FEDERAL RECEIPTS

11. GOVERNMENTAL RECEIPTS

A simpler, fairer, and more efficient tax system is critical to growing the economy and creating jobs. The enactment of the Tax Cuts and Jobs Act (Public Law 115–97) in 2017 reformed the Nation's outdated, overly complex, and burdensome tax system to unleash America's economy, and create millions of new, better-paying jobs that enable American workers to meet their families' needs. This Act, the first comprehensive tax reform in a generation, streamlines the tax system and ends special interest tax breaks and loopholes, ensuring that all Americans will be treated fairly by the tax system, not just the wealthy. This chapter presents the Budget's estimates of taxes and governmental receipts including the effects of tax legislation enacted in 2019, discusses the provisions of those enacted laws, and explains the Administration's additional receipt proposals.

Table 11–1. RECEIPTS BY SOURCE—SUMMARY
(In billions of dollars)

	2019 Actual	Estimate										
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Individual income taxes	1,717.9	1,812.0	1,931.7	2,048.4	2,184.5	2,345.7	2,505.4	2,678.7	2,862.3	3,040.1	3,228.4	3,425.7
Corporation income taxes	230.2	263.6	284.1	323.8	382.5	426.5	447.9	435.3	430.9	443.1	446.1	453.2
Social insurance and retirement receipts	1,243.4	1,312.0	1,373.6	1,448.1	1,521.0	1,603.7	1,687.3	1,779.1	1,865.5	1,972.2	2,066.2	2,168.4
(On-budget)	*(329.1)*	*(345.0)*	*(362.6)*	*(383.4)*	*(405.3)*	*(429.3)*	*(453.5)*	*(478.9)*	*(503.1)*	*(531.6)*	*(556.6)*	*(582.5)*
(Off-budget)	*(914.3)*	*(967.1)*	*(1,011.0)*	*(1,064.7)*	*(1,115.7)*	*(1,174.4)*	*(1,233.8)*	*(1,300.2)*	*(1,362.4)*	*(1,440.6)*	*(1,509.6)*	*(1,586.0)*
Excise taxes	99.5	94.6	87.2	89.0	90.4	95.1	95.2	96.8	98.4	99.1	102.2	105.4
Estate and gift taxes	16.7	20.4	21.6	22.8	24.3	25.8	27.5	28.8	30.7	33.1	34.9	36.7
Customs duties	70.8	92.3	53.8	42.7	44.0	45.3	46.5	47.8	49.2	50.5	51.7	52.0
Miscellaneous receipts	85.8	111.3	111.3	110.7	112.4	114.5	114.4	115.4	118.5	123.6	129.6	136.3
Total, receipts	**3,464.2**	**3,706.3**	**3,863.3**	**4,085.7**	**4,359.1**	**4,656.5**	**4,924.3**	**5,182.0**	**5,455.4**	**5,761.5**	**6,059.1**	**6,377.7**
(On-budget)	*(2,549.9)*	*(2,739.3)*	*(2,852.3)*	*(3,021.0)*	*(3,243.4)*	*(3,482.1)*	*(3,690.5)*	*(3,881.8)*	*(4,093.0)*	*(4,321.0)*	*(4,549.6)*	*(4,791.8)*
(Off-budget)	*(914.3)*	*(967.1)*	*(1,011.0)*	*(1,064.7)*	*(1,115.7)*	*(1,174.4)*	*(1,233.8)*	*(1,300.2)*	*(1,362.4)*	*(1,440.6)*	*(1,509.6)*	*(1,586.0)*
Total receipts as a percentage of GDP	16.3	16.7	16.5	16.6	16.9	17.2	17.3	17.3	17.4	17.5	17.6	17.6

ESTIMATES OF GOVERNMENTAL RECEIPTS

Governmental receipts are taxes and other collections from the public that result from the exercise of the Federal Government's sovereign or governmental powers. The difference between governmental receipts and outlays is the surplus or deficit.

The Federal Government also collects income from the public through market-oriented activities. Collections from these activities are subtracted from gross outlays, rather than added to taxes and other governmental receipts, and are discussed in Chapter 12, "Offsetting Collections and Offsetting Receipts," in this volume.

Total governmental receipts (hereafter referred to as "receipts") are estimated to be $3,706.3 billion in 2020, an increase of $242.2 billion or 7.0 percent from 2019. The estimated increase in 2020 is largely due to increases in individual and corporation income taxes and social insurance and retirement receipts. Receipts in 2020 are estimated to be 16.7 percent of Gross Domestic Product (GDP), which is higher than in 2019, when receipts were 16.3 percent of GDP.

Receipts are estimated to rise to $3,863.3 billion in 2021, an increase of $156.9 billion or 4.2 percent relative to 2020. Receipts are projected to grow at an average annual rate of 6.3 percent between 2021 and 2025, rising to $4,924.3 billion. Receipts are projected to rise to $6,377.7 billion in 2030, growing at an average annual rate of 5.3 percent between 2025 and 2030. This growth is largely due to assumed increases in incomes resulting from both real economic growth and inflation.

As a share of GDP, receipts are projected to decrease from 16.7 percent in 2020 to 16.5 percent in 2021, and to steadily increase to 17.6 percent of GDP by 2030.

LEGISLATION ENACTED IN 2019 THAT AFFECTS GOVERNMENTAL RECEIPTS

Five laws were enacted during 2019 that affect receipts. The major provisions of these laws that have a significant impact on receipts are described below.[1]

CONSOLIDATED APPROPRIATIONS ACT, 2019 (Public Law 116–6)

The Act, which was signed into law on February 15, 2019, provides authority to the Bureau of Engraving and Printing to construct a more efficient production facility. This reduces the cost incurred by the Federal Reserve for printing currency and therefore increases deposits of earnings by the Federal Reserve System to the Department of the Treasury.

