



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 7, 2014

H.R. 3393 **Student and Family Tax Simplification Act**

As ordered reported by the House Committee on Ways and Means on June 25, 2014

H.R. 3393 would amend certain education-related provisions of the Internal Revenue Code. The bill would permanently extend, in modified form, the American Opportunity Tax Credit (AOTC) for tuition and related post-secondary expenses that is currently scheduled to expire at the end of 2017. Modifications to the credit would include increasing the refundable portion (starting in 2015) and indexing the credit and income phaseout amounts for inflation (starting in 2019). The Hope tax credit, which is scheduled to come back into effect in 2018 when the AOTC expires, would be replaced by the AOTC, and the Lifetime Learning tax credit would be repealed. In addition, for Pell grant recipients, the bill would increase the amount of expenses that potentially qualify for the AOTC, and Pell grant amounts that exceeded certain education expenses would no longer be considered taxable income. The bill would also modify the information-reporting requirements on higher educational institutions.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 3393 would increase direct spending over the 2014-2024 period by about \$73.7 billion, and reduce revenues over that period by about \$22.7 billion. JCT therefore estimates that enacting the legislation would increase federal budget deficits by about \$96.5 billion over the 2014-2024 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending and revenues. Because enacting H.R. 3393 would affect revenues and direct spending, pay-as-you-go procedures apply. The net changes in revenues and outlays that are subject to pay-as-you-go procedures are shown in the following table.

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

The CBO staff contact for this estimate is Logan Timmerhoff. The estimate was approved by David Weiner, Assistant Director for Tax Analysis.

CBO Estimate of Pay-As-You-Go Effects for H.R. 3393, as ordered reported by the House Committee on Ways and Means on June 25, 2014

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014- 2019	2014- 2024
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Effects	0	45	1,038	936	1,519	14,531	14,354	15,492	15,515	15,941	17,082	18,068	96,453
Memorandum:													
Changes in Outlays	0	0	3,350	3,215	3,162	10,152	10,085	10,766	10,743	10,806	11,462	19,879	73,740
Changes in Revenues	0	-45	2,312	2,279	1,643	-4,379	-4,269	-4,726	-4,772	-5,135	-5,620	1,811	-22,713

Source: Staff of the Joint Committee on Taxation

Note: Components may not sum to totals because of rounding.
