CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

December 21, 2021

Honorable Gary J. Palmer
Chairman
Republican Policy Committee
U.S. House of Representatives
Washington, DC 20515

Re: Budgetary Effects of Making Specified Policies in the Build Back Better Act Permanent

Dear Congressman:

This letter responds to your request for a projection of the budgetary effects, including the effects on interest costs, of a modified version of H.R. 5376, the Build Back Better Act. The analysis uses modifications specified by Senator Lindsey Graham and Congressman Jason Smith—the ranking members of the Senate and House Budget Committees, respectively—that would make various policies permanent rather than temporary (see Table 1).[1]

The Congressional Budget Office and the staff of the Joint Committee on Taxation project that a version of the bill modified as Senator Graham and Congressman Smith have specified would increase the deficit by $3.0 trillion over the 2022–2031 period (see Table 2). That amount includes three components: effects usually counted in CBO's cost estimates (which are labeled conventional effects in the table), the effects of increased resources for tax enforcement, and effects on interest on the public debt. Under long-standing guidelines agreed to by the legislative and executive branches, estimates to be used for budget enforcement purposes include the first component but not the second and third.

[1] The results in this letter reprise those published in Congressional Budget Office, letter to the Honorable Lindsey Graham and the Honorable Jason Smith about the budgetary effects of making specified policies in the Build Back Better Act permanent (December 10, 2021), www.cbo.gov/publication/57673.

In comparison, including the same three components, the version of H.R. 5376 that was passed by the House of Representatives would increase the deficit by $0.2 trillion over the 2022–2031 period, CBO projects. The largest difference between the two estimates stems from an increase in the child tax credit that ends after 2022 in the House-passed version of the bill.

I hope that this information is useful. If you have any questions, please contact me.

Sincerely,

Phillip L. Swagel
Director

cc: Honorable John Yarmuth
Chairman
House Committee on the Budget

Honorable Jason Smith
Ranking Member
House Committee on the Budget

Honorable Bernie Sanders
Chairman
Senate Committee on the Budget

Honorable Lindsey Graham
Ranking Member
Senate Committee on the Budget

Identical letters sent to the Honorable Jack Bergman, the Honorable Andy Biggs, the Honorable Vern Buchanan, the Honorable Ted Budd, the Honorable Eric A. "Rick" Crawford, the Honorable Jody Hice, the Honorable Tracey Mann, the Honorable David B. McKinley, the Honorable Mary E. Miller, the Honorable Mariannette Miller-Meeks, the Honorable Markwayne Mullin, the Honorable David Rouzer, the Honorable Pete Stauber, and the Honorable Greg Steube.

Table 1.

Analysis of Potential Modifications to Selected Sections of H.R. 5376

Billions of Dollars

Titles and Sections	Policy Area	Net Increase or Decrease (-) in the Deficit, 2022–2031[a] As Passed	With Modifications	Modification Specified by Senator Graham and Congressman Smith
XIII. 137102	Child tax credit	185	1,597	Make permanent rather than ending after 2022
II. 23001 and 23002[b]	Child care and preschool	381	752	Make permanent rather than ending after 2027
XIII. 137601	State and local tax deduction	-15	245	Remove limits on the deduction after 2025
XIII. 137301 and 137302[b]	Health insurance subsidies	74	220	Make permanent rather than ending after 2025 and 2026
III. 30712	Home- and community-based care	146	209	Make the increase of 2 percentage points in the FMAP permanent rather than ending after six fiscal quarters[c]
XIII. 137304; III. 30601[b,d]	Health insurance subsidies for certain low-income populations	57	180	Make permanent rather than ending after 2025
XIII. 137201	Earned income tax credit	13	135	Make permanent rather than ending after 2022
II. 20021, 20022, and 20023[b]	Higher education	12	29	Make permanent rather than ending after various years
XIII. 137305; III. 30605[b,d]	Health insurance subsidies for recipients of unemployment compensation	2	28	Make permanent rather than ending after 2022
II. 24002	Summer Electronic Benefit Transfer	3	23	Make permanent rather than ending after 2024
III. 30751	Maintenance of Medicaid eligibility standards	7	20	Make permanent rather than ending after 2025
XIII. 133001–133503[b]	Trade Adjustment Assistance	6	14	Make permanent rather than ending after June 2025
XIII. 135102	Tax-exempt bond financing	9	11	Make permanent rather than ending after 2026
XIII. 134201	Elder abuse, neglect, and exploitation	4	8	Make permanent rather than ending after various years
XIII. 138516	Compensation of journalists	2	3	Make permanent rather than ending after 2025
XIII. 137502	Taxation of Pell grants	1	2	Make permanent rather than ending after 2025