TAXPAYER FIRST ACT (Public Law 116–25)

The Act, which was signed into law on July 1, 2019, revises management and oversight of the Internal Revenue Service (IRS), modernizes the IRS to help combat tax fraud and update information technology systems, and makes other changes to the Internal Revenue Code. The Act requires Treasury to make available, by January 1, 2023, an internet website or other electronic medium that would allow users to prepare and file Forms 1099; prepare forms for distribution to recipients other than the IRS; and maintain a record of completed, filed, and distributed Forms 1099.

FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020 (Public Law 116–94)

The Act, which was signed into law on December 20, 2019, included a number of health revenue provisions in addition to the Taxpayer Certainty and Disaster Tax Relief Act of 2019. Major provisions are described below.

Affordable Care Act.—The Act repeals three taxes established by the Patient Protections and Affordable Care Act: a tax on medical devices, a tax on high-cost employer sponsored health plans, and an annual fee for health insurance providers.

Patient-Centered Outcomes Research Trust Fund.—The Act extends the fees for health insurers and sponsors of self-insured health plans that are deposited into the Trust Fund until September 30, 2029.

Discharge of indebtedness on principal residence excluded from gross income.—Taxpayers are allowed a maximum exclusion from gross income of $2 million for any discharge of indebtedness income by reason of a discharge (in whole or part) of qualified principal residence indebtedness. The provision is effective for discharges of indebtedness after December 31, 2017. The Act extends the exclusion through December 31, 2020.

Mortgage insurance premiums treated as qualified residence interest.—Certain premiums paid or accrued for qualified mortgage insurance by a taxpayer during a taxable year in connection with acquisition indebtedness on a qualified residence of the taxpayer are treated as interest that is qualified residence interest and is therefore deductible. Qualified residence interest is interest on acquisition indebtedness and home equity indebtedness with respect to a principal residence and a second residence of the taxpayer. This deduction expired on December 31, 2017. The Act extends the deduction through December 31, 2020.

Reduction in medical expense deduction floor.—Under prior law, individuals could claim an itemized deduction for unreimbursed medical expenses, but only to the extent that such expenses exceed 10 percent of a taxpayer's adjusted gross income. For taxable years 2017 and 2018, the threshold was lowered to 7.5 percent. The Act extends the 7.5 percent threshold through taxable year 2020.

Expired provisions.—The Act extends through calendar year 2020 several expired tax provisions, including the Indian employment tax credit, the railroad maintenance tax credit, mine rescue team training and mine safety equipment tax credits, empowerment zone tax incentives, and the American Samoa economic development credit.

Credit for biodiesel and renewable diesel.—The Act extends through December 31, 2022, the $1.00 per gallon production tax credit for biodiesel and diesel fuel created from biomass and the 10 cents per gallon credit for small biodiesel producers. This credit expired after December 31, 2017.

Renewable energy production tax credit.—The Act extends through December 31, 2020, the period during which qualified facilities producing electricity from closed-loop biomass, open-loop biomass, geothermal energy, small irrigation power, municipal solid waste, and qualified hydropower can be placed in service for the purposes of the electricity production credit.

Excise tax credits for alternative fuel.—The Act extends through December 31, 2020, the 50-cents-per-gallon excise tax credit or payment for certain alternative fuel used as fuel in a motor vehicle, motor boat, or airplane, and the 50-cents-per-gallon credit for alternative fuel mixed with a traditional fuel (gasoline, diesel, or kerosene) for use as a fuel. The credits expired on December 31, 2017.

Expiring provisions.—The Act extends through calendar year 2020 other provisions expiring at the end of calendar year 2019, including the new markets tax credit, the employer credit for paid family and medical leave, and the Work Opportunity Credit.

Disaster tax relief.—The Act provides emergency tax relief for individuals living in "qualified disaster areas." This includes any area with respect to which a major disaster was Presidentially-declared, during the period beginning on January 1, 2018, and ending 60 days after the date of the enactment of the Act. This does not include the California wildfire disaster area.

Special disaster-related rules for use of retirement funds.—Prior law imposed penalties or other limitations on distributions from tax-preferred retirement plans. The

[1] In the discussions of enacted legislation, years referred to are calendar years, unless otherwise noted.

Act permits penalty-free withdrawals, up to $100,000, from retirement plans for individuals whose principal place of abode was located in the qualified disaster areas. In addition, individuals who make withdrawals for qualified disaster relief can, within a three-year period starting on the date of the withdrawal, make contributions back to the retirement savings account, not to exceed the amount withdrawn.

Employee retention credit for employers affected by qualified disasters.—The Act provides a tax credit for 40 percent of wages (up to $6,000 per employee) paid by a disaster-affected employer to an employee from a qualified disaster area. The credit applies to wages paid without regard to whether services associated with those wages were performed.

Other disaster tax relief provisions.—The Act also temporarily suspends limitations on the deduction for charitable contributions associated with qualified disaster relief; eliminates the requirements that personal casualty losses must exceed 10 percent of adjusted gross income to qualify for deduction; and allows taxpayers in designated disaster areas to refer to earned income from the immediately preceding year for purposes of determining the Earned Income Tax Credit and Child Tax Credit in tax year 2018. Additionally, the Act provides additional low-income housing credit allocations relating to qualified 2017 and 2018 California disasters.

Repeal of increase in unrelated business taxable income for certain fringe benefit expenses.—The Act repeals the requirement that the unrelated business taxation income of tax-exempt organizations is increased by expenses related to qualified transportation fringe benefits.

