



December 21, 2017

Honorable Bernie Sanders
Ranking Member
Committee on Budget
United States Senate
Washington, DC 20510

Re: Distributional Effects of Changes in Taxes and Spending Under the Conference Agreement for H.R. 1, Legislation to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018

Dear Senator:

This letter responds to your request for information about the estimated distributional effects of the conference agreement for H.R. 1.¹

This week, the Joint Committee on Taxation (JCT) published a distributional analysis that examined most of the effects of that legislation on revenues and on the portion of refundable tax credits recorded as outlays—including effects on premium tax credits stemming from eliminating the penalty associated with the requirement that most people obtain health insurance coverage.² However, other spending changes related to eliminating that penalty were not included. In addition, the outlay effects of the oil and gas leasing provisions of title II were not included in JCT's analysis.

CBO has allocated the budgetary effects of the spending changes across income groups.³ In making those estimates, CBO did not attempt to estimate the value

¹ For the budgetary effects of this agreement see Congressional Budget Office, cost estimate for the conference agreement on H.R. 1 (December 15, 2017), www.cbo.gov/publication/53415.

² Joint Committee on Taxation, *Distributional Effects of the Conference Agreement for H.R. 1, the "Tax Cuts and Jobs Act,"* JCX-68-17 (December 18, 2017), www.jct.gov/publications.html?func=startdown&id=5054.

³ For the estimates and associated methodology, see Congressional Budget Office, letter to Honorable Ron Wyden on the distributional effects of changes in spending under the Tax Cuts and Jobs Act as of November 15, 2017 (November 17, 2017), www.cbo.gov/publication/53333. The changes in spending from provisions in title II were allocated in a manner similar to those used for Medicare spending.

that people place on such spending, which may be different from the actual cost to the government of providing the benefits. CBO also did not attempt to make any distributional allocations for people who will choose to obtain unsubsidized health insurance in the nongroup market and who will face higher premiums there compared with what would occur otherwise.

The combined distributional effect of the provisions analyzed by JCT and CBO was calculated by subtracting the estimated change in federal spending from the change in federal revenues allocated to each income group. The resulting changes in the federal deficit allocated to each income group are reflected in the following table.

Allocation of Changes in Net Federal Revenues and Spending Under H.R. 1

Millions of Dollars

Income Category	2019	2021	2023	2025	2027
Less than \$10,000	1,530	5,890	7,540	8,790	10,120
\$10,000 to \$20,000	150	8,120	10,700	11,320	16,290
\$20,000 to \$30,000	-1,090	7,910	9,440	11,430	17,100
\$30,000 to \$40,000	-4,770	310	2,490	2,840	7,850
\$40,000 to \$50,000	-6,450	-2,590	-1,240	-590	5,510
\$50,000 to \$75,000	-23,050	-18,760	-14,910	-14,380	4,030
\$75,000 to \$100,000	-22,580	-21,030	-17,090	-17,240	-1,720
\$100,000 to \$200,000	-70,690	-65,880	-50,780	-49,790	-7,600
\$200,000 to \$500,000	-65,650	-62,040	-47,250	-48,140	-6,680
\$500,000 to \$1,000,000	-23,990	-21,800	-14,180	-13,790	-3,300
\$1,000,000 and over	-36,940	-30,130	-10,160	-9,960	-8,920
Total, All Taxpayers	-253,500	-200,000	-125,440	-119,500	32,690

Sources: Staff of the Joint Committee on Taxation and the Congressional Budget Office.

Amounts are for calendar years and exclude effects of several provisions, including doubling the exemption allowed under estate and gift taxes.

Components do not add to totals due to rounding.

A decrease in federal deficits, such as an increase in taxes or a decrease in spending, is shown as a positive value. An increase in federal deficits is shown as a negative value.

Overall, the combined effect of the change in net federal revenues and spending is to decrease deficits (primarily stemming from reductions in spending) allocated to lower-income tax filing units and to increase deficits (primarily stemming from reductions in taxes) allocated to higher-income tax filing units. Those effects do not incorporate any estimates of the budgetary effects of any macroeconomic changes that would stem from the agreement.

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If you wish further details on this estimate, we will be pleased to provide them.
The CBO staff contact is John McClelland.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is fluid and cursive, with the first name "Keith" and last name "Hall" clearly distinguishable.

Keith Hall
Director

Enclosure

cc: Honorable Mike Enzi
Chairman, Committee on Budget

Honorable Orrin Hatch
Chairman, Committee on Finance

Honorable Ron Wyden
Ranking Member

Honorable Lisa Murkowski
Chairman, Committee on Energy and Natural Resources

Honorable Maria Cantwell
Ranking Member