Table 1. (Continued)

Analysis of Potential Modifications to Selected Sections of H.R. 5376

Billions of Dollars

Titles and Sections	Policy Area	Net Increase or Decrease (-) in the Deficit, 2022–2031[a]		Modification Specified by Senator Graham and Congressman Smith
		As Passed	With Modifications	
III. 30741	Medicaid	*	1	Make the increase in the FMAP [Section 30741(g)] permanent rather than ending after 2025
III. 30602[d]	Health Insurance Affordability Fund	2	*	Make permanent rather than ending after 2025

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

For details about the estimated costs of various sections of the bill, see Congressional Budget Office, “Fall 2021 Reconciliation,” www.cbo.gov/topics/budget/fall-2021-reconciliation. Those estimates are for the version of the bill as posted on the website of the House Committee on Rules on November 3, 2021 (Rules Committee Print 117-18), as amended by Yarmuth Amendment 112. The version passed by the House of Representatives is very similar; see Congressional Budget Office, letter to the Honorable John Yarmuth regarding the budgetary effects of H.R. 5376 as passed by the House of Representatives (December 8, 2021), www.cbo.gov/publication/57676.

In some cases, making a policy permanent would have different effects in various years because of scheduled changes in current law. For example, under current law, the maximum child tax credit falls from $2,000 to $1,000 after 2025, and the dependent exemption is reinstated. A permanent policy increasing the maximum child tax credit to $3,000 would result in a larger increase after 2025 than beforehand and would allow many families to benefit from both the expanded child tax credit and personal exemptions for dependents.

FMAP = Federal Medical Assistance Percentage; * = between zero and $0.5 billion.

a. Projections are for the effects of all provisions in the indicated sections, not only for the provisions that would be made permanent. Projections do not include interactions with immigration provisions; CBO’s preliminary analysis indicates that those interactions would have small budgetary effects. Projections do not include effects on interest on the public debt.

b. Estimates of effects for more than one section of the bill are combined and include the effects of interactions between the sections.

c. The 2 percentage-point increase in the FMAP is for states participating in the bill’s improvement program for home- and community-based services that adopt self-directed care models meeting the requirements defined in section 30712.

d. Estimates include interactions with sections 137301 and 137302.

Table 2.

Analysis of Potential Modifications to H.R. 5376

Billions of Dollars

	Net Increase or Decrease (-) in the Deficit, 2022–2031		
	As Passed	**With Modifications Specified by Senator Graham and Congressman Smith**	**Difference**
Conventional Effects	365	2,953	2,588
Effects of Increased Resources for Tax Enforcement	-207	-207	0
Effects on Interest on the Public Debt	73	266	193
Total	**231**	**3,012**	**2,781**

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

For details about the specified modifications, see Table 1.

CBO's estimates of conventional effects are prepared under long-standing guidelines agreed to by the legislative and executive branches regarding estimates to be used for budget enforcement purposes. They do not include the effects on interest on the public debt or the effects of increased resources for tax enforcement.

These projections do not include effects arising from macroeconomic changes. Numbers may not add up to totals because of rounding.