Table 11–2. ADJUSTMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT (BBEDCA) BASELINE ESTIMATES OF GOVERNMENTAL RECEIPTS

(In billions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2025	2021–2030
BBEDCA baseline receipts	**3,706.4**	**3,860.4**	**4,082.7**	**4,349.6**	**4,641.7**	**4,921.3**	**5,316.1**	**5,681.5**	**6,008.7**	**6,319.1**	**6,651.6**	**21,855.7**	**51,832.7**
Adjustments to BBEDCA baseline:													
Extend individual income tax provisions [1]	....	....	....	....	....	–17.5	–158.3	–241.8	–265.9	–279.5	–292.2	–17.5	–1,255.1
Extend estate and gift tax provisions	....	....	....	....	....	....	....	–12.8	–12.2	–12.8	–13.6	....	–51.5
Total, adjustments to BBEDCA baseline	**.........**	**.........**	**.........**	**.........**	**.........**	**–17.5**	**–158.3**	**–254.6**	**–278.1**	**–292.3**	**–305.8**	**–17.5**	**–1,306.6**
Adjusted baseline receipts	**3,706.4**	**3,860.4**	**4,082.7**	**4,349.6**	**4,641.7**	**4,903.9**	**5,157.8**	**5,426.9**	**5,730.6**	**6,026.8**	**6,345.8**	**21,838.2**	**50,526.1**

[1] This provision affects both receipts and outlays. Only the receipt effect is shown here. The outlay effects are listed below:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2025	2021–2030
Extend individual income tax provisions	....	....	....	....	....	....	0.2	15.7	15.8	16.7	17.0	....	65.5
Total, outlay effects of adjustments to BBEDCA baseline	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**0.2**	**15.7**	**15.8**	**16.7**	**17.0**	**.........**	**65.5**

ADJUSTMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT (BBEDCA) BASELINE

An important step in addressing the Nation's fiscal problems is to be upfront about them and to establish a baseline that provides a realistic measure of the deficit outlook before new policies are enacted. This Budget does so by adjusting the BBEDCA baseline to reflect the true cost of extending major tax policies that are scheduled to expire but that are likely to be extended. The BBEDCA baseline, which is commonly used in budgeting and is defined in statute, reflects, with some exceptions, the projected receipts level under current law.

However, current law includes a number of scheduled tax changes that the Administration believes are unlikely to occur and that prevent it from serving as a realistic benchmark for judging the effect of new legislation. These tax changes include expiration in 2025 of the individual income and estate and gift tax provisions enacted in the Tax Cuts and Jobs Act. This Budget uses an adjusted baseline that is intended to be more realistic by assuming permanent extension of those expiring provisions. This baseline does not reflect the President's policy proposals, but is rather a realistic and fair benchmark from which to measure the effects of those policies.

Extend individual income tax provisions.—The Administration's adjusted baseline projection assumes permanent extension of all individual income tax provisions in the Tax Cuts and Jobs Act that are currently set to expire on December 31, 2025.

Extend estate and gift tax provisions.—The Administration's adjusted baseline projection assumes permanent extension of the estate and gift tax parameters and provisions in effect for calendar year 2025.

BUDGET PROPOSALS

The 2021 Budget supports the extension of the individual and estate tax provisions of the Tax Cuts and Jobs Act beyond their expiration in 2025, as described above, to provide certainty for taxpayers and to support continued economic growth. The Budget's additional proposals affecting governmental receipts are as follows:

Eliminate Corporation for Travel Promotion.—The Administration proposes to eliminate funding for the Corporation for Travel Promotion (also known as Brand USA). The Budget extends the authorization for the Electronic System for Travel Authorization (ESTA) surcharge currently deposited in the Travel Promotion Fund and redirects the surcharge to the General Fund.

Establish Education Freedom Scholarships.—The Administration proposes to make available annually up to $5 billion worth of income tax credits for individual and corporate donations to State-identified nonprofit education scholarship granting organizations (SGOs). (Taxpayers who claim the credit will not be allowed to claim an itemized deduction for the same contribution.) States will decide family eligibility requirements and allowable uses of scholarship funds. Based on State rules, SGOs would use donated funds to provide families with Education Freedom Scholarships for a broad range of educational activities, including career and technical education, transportation, special education services, and tuition for private schools.

Give Medicare beneficiaries with high deductible health plans the option to make tax deductible contributions to health savings accounts or medical savings accounts.—Under current law, workers who are entitled to Medicare are not allowed to contribute to a health savings account (HSA), even if they are working and are enrolled in a qualifying health plan through their employer. The Administration proposes to allow Medicare-eligible workers who have a high-deductible health plan through their employer to contribute to an HSA. In addition, the Administration proposes to allow beneficiaries enrolled in Medicare medical savings account (MSA) plans to contribute to their MSAs, beginning in 2022, subject to the annual HSA contribution limits as determined by the Internal Revenue Service. Beneficiaries would also be allowed a one-time opportunity to roll over the funds from their private HSAs to their Medicare MSAs. Beneficiaries who enroll in MSA plans would not be allowed to purchase Medigap or other supplemental insurance. The Administration also proposes to align MSA plans more closely with conventional Medicare Advantage plans by allowing MSA plans to offer Part D benefits, exclude preventive services from being subject to the plan deductible, and offer mandatory supplemental benefits for their enrollees. Medicare would retain a portion of savings from these plans.

Provide tax exemption for Indian Health Service (IHS) Health Professions, NURSE Corps, and Native Hawaiian scholarship and loan repayment programs in return for obligatory service requirement.—The Administration proposes to allow scholarship funds for qualified tuition and related expenses received under the IHS Health Professions, NURSE Corps, and Native Hawaiian scholarships to be excluded from income. The Administration also proposes to allow students to exclude from gross income student loan amounts forgiven or repaid by the IHS Loan Repayment Program and NURSE Corps. Under current law, National Health Service Corps programs and Armed Forces Health Professions Scholarships are provided an exception to the general rule that scholarship amounts representing payment for work are considered ordinary income and therefore taxable. Furthermore, certain loans forgiven or repaid as part of certain State and profession-based loan programs are provided an exception from the general rule that loan amounts paid on another's behalf are taxable income. Eliminating the current tax burden on scholarship and loan repayment recipients would allow IHS and the Health Resources and Services Administration to leverage another tool to bolster their ongoing efforts to recruit and retain qualified healthcare providers and provide equity between participants in these programs and other similar programs currently receiving these tax benefits.

