwan to provide tax relief beyond that provided under subtitle A, after Taiwan has taken sufficient reciprocal action for the provisions of subtitle A to take effect. Subtitle B also would specify the process and requirements for agreements between the United States and Taiwan to be approved and implemented.

Title IV, Assistance for Disaster-Impacted Communities, would reduce revenues by $4.9 billion over the 2024-2033 period, JCT estimates. This title would provide tax relief to some individual taxpayers affected by federally declared disasters.

Section 402, Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses, would allow casualty loss deductions for disasters occurring from January 1, 2020, through the date of enactment to be taken on tax returns without itemizing deductions and without the typical reduction of $100 per casualty loss and 10 percent of adjusted gross income. Instead, the deduction would be reduced by $500 per casualty loss. This is an extension of the special rules for casualty losses in the Taxpayer Certainty and Disaster Tax Relief Act of 2020. JCT estimates that enacting section 402 would reduce revenues by $4.4 billion over the 2024-2033 period.

Section 403, Exclusion From Gross Income for Compensation for Losses or Damages Resulting From Certain Wildfires, would exclude from gross income compensation for expenses or losses resulting from certain wildfires, thus excluding that compensation from taxable income. Section 403 would apply to qualified wildfire relief payments received between December 31, 2019, and January 1, 2026. JCT estimates that enacting section 403 would reduce revenues by $512 million over the 2024-2033 period.

Section 404, East Palestine Disaster Relief Payments, would exclude from gross income any disaster relief payments received after February 3, 2023, by people affected by the train derailment in East Palestine, Ohio, in February 2023. JCT estimates that enacting section 404 would decrease revenues by $1 million over the 2024-2033 period.

Title V, More Affordable Housing, would reduce revenues by $6.3 billion over the 2024-2033 period, JCT estimates.

Section 501, State Housing Credit Ceiling Increase for Low-Income Housing Credit, would increase the amount available to states under the Low-Income Housing Tax Credit program by 12.5 percent for tax years 2023 to 2025. The change applies to what are known as the program’s 9 percent credits. JCT estimates that enacting section 501 would reduce revenues by $2.7 billion over the 2024-2033 period.

Section 502, Tax-Exempt Bond Financing Requirement, would reduce the qualifying threshold for certain projects that are financed by tax-exempt bonds. Under current law, to qualify for the LIHTC program, at least 50 percent of a building's costs must be financed by those bonds. Section 502 would reduce that threshold to 30 percent for buildings placed in service after December 31, 2023, and for bonds issued before 2026. JCT estimates that enacting section 502 would reduce revenues by $3.6 billion over the 2024-2033 period.

Title VI, Tax Administration and Eliminating Fraud, would increase revenues, on net, by $59.3 billion over the 2024-2033 period, JCT estimates.

Section 601, Increase in Threshold for Requiring Information Reporting With Respect to Certain Payees, would increase the threshold required for businesses to issue forms 1099-NEC and 1099-MISC. Under current law, businesses must issue those tax forms to independent contractors and subcontractors who are paid more than $600 in a tax year. This provision would raise that threshold to $1,000, with an adjustment for inflation after 2024. JCT estimates that enacting section 601 would reduce revenues by $1.5 billion over the 2024-2033 period.

Section 602, Enforcement Provisions With Respect to COVID-Related Employee Retention Tax Credits, would increase revenues by disallowing claims of the employee retention tax credit after January 31, 2024, and by increasing enforcement activity. Section 602 would increase the penalties imposed on promoters of the credit for aiding and abetting the understatement of tax liability and would require those promoters to meet due diligence requirements. Section 602 also has outlay effects, described above. CBO and JCT estimate that enacting the section would increase revenues by $60.8 billion over the 2024-2033 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 7024 would increase the Internal Revenue Service's administrative costs by less than $500,000 over the 2024-2028 period; that spending would be subject to the availability of appropriated funds.

