

## BUDGETARY IMPLICATIONS OF THE TAXPAYER RELIEF ACT OF 1997

The Taxpayer Relief Act of 1997 makes many changes to the Internal Revenue Code. A new credit for children under age 17 would result in the largest reduction in revenue. Other major reductions in revenue result from new tax credits for students and other education incentives, changes in IRAs, lower taxation of capital gains realizations, and modifications to the alternative minimum tax and to the estate and gift tax. The Act's provisions also include changes that would generate revenue. The largest revenue increase comes from extending and modifying aviation excise taxes.

The Joint Committee on Taxation (JCT) provided estimates for most of the provisions of the Act, and CBO concurs with their estimates. CBO and JCT estimate that these provisions would reduce governmental receipts by \$88.9 billion over the 1997-2002 period. In addition, CBO estimates that the bill would increase outlays from the Child Credit and Earned Income Credit by \$11.5 billion in fiscal years 1997 through 2002. Please refer to the following CBO table for a more detailed estimate of the provisions.

DIRECT SPENDING AND REVENUE EFFECTS OF THE TAXPAYER RELIEF ACT OF 1997 (P.L. 105-34)  
(By fiscal year, in billions of dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
H.R. 2014—Taxpayer Relief Act of 1997													
Total Outlay Effect	0.0	0.0	-2.4	-3.0	-3.0	-3.1	-3.2	-3.3	-3.4	-3.5	-3.6	-11.5	-28.4
Total Revenue Effect	0.1	-9.5	-7.5	-25.0	-26.3	-20.8	-31.8	-33.3	-35.3	-36.3	-38.0	-88.9	-263.6
On-Budget	0.1	-9.3	-7.3	-24.9	-26.3	-20.8	-31.8	-33.3	-35.3	-36.3	-38.0	-88.5	-263.2
Off-Budget	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.4
Total Deficit	0.1	-9.5	-9.9	-27.9	-29.3	-23.9	-35.0	-36.6	-38.7	-39.8	-41.6	-100.4	-292.0

SOURCE: Congressional Budget Office.

NOTE: Numbers may not add to totals because of rounding.