Reform medical liability.—The Administration proposes to reform medical liability beginning in 2021. This proposal has the potential to lower health insurance premiums, increasing taxable income and payroll tax receipts.

Establish Electronic Visa Update System (EVUS) user fee.—The Administration proposes to establish a user fee for EVUS, a U.S. Customs and Border Protection program to collect biographic and travel-related information from certain non-immigrant visa holders prior to traveling to the United States. The user fee would fund the costs of providing and administering the system.

Establish an immigration services surcharge.—The Administration proposes to add a 10-percent surcharge on all requests received by U.S. Citizenship and Immigration Services, including applications for citizenship and adjustment of status and petitions for temporary workers.

Increase worksite enforcement penalties.—The Administration proposes to increase by 35 percent all penalty amounts against employers who violate Immigration and Nationality Act provisions on the unlawful employment of aliens.

Provide paid parental leave benefits.—The Administration proposes establishing a new benefit within the Unemployment Insurance (UI) program to provide up to six weeks paid leave to mothers, fathers, and adoptive parents. States are responsible for adjusting their UI tax structures to maintain sufficient balances in their Unemployment Trust Fund accounts.

Establish Unemployment Insurance (UI) solvency standard.—The Administration proposes to set a minimum solvency standard to encourage States to maintain sufficient balances in their UI trust funds. States that are currently below this minimum standard are expected to increase their State UI taxes to build up their trust fund balances. States that do not build up sufficient reserves will be subject to Federal Unemployment Tax Act credit reductions, increasing Federal UI receipts.

Improve UI Insurance program integrity.—The Administration proposes a package of reforms to the UI program aimed at improving program integrity. These reforms are expected to reduce outlays in the UI program by reducing improper payments. In general, reduced outlays allow States to keep UI taxes lower, reducing overall receipts to the UI trust funds.

Subject Financial Research Fund (FRF) assessments to annual appropriations action.—Expenses of the Financial Stability Oversight Council (FSOC) and Office of Financial Research (OFR) are paid through the FRF, which is authorized to assess fees on certain bank holding companies and nonbank financial companies supervised by the Federal Reserve Board of Governors. The FRF was established by the Dodd-Frank Act and is managed by the Department of the Treasury. To improve their effectiveness and ensure greater accountability, the Budget proposes to subject the activities of FSOC and OFR to the appropriations process. In so doing, currently authorized assessments would, beginning in 2022, be reclassified as discretionary offsetting collections and set at a level determined by the Congress.

Provide discretionary funding for Internal Revenue Service (IRS) program integrity cap adjustment.—The Administration proposes to establish and fund a new adjustment to the discretionary caps for IRS program integrity activities starting in 2021. The IRS base funding within the discretionary caps funds current tax administration activities, including all tax enforcement and compliance program activities, in the Enforcement and Operations Support accounts at IRS. The additional $400 million cap adjustment in 2021 will fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's tax enforcement program. The activities are estimated to generate $79 billion in additional revenue over 10 years and cost approximately $15 billion, resulting in an estimated net savings of $64 billion. Once the new staff are trained and become fully operational, these initiatives are expected to generate roughly $5 in additional revenue for every $1 in IRS expenses. Notably, the return on investment is likely understated because it only includes amounts received; it does not reflect the effect enhanced enforcement has on deterring noncompliance. This indirect deterrence helps to ensure the continued payment of $3.6 trillion in taxes paid each year without direct enforcement measures.

Increase oversight of paid tax return preparers.—Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. Incompetent and dishonest tax return preparers increase collection costs, reduce revenues, disadvantage taxpayers by potentially subjecting them to penalties and interest as a result of incorrect returns, and undermine confidence in the tax system. To promote high quality services from paid tax return preparers, the proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.

Provide the IRS with greater flexibility to address correctable errors.—The Administration proposes to expand IRS authority to correct errors on taxpayer returns. Current statute only allows the IRS to correct errors on returns in certain limited instances, such as basic math errors or the failure to include the appropriate social security number or taxpayer identification number. This proposal would expand the instances in which the IRS could correct a taxpayer's return including cases where: (1) the information provided by the taxpayer does not match the information contained in Government databases or Form W-2, or from other third party databases as the Secretary determines by regulation; (2) the taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or (3) the taxpayer has failed to include with his or her return certain documentation that is required to be included on or attached to the return. This proposal would make it easier for IRS to correct clear taxpayer errors, directly improving tax compliance and reducing EITC and other improper payments and freeing IRS resources for other enforcement activities.

Eliminate the qualified plug-in electric drive motor vehicle credit.—The Administration proposes to repeal the tax credit for vehicles placed in service after December 31, 2020. Current law provides a non-refundable tax credit of up to $7,500 to the purchaser of a qualified plug-in electric drive motor vehicle. The credit phases out for a manufacturer's vehicles over a one-year period beginning with the second calendar quarter after which the manufacturer has sold a cumulative 200,000 qualifying vehicles.

Repeal exclusion of utility conservation subsidies.—The Administration proposes to repeal the exclusion of utility conservation subsidies to non-business customers who invest in energy conservation measures. The current rate subsidies are equivalent to payments from the utility to its customer, but individuals are not taxed on the value of these subsidies.

Repeal accelerated depreciation for renewable energy property.—The Administration proposes to repeal accelerated (five-year) depreciation for renewable energy property. The cost recovery period for such property—including solar energy, wind energy, biomass, geothermal, combined heat and power, and geothermal heat pump property; fuel cells; and micro-turbines—would range from five to 20 years, depending on the specific activity of the taxpayer and the type of property in service after repeal. Qualifying properties would still be eligible for the bonus depreciation allowance included in the TCJA.

