

November 17, 2005

Honorable William “Bill” M. Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Based on a review of H.R. 4297, the Tax Relief Extension Reconciliation Act of 2005, as ordered reported by the Committee on Ways and Means on November 15, 2005, CBO and the Joint Committee on Taxation (JCT) estimate that enacting this legislation would reduce revenues by \$56.1 billion over the 2006-2010 period and by \$80.5 billion over the 2006-2015 period. In addition, CBO estimates that this legislation would have no effect on federal spending. The estimated revenue effects are summarized below. A table with additional details is attached.

	By Fiscal Year, in Millions of Dollars											2006- 2010	2006- 2015
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015			
Estimated Revenues ^a	-5,773	-11,237	-11,182	-21,394	-6,493	-7,048	-17,430	-207	129	102	-56,082	-80,535	
On-Budget	-5,772	-11,224	-11,179	-21,394	-6,493	-7,048	-17,430	-207	129	102	-56,065	-80,518	
Off-Budget	-1	-14	-3	0	0	0	0	0	0	0	-17	-17	

SOURCES: CBO and the Joint Committee on Taxation.

a. The estimates assume the bill will be enacted by December 1, 2005.

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Most of the reduction in revenues would result from extending the reduced tax rates for dividends and capital gains. Those provisions account for \$50.8 billion of the estimated reduction in revenues over the 10-year period. JCT provided all of the revenue estimates with the exception of the estimate for the provision that extends increased limits for mental health parity. CBO estimates that the one-year extension of those increased limits would reduce revenues by \$58 million over the 2006-2008 period. (Of that reduction, \$17 million would apply to off-budget receipts.)

JCT has reviewed H.R. 4297 and has determined that it contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

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

Sincerely,

Douglas Holtz-Eakin
Director

Attachment

cc: Honorable Charles B. Rangel
Ranking Democrat

ESTIMATED EFFECTS ON REVENUES FOR H.R. 4297

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN REVENUES										
Extension of the Reduced Tax Rates for Dividends	0	0	-860	-4,431	-8,008	-9,368	-6,326	-1,224	-450	-112
Extension of the Reduced Tax Rates for Capital Gains	0	0	-1,549	-8,375	2,672	-54	-12,698	*	*	0
Extension and Modification of the Research Credit	-3,330	-3,219	-1,480	-1,097	-740	-192	0	0	0	0
Extension of the Exception for Active Financing Income for Controlled Foreign Corporations	0	-775	-2,339	-1,682	0	0	0	0	0	0
Extension of the Credit for Elective Deferrals and IRA Contributions	0	-481	-1,428	-903	-10	-11	-11	-11	-10	-10
Extension of Non-refundable Personal Credits under the Alternative Minimum Tax	-565	-2,260	0	0	0	0	0	0	0	0
Extension of the Deduction for State and Local Sales Taxes	-525	-1,574	0	0	0	0	0	0	0	0
Extension of the Deduction for Qualified Tuition	-420	-1,260	0	0	0	0	0	0	0	0
Extension of Cost Recovery for Qualified Leasehold Improvements	-46	-138	-181	-177	-171	-155	-146	-155	-152	-150
Extension of the Increase in Section 179 Expensing	0	0	-2,605	-4,459	-209	2,707	1,772	1,222	826	476
All Other Provisions	<u>-887</u>	<u>-1,530</u>	<u>-740</u>	<u>-270</u>	<u>-27</u>	<u>25</u>	<u>-21</u>	<u>-39</u>	<u>-85</u>	<u>-102</u>
Total	-5,773	-11,237	-11,182	-21,394	-6,493	-7,048	-17,430	-207	129	102
On-Budget	-5,772	-11,224	-11,179	-21,394	-6,493	-7,048	-17,430	-207	129	102
Off-Budget ^a	-1	-14	-3	0	0	0	0	0	0	0

SOURCES: CBO and the Joint Committee on Taxation.

a. The provision that provides parity in the application of certain limits to mental health benefits, which is included in the estimate for all other provisions, affects both on- and off-budget revenues.

Note: * = Loss of less than \$500,000.