Uncertainty

The estimates of the budgetary effects of H.R. 7024 presented here are subject to uncertainty because they are made on the basis of underlying projections and other factors that could change significantly. Specifically, the estimates for many of the bill's revenue provisions rely on CBO's economic projections for the next decade under current law. Additionally, the estimates rely on expectations of the way taxpayers could respond to changes in tax law, such as by making investments in businesses. The effects of changes to the child tax credit depend on the number of children in the United States; population projections can be uncertain. The number of employers that will claim the ERTC under current law by submitting an amended return after January 31, 2024, also is uncertain, as is the number of ERTC promoters that would be subject to and pay the larger penalties under the bill.

The number of people who would take tax deductions, and in what amounts, for losses related to federally declared disasters and how many would exclude disaster-related compensation from their taxable income also is uncertain. In addition, the amount of disaster-related compensation that will be paid through January 1, 2026, will depend on the number of federally declared disasters resulting from wildfires over that period.

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. 7024, the Tax Relief for American Families and Workers Act of 2024, as Reported by the House Committee on Ways and Means on January 23, 2024

	By Fiscal Year, Billions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Net Increase or Decrease (-) in the Deficit											
Pay-As-You-Go Effect	117.5	37.8	-13	-57.8	-39.8	-26.1	-13.9	-4.4	-0.5	0.6	44.7	0.4
Memorandum:												
Changes in Outlays	3.6	0.8	8.4	0	0	0	0	0	0	0	12.8	12.8
Changes in Revenues	-113.9	-36.9	21.4	57.8	39.8	26.1	13.9	4.4	0.5	-0.6	-31.9	12.4

Macroeconomic Effects

Because of the magnitude of its estimated budgetary effects, H.R. 7024 is considered major legislation as defined in House Rule XIII(8). That rule requires cost estimates, to the extent practicable, to account for the budgetary implications of certain bills' macroeconomic effects. In keeping with that requirement, CBO and JCT estimate that any budgetary effects arising from the bill's macroeconomic effects would be negligible.

In JCT's estimation, relative to the size of the economy, and in consideration of the degree of uncertainty associated with this estimate, the effects on gross domestic product would be insignificant within the context of a model of the aggregate economy. As a result, JCT estimates that the budgetary effects that would arise from any macroeconomic effects of the bill are so small as to be negligible over both the 10-year budget window and the 20-year period beginning in 2034.[3]

Increase in Long-Term Net Direct Spending and Deficits

CBO and JCT estimate that enacting H.R. 7024 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2034.

CBO and JCT estimate that enacting H.R. 7024 would increase on-budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2034.

Mandates

CBO and JCT have determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

Previous CBO Estimates

On July 27, 2023, CBO transmitted a cost estimate for H.R. 3938, the Build It in America Act, as ordered reported by the House Committee on Ways and Means on June 30, 2023. Sections 202 and 203 of H.R. 7024 are identical to sections 102 and 103 of H.R. 3938. Section 201 of H.R. 7024 is similar to section 101 of H.R. 3938. Both bills would alter the timing of the deduction for research and experimental expenditures. H.R. 7024 would apply only to domestic research expenditures; H.R. 3938 would apply to domestic and foreign expenditures.

On January 9, 2024, CBO transmitted a cost estimate for H.R. 5988, the United States-Taiwan Expedited Double-Tax Relief Act, as reported by the House Committee on Ways and Means on December 12, 2023. Title III of H.R. 7024 is identical to H.R. 5988.

On January 9, 2024, CBO transmitted a cost estimate for H.R. 5863, the Federal Disaster Tax Relief Act of 2023, as ordered reported by the House Committee on Ways and Means on November 2, 2023. Title IV of H.R. 7024 is identical to H.R. 5863.

3. For more information, see Joint Committee on Taxation, *Macroeconomic Analysis of H.R. 7024, the "Tax Relief for American Families and Workers Act of 2024" as Ordered to Be Reported by the Committee on Ways and Means, on January 19, 2024,* JCX-6-24 (January 23, 2024), www.jct.gov/publications/2024/jcx-6-24.

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