Repeal energy investment credit.—The Administration proposes to repeal the energy investment credit for property for which construction begins after December 31, 2020. The IRC currently provides a credit equal to a certain portion of the cost of solar energy property, geothermal electric property, qualified fuel cell power plants, small wind energy property, stationary micro-turbine power plants, geothermal heat pumps, and combined heat and power property.

Repeal credit for residential energy efficient property.—The Administration proposes to repeal the credit for residential energy efficient property for property placed in service after December 31, 2020. Currently, a credit is available for a portion of the purchase of qualified photovoltaic and solar water heating property, fuel cell power plants, geothermal heat pumps, and small wind property used in or placed on a residence.

Fund the Federal Payment Levy Program via collections.—The Administration proposes to allow the Bureau of Fiscal Service to retain a portion of the funds collected under the Bureau's Fiscal Levy Program which processes and collects delinquent tax debts. Delinquent taxpayers would still receive credit based on the full amount collected before any deduction for Fiscal Service's costs and would not be impacted by the proposal. By allowing the Fiscal Service to recover its costs from levy collections, this structure would reduce administrative and overhead costs for both the Fiscal Service and the IRS and is similar to how Fiscal Service recovers its costs for Federal non-tax and State debts.

Reform inland waterways financing.—The Administration proposes to reform the laws governing the Inland Waterways Trust Fund, including establishing a fee to increase the amount paid by commercial navigation users of the inland waterways. In 1986, the Congress provided that commercial traffic on the inland waterways would be responsible for 50 percent of the capital costs of the locks, dams, and other features that make barge transportation possible on the inland waterways. The additional revenue would help finance the users' share of future capital investments as well as 10 percent of the cost of operation and maintenance activities in these waterways to support economic growth. The current excise tax on diesel fuel used in inland waterways commerce will not produce sufficient revenue to cover these costs.

Increase employee contributions to the Federal Employees Retirement System (FERS).—The

Table 11–3. EFFECT OF BUDGET PROPOSALS
(In millions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021-2025	2021-2030
Eliminate BrandUSA; make savings available for deficit reduction	....	....	....	....	....	....	....	....	316	321	328	....	965
Establish Education Freedom Scholarships	....	–893	–4,847	–4,928	–5,006	–4,974	–5,036	–4,916	–4,934	–4,960	–4,994	–20,648	–45,488
Give Medicare beneficiaries with high deductible health plans the option to make tax deductible contributions to health savings accounts or medical savings accounts	....	–615	–1,095	–1,311	–1,536	–1,665	–1,827	–1,958	–2,025	–2,089	–2,154	–6,222	–16,275
Provide tax exemption for certain HRSA and IHS scholarship and loan repayment programs	....	–22	–28	–28	–28	–29	–29	–29	–29	–30	–30	–135	–282
Reform medical liability	....	19	101	233	394	575	879	1,124	1,235	1,317	1,398	1,322	7,275
Establish Electronic Visa Update System user fee	....	38	42	47	52	58	64	72	79	88	107	237	647
Establish an immigration services surcharge	....	389	398	407	416	426	436	446	456	466	477	2,036	4,317
Increase worksite enforcement penalties	....	13	14	15	15	15	15	15	15	15	15	72	147
Provide paid parental leave benefits [1]	....	....	....	504	755	833	909	978	1,047	1,107	1,164	2,092	7,297
Establish an Unemployment Insurance (UI) solvency standard [1]	....	....	....	537	944	1,453	775	991	1,217	1,487	138	2,934	7,542
Improve UI program integrity [1]	....	2	–8	–20	–37	–42	–20	–72	–132	–72	–164	–105	–565
Subject Financial Research Fund to appropriations [1]	....	....	–61	–61	–61	–61	–61	–61	–61	–61	–61	–244	–549
Implement tax enforcement program integrity cap adjustment	....	264	542	3,106	5,158	7,356	9,682	12,005	12,974	13,813	14,495	16,426	79,395
Increase oversight of paid tax return preparers	....	5	17	22	24	27	30	33	36	40	44	95	278
Provide more flexible authority for the Internal Revenue Service to address correctable errors	....	435	650	683	718	754	792	831	872	915	959	3,240	7,609
Repeal the qualified plug-in electric drive motor vehicle credit	....	136	476	401	326	263	245	238	195	154	143	1,602	2,577
Repeal exclusion of utility conservation subsidies	....	2	7	7	6	6	5	5	5	4	4	28	51
Repeal accelerated depreciation for renewable energy property	....	111	348	526	594	637	653	606	527	440	343	2,216	4,785
Repeal energy investment credit	–36	–39	125	643	872	1,092	1,143	1,099	1,012	927	880	2,693	7,754
Repeal credit for residential energy efficient property	....	955	273	68	....	....	....	....	....	....	....	1,296	1,296
Fund the Federal Payment Levy Program via collections	....	–22	–22	–22	–22	–22	–22	–22	–22	–22	–22	–110	–220
Reform inland waterways financing	....	180	180	180	180	180	180	180	180	180	180	900	1,800
Increase Employee Contributions to 50 percent of Cost, Phased in at 1 percent per Year	....	....	2,194	4,697	7,221	9,506	11,120	12,503	13,314	13,384	13,447	23,618	87,386
Implement Defined Contribution System for Term Employees	....	....	–34	–91	–92	–94	–96	–98	–100	–102	–104	–311	–811
Consolidate the Public Company Accounting Oversight Board [1]	....	....	–234	–243	–251	–260	–269	–279	–288	–298	–309	–988	–2,431
Eliminate allocations to the Housing Trust Fund and Capital Magnet Fund	....	45	106	91	78	79	80	81	82	83	85	399	810
Improve clarity in worker classification and information reporting requirements	....	–23	–27	–1	14	22	20	17	19	19	32	–15	92
Require Social Security Number (SSN) for Child Tax Credit, Earned Income Tax Credit, and credit for other dependents	....	1,927	3,890	3,982	4,114	4,295	4,510	4,745	4,999	5,263	5,558	18,208	43,283
Offset overlapping unemployment and disability payments [1]	....	....	....	–1	–7	–10	–12	–15	–18	–21	–25	–18	–109
Total, effect of mandatory proposals	**–36**	**2,907**	**3,007**	**9,443**	**14,841**	**20,420**	**24,166**	**28,519**	**30,971**	**32,368**	**31,934**	**50,618**	**198,576**

[1] Net of income offsets.

Administration proposes to increase Federal employee contributions to FERS, equalizing employee and employer contributions to FERS so that half of the normal cost would be paid by each. For some specific occupations, such as law enforcement officers and firefighters, the costs of their retirement packages necessitates a higher normal-cost percentage. For those specific occupations, this proposal would increase, but not equalize, employee contributions. This proposal brings Federal retirement benefits more in line with the private sector. This adjustment will reduce the long-term cost to the Federal Government by reducing the Government's contribution rate. To reduce the impact on employees, this proposal will be phased in, increasing employee contributions by one percentage point per year, and reducing employer contributions by one percentage point per year, until both are equalized.

Implement a defined contribution system for term employees.—The Administration proposes to provide new Federal term employees with a more generous TSP defined contribution plan, in lieu of participation in the FERS defined benefit plan. Term employees would receive a defined contribution that consists of an automatic 5-percent agency contribution to the Thrift Savings Plan, and up to 5 percent additional in matching contributions. These employees are currently provided a 1-percent automatic agency contribution to the Thrift Savings Plan and up to 4 percent additional in matching contributions. For certain term employees in the public safety field, the automatic Government contribution would consist of 7 percent of basic pay, with a Government match of up to 7 percent.

Consolidate the Public Company Accounting Oversight Board (PCAOB) into the Securities and Exchange Commission (SEC).—The Administration proposes to consolidate PCAOB authorities, responsibilities, and funding streams into the SEC beginning in 2022.

Eliminate allocations to the Housing Trust Fund and Capital Magnet Fund.—The Administration proposes to eliminate an assessment on Fannie Mae and Freddie Mac that is used to fund the Housing Trust Fund and Capital Magnet Fund, two Federal programs that support affordable low-income housing. The resulting increase in taxable income at Fannie Mae and Freddie Mac would increase governmental receipts.

Improve clarity in worker classification and information reporting requirements.—The Administration proposes to: (1) establish a new safe harbor that allows a service recipient to classify a service provider as an independent contractor and requires withholding of individual income taxes to this independent contractor at a rate of five percent on the first $20,000 of payments; and (2) raise the reporting threshold for payments to all independent contractors from $600 to $1,000, and reduce the reporting threshold for third-party settlement organizations from $20,000 and 200 transactions per payee to $1,000 without regard to the number of transactions. In addition, Form 1099-K would be required to be filed with the IRS by January 31 of the year following the year for which the information is being reported. The proposal increases clarity in the tax code, reduces costly litigation, and improves tax compliance.

Require a social security number (SSN) that is valid for work in order to claim Child Tax Credit (CTC), Earned Income Tax Credit (EITC), and/or Credit for Other Dependents (ODTC).—The Administration proposes requiring a SSN that is valid for work to claim the EITC, the CTC (both the refundable and non-refundable portion), and/or the ODTC for the taxable year. For all credits, this requirement would apply to taxpayers (including both the primary and secondary filer on a joint return) and all qualifying children or dependents. Under current law, taxpayers who do not have SSNs that are valid for work may claim the CTC as long as the qualifying child for whom the credit is claimed has a valid SSN. Furthermore, the ODTC, created by the Tax Cuts and Jobs Act, allows taxpayers whose dependents do not meet the requirements of the CTC—including the SSN requirement—to claim this non-refundable credit. This proposal would ensure that only individuals who are authorized to work in the United States could claim these credits by extending the SSN requirement for qualifying children to parents on the tax form for the CTC and instituting an SSN requirement for the ODTC. While this SSN requirement is already current law for the EITC, this proposal would also fix an administrative gap to strengthen enforcement of the provision.

Offset overlapping unemployment and disability payments.—The Administration proposes to close a loophole that allows individuals to receive both UI and Disability Insurance (DI) benefits for the same period of joblessness. The proposal would offset the DI benefit to account for concurrent receipt of UI benefits. Offsetting the overlapping benefits would discourage some individuals from applying for UI, reducing benefit outlays. The reduction in benefit outlays is accompanied by a reduction in States' UI tax receipts, which are held in the Unemployment Trust Fund.

Table 11–4. RECEIPTS BY SOURCE

(In millions of dollars)

Source	2019 Actual	Estimate										
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Individual income taxes:												
Federal funds	1,717,857	1,812,049	1,928,842	2,047,306	2,181,006	2,340,090	2,497,381	2,667,957	2,848,821	3,025,513	3,212,834	3,409,105
Legislative proposal, not subject to PAYGO	....	....	264	542	3,045	5,061	7,225	9,586	11,894	12,850	13,666	14,431
Legislative proposal, subject to PAYGO	....	–9	2,572	570	498	522	825	1,165	1,558	1,693	1,863	2,153
Total, Individual income taxes ...	**1,717,857**	**1,812,040**	**1,931,678**	**2,048,418**	**2,184,549**	**2,345,673**	**2,505,431**	**2,678,708**	**2,862,273**	**3,040,056**	**3,228,363**	**3,425,689**
Corporation income taxes:												
Federal funds	230,245	263,669	284,395	324,020	382,207	426,039	447,325	434,724	430,367	442,679	445,747	452,936
Legislative proposal, not subject to PAYGO	....	....	45	175	162	151	154	157	160	164	167	171
Legislative proposal, subject to PAYGO	....	–27	–347	–360	113	268	425	395	348	306	214	88
Total, Corporation income taxes	**230,245**	**263,642**	**284,093**	**323,835**	**382,482**	**426,458**	**447,904**	**435,276**	**430,875**	**443,149**	**446,128**	**453,195**
Social insurance and retirement receipts (trust funds):												
Employment and general retirement:												
Old-age survivors insurance (off-budget) ...	770,282	826,613	864,414	910,350	954,044	1,004,346	1,055,142	1,111,776	1,164,892	1,231,783	1,290,813	1,355,888
Legislative proposal, not subject to PAYGO	....	....	–142	–192	–321	–389	–431	–306	–294	–308	–352	–153
Disability insurance (off-budget)	144,021	140,460	146,788	154,587	162,008	170,549	179,174	188,792	197,812	209,171	219,195	230,245
Legislative proposal, not subject to PAYGO	....	....	–24	–33	–54	–66	–73	–52	–50	–52	–60	–26
Hospital Insurance	277,572	292,144	308,122	325,713	342,623	361,431	380,402	401,489	421,830	446,898	469,480	494,463
Legislative proposal, not subject to PAYGO	....	....	....	....	–36	–60	–82	–60	–68	–76	–90	–40
Legislative proposal, subject to PAYGO ..	....	....	–83	–116	–119	–121	–111	–95	–82	–77	–76	–73
Railroad retirement:												
Social security equivalent account	2,259	2,347	2,525	2,595	2,675	2,756	2,838	2,920	3,005	3,088	3,175	3,261
Rail pension & supplemental annuity .	3,259	3,222	3,380	3,466	3,566	3,671	3,778	3,885	3,996	4,292	4,457	4,777
Total, Employment and general retirement	1,197,393	1,264,786	1,324,980	1,396,370	1,464,386	1,542,117	1,620,637	1,708,349	1,791,041	1,894,719	1,986,542	2,088,342
On-budget	(283,090)	(297,713)	(313,944)	(331,658)	(348,709)	(367,677)	(386,825)	(408,139)	(428,681)	(454,125)	(476,946)	(502,388)
Off-budget	(914,303)	(967,073)	(1,011,036)	(1,064,712)	(1,115,677)	(1,174,440)	(1,233,812)	(1,300,210)	(1,362,360)	(1,440,594)	(1,509,596)	(1,585,954)
Unemployment insurance:												
Deposits by States [1]	34,624	34,909	35,782	36,199	36,726	37,946	39,439	42,044	43,365	44,615	45,586	47,215
Legislative proposal, not subject to PAYGO	....	....	2	–5	–18	–33	–34	–3	–65	–135	–55	–166
Legislative proposal, subject to PAYGO ..	....	....	....	–4	622	922	1,011	1,099	1,180	1,255	1,323	1,383
Federal unemployment receipts [1]	6,438	7,015	7,158	7,300	7,447	7,604	7,769	7,938	8,109	8,286	8,468	8,516
Legislative proposal, subject to PAYGO	....	....	....	....	671	1,179	1,816	968	1,239	1,522	1,859	172
Railroad unemployment receipts [1]	131	80	91	200	231	144	78	95	150	179	152	123
Total, Unemployment insurance	41,193	42,004	43,033	43,690	45,679	47,762	50,079	52,141	53,978	55,722	57,333	57,243

Table 11–4. RECEIPTS BY SOURCE—Continued
(In millions of dollars)

Source	2019 Actual	Estimate										
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Other retirement:												
Federal employees retirement - employee share	4,757	5,205	5,550	5,895	6,284	6,695	7,122	7,564	8,024	8,489	8,967	9,472
Legislative proposal, subject to PAYGO	....	....	....	2,160	4,606	7,129	9,412	11,024	12,405	13,214	13,282	13,343
Non-Federal employees retirement [2]	29	31	31	31	30	30	30	29	29	29	28	28
Total, Other retirement	4,786	5,236	5,581	8,086	10,920	13,854	16,564	18,617	20,458	21,732	22,277	22,843
Total, Social insurance and retirement receipts (trust funds)	**1,243,372**	**1,312,026**	**1,373,594**	**1,448,146**	**1,520,985**	**1,603,733**	**1,687,280**	**1,779,107**	**1,865,477**	**1,972,173**	**2,066,152**	**2,168,428**
On-budget	(329,069)	(344,953)	(362,558)	(383,434)	(405,308)	(429,293)	(453,468)	(478,897)	(503,117)	(531,579)	(556,556)	(582,474)
Off-budget	(914,303)	(967,073)	(1,011,036)	(1,064,712)	(1,115,677)	(1,174,440)	(1,233,812)	(1,300,210)	(1,362,360)	(1,440,594)	(1,509,596)	(1,585,954)
Excise taxes:												
Federal funds:												
Alcohol	9,992	9,670	10,055	10,140	10,096	10,068	10,016	10,127	10,276	10,467	10,686	10,939
Tobacco	12,457	12,333	11,860	11,748	11,755	11,626	11,547	11,480	11,387	11,306	11,224	11,136
Transportation fuels	–3,623	–10,995	–4,275	–3,757	–2,299	–971	–976	–979	–978	–976	–973	–969
Telephone and teletype services	436	387	342	300	235	203	174	147	124	103	85	70
Health insurance providers	9,590	15,398	....	....	....	....	....	....	....	....	....	....
Indoor tanning services	69	65	63	60	58	56	54	51	49	47	44	42
Medical devices	–64	....	....	....	....	....	....	....	....	....	....	....
Other Federal fund excise taxes	6,070	3,155	3,223	3,297	3,305	3,368	3,465	3,565	3,669	3,781	3,892	4,006
Total, Federal funds	34,927	30,013	21,268	21,788	23,150	24,350	24,280	24,391	24,527	24,728	24,958	25,224
Trust funds:												
Transportation	44,111	42,354	42,669	43,063	43,085	43,213	43,323	43,551	43,772	44,035	44,297	44,639
Airport and airway	15,976	17,040	17,987	18,933	19,940	21,123	22,270	23,453	24,664	25,944	27,461	28,879
Sport fish restoration and boating safety	574	577	582	586	592	597	602	608	613	619	625	630
Black lung disability insurance	217	322	215	164	165	166	167	167	167	167	170	173
Inland waterway	117	114	112	109	107	105	103	101	100	99	99	98
Oil spill liability	156	502	679	686	694	701	715	721	713	719	726	729
Vaccine injury compensation	280	303	309	313	318	320	321	326	330	336	340	346
Leaking underground storage tank	226	214	214	215	213	213	212	212	211	211	209	208
Supplementary medical insurance	2,437	2,800	2,800	2,800	1,686	3,914	2,800	2,800	2,800	1,686	2,800	3,914
Patient-centered outcomes research	431	354	371	388	409	431	453	476	499	524	550	578
Total, Trust funds	64,525	64,580	65,938	67,257	67,209	70,783	70,966	72,415	73,869	74,340	77,277	80,194
Total, Excise taxes	**99,452**	**94,593**	**87,206**	**89,045**	**90,359**	**95,133**	**95,246**	**96,806**	**98,396**	**99,068**	**102,235**	**105,418**
Estate and gift taxes:												
Federal funds	16,672	20,389	21,641	22,786	24,263	25,815	27,507	28,837	30,731	33,056	34,938	36,728
Total, Estate and gift taxes	**16,672**	**20,389**	**21,641**	**22,786**	**24,263**	**25,815**	**27,507**	**28,837**	**30,731**	**33,056**	**34,938**	**36,728**
Customs duties and fees:												
Federal funds	69,136	90,585	52,024	40,896	42,111	43,321	44,547	45,791	47,045	48,308	49,516	49,691
Trust funds	1,648	1,719	1,787	1,837	1,888	1,940	1,994	2,049	2,106	2,165	2,224	2,286
Total, Customs duties and fees	**70,784**	**92,304**	**53,811**	**42,733**	**43,999**	**45,261**	**46,541**	**47,840**	**49,151**	**50,473**	**51,740**	**51,977**
Miscellaneous receipts:												
Federal funds:												

Table 11–4. RECEIPTS BY SOURCE—Continued
(In millions of dollars)

Source	2019 Actual	Estimate										
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Miscellaneous taxes	695	699	637	623	622	622	622	622	498	622	615	615
Deposit of earnings, Federal Reserve System	52,793	72,681	70,704	68,449	67,750	67,121	63,595	61,404	61,700	64,317	68,283	73,549
Legislative proposal, subject to PAYGO	....	....	110	614	633	652	673	693	714	737	759	783
Transfers from the Federal Reserve	468	580	595	614	633	652	673	693	714	737	759	783
Legislative proposal, subject to PAYGO	....	....	–110	–614	–633	–652	–673	–693	–714	–737	–759	–783
Fees for permits and regulatory and judicial services	20,279	20,511	20,957	22,572	24,907	27,838	31,140	34,242	37,181	39,034	40,933	42,186
Legislative proposal, subject to PAYGO	....	....	427	76	79	83	88	93	99	420	432	456
Fines, penalties, and forfeitures	9,919	15,093	16,299	16,651	16,669	16,751	16,832	16,926	16,901	17,031	17,155	17,295
Legislative proposal, subject to PAYGO	....	....	13	14	15	15	15	15	15	15	15	15
Refunds and recoveries	–35	–35	–35	–35	–35	–35	–35	–35	–35	–35	–35	–35
Total, Federal funds	84,119	109,529	109,597	108,964	110,640	113,047	112,930	113,960	117,073	122,141	128,157	134,864
Trust funds:												
United Mine Workers of America, combined benefit fund	17	11	10	9	8	7	6	6	5	5	4	4
Defense cooperation	321	646	379	433	524	143	146	149	152	155	158	162
Inland waterways (Legislative proposal, subject to PAYGO)	....	....	180	180	180	180	180	180	180	180	180	180
Fines, penalties, and forfeitures	1,322	1,147	1,104	1,115	1,073	1,095	1,103	1,097	1,094	1,092	1,094	1,096
Total, Trust funds	1,660	1,804	1,673	1,737	1,785	1,425	1,435	1,432	1,431	1,432	1,436	1,442
Total, Miscellaneous receipts	**85,779**	**111,333**	**111,270**	**110,701**	**112,425**	**114,472**	**114,365**	**115,392**	**118,504**	**123,573**	**129,593**	**136,306**
Total, budget receipts	**3,464,161**	**3,706,327**	**3,863,293**	**4,085,664**	**4,359,062**	**4,656,545**	**4,924,274**	**5,181,966**	**5,455,407**	**5,761,548**	**6,059,149**	**6,377,741**
On-budget	(2,549,858)	(2,739,254)	(2,852,257)	(3,020,952)	(3,243,385)	(3,482,105)	(3,690,462)	(3,881,756)	(4,093,047)	(4,320,954)	(4,549,553)	(4,791,787)
Off-budget	(914,303)	(967,073)	(1,011,036)	(1,064,712)	(1,115,677)	(1,174,440)	(1,233,812)	(1,300,210)	(1,362,360)	(1,440,594)	(1,509,596)	(1,585,954)

[1] Deposits by States cover the benefit part of the program. Federal unemployment receipts cover administrative costs at both the Federal and State levels. Railroad unemployment receipts cover both the benefits and administrative costs of the program for the railroads.

[2] Represents employer and employee contributions to the civil service retirement and disability fund for covered employees of Government-sponsored, privately owned enterprises and the District of Columbia municipal government.