

111TH CONGRESS
2D SESSION

H. R. 5752

To make the Federal budget process more transparent and to make future budgets more sustainable.

IN THE HOUSE OF REPRESENTATIVES

JULY 15, 2010

Mr. QUIGLEY (for himself, Mr. MINNICK, and Mr. FOSTER) introduced the following bill; which was referred to the Committee on the Budget, and in addition to the Committees on Rules and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To make the Federal budget process more transparent and to make future budgets more sustainable.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Transparent and Sus-
5 tainable Budget Act of 2010”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds that—

1 (1) the public debt as a share of gross domestic
2 product should be stabilized at not more than 60
3 percent within 10 fiscal years;

4 (2) annual deficits as a share of gross domestic
5 product should be reduced to not more than three
6 percent within 10 fiscal years;

7 (3) the Joint Committee on Taxation found
8 that 247 tax expenditures totaled \$1.2 trillion in
9 2008, greater than all Federal discretionary spend-
10 ing in that year; and

11 (4) tax expenditures are analogous to spending
12 programs, and future budgets and deficit control
13 measures should reflect this fact.

14 (b) PURPOSE.—The Congress declares that it is es-
15 sential—

16 (1) to establish the sustainability of public debt
17 and annual deficits as a fundamental objective of the
18 budget process;

19 (2) to ensure that the budget of the United
20 States Government is fully transparent, comprehen-
21 sible, and accurate;

22 (3) to establish effective controls over tax ex-
23 penditures and to integrate them into the budget
24 process; and

- 1 (4) to initiate a public discussion about fiscal
2 sustainability and budget transparency.

3 **SEC. 3. TABLE OF CONTENTS.**

- Sec. 1. Short title.
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- Sec. 101. Long-term fiscal responsibility.

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- Sec. 121. Prompt consideration of recommendations of the National Commis-
sion on Fiscal Responsibility and Reform.

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- Sec. 131. OMB quadrennial reports.

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- Sec. 141. Presidential address on long-term fiscal sustainability.

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1 **TITLE I—BUDGET PROCESS**
 2 **REFORMS**
 3 **Subtitle A—Reform of the**
 4 **President’s Budget**

5 **SEC. 101. LONG-TERM FISCAL RESPONSIBILITY.**

6 Section 1105 of title 31, United States Code, is
 7 amended by adding at the end the following new sub-
 8 section:

9 “(i)(1) The budget transmitted pursuant to sub-
 10 section (a) for a fiscal year shall include—

11 “(A) a scorecard of progress in meeting the
 12 debt and deficit reduction targets set forth in sub-
 13 paragraph (B);

14 “(B) a plan for long-term fiscal sustainability,
 15 defined as reducing to within 10 fiscal years and
 16 then maintaining a debt to potential gross domestic
 17 product (GDP) ratio, as defined by the Director of

1 the Office of Management and Budget, of not more
2 than 60 percent and an annual deficit to GDP ratio
3 of not more than three percent;

4 “(C) a supplemental report from the Director of
5 the Office of Management and Budget of the non-
6 budgeted fiscal exposures of the Government, which
7 may be included in the Analytical Perspectives re-
8 port, and shall include—

9 “(i) explicit liabilities and implicit promises
10 embedded in the structure of current programs,
11 including Federal credit programs; and

12 “(ii) a concise description of, including cost
13 information for, such exposures; and

14 “(D) explicit goals for carrying out the long-
15 term fiscal sustainability plan for the first fiscal year
16 after the fiscal year of the budget submission and
17 each of the nine ensuing fiscal years.

18 “(2) Unless the supplemental report is included in
19 the Analytical Perspectives report referred to in paragraph
20 (1)(C), then not later than March 15 of each calendar
21 year, the Director of the Office of Management and Budg-
22 et shall transmit such report to the President and to Con-
23 gress.

24 “(3) Not later than two months after the supple-
25 mental report referred to in paragraph (1)(C) is trans-

mitted to the President and to Congress, the Comptroller General shall publish a report auditing the supplemental report referred to in paragraph (1)(C).”.

Subtitle B—Reform of the Congressional Budget Resolution

SEC. 111. LONG-TERM FISCAL RESPONSIBILITY.

(a) CONTENT OF CONGRESSIONAL BUDGET RESOLUTION.—Section 301 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

“(j) ADDITIONAL MATTERS IN REPORT ACCOMPANYING THE RESOLUTION.—The report accompanying the resolution shall include—

“(1) a scorecard of progress in meeting the debt and deficit reduction targets set forth in paragraph (2); and

“(2) a plan for long-term fiscal sustainability, defined as reducing to within 10 fiscal years and then maintaining a debt to gross domestic product (GDP) ratio of not more than 60 percent and an annual deficit to GDP ratio of not more than three percent.”.

(b) ADDITIONAL MATTERS IN CBO REPORTS TO BUDGET COMMITTEES.—Section 202(e) of the Congres-

1 sional Budget Act of 1974 is amended by adding at the
 2 end the following new paragraph:

3 “(4) On or before February 15 of each year,
 4 the Director shall submit to the Committees on the
 5 Budget of the House of Representatives and the
 6 Senate, a report that includes an assessment of the
 7 plan for long-term fiscal sustainability set forth in
 8 section 1105(i)(1) of title 31, United States Code,
 9 and include it in the most recent budget submission
 10 of the President, pursuant to subsection (a) of that
 11 section. When such plan is submitted to the Com-
 12 mittees on the Budget, the Director shall place it on
 13 the public Web site of the Congressional Budget Of-
 14 fice.”.

15 **Subtitle C—Prompt Consideration**
 16 **of Recommendations of the Na-**
 17 **tional Commission on Fiscal Re-**
 18 **sponsibility and Reform**

19 **SEC. 121. PROMPT CONSIDERATION OF RECOMMENDA-**
 20 **TIONS OF THE NATIONAL COMMISSION ON**
 21 **FISCAL RESPONSIBILITY AND REFORM.**

22 It is the sense of Congress that the recommendations
 23 reported to Congress by the National Commission on Fis-
 24 cal Responsibility and Reform should receive prompt con-
 25 sideration, and that neither the House of Representatives

1 nor the Senate should obstruct a final roll call vote on
2 such recommendations.

3 **Subtitle D—Quadrennial Fiscal**
4 **Sustainability Report**

5 **SEC. 131. OMB QUADRENNIAL REPORTS.**

6 The Director of the Office of Management and Budg-
7 et, in consultation with the Secretary of the Treasury,
8 shall publically issue, including by publishing on its Web
9 site, a Quadrennial Fiscal Sustainability Report not later
10 than April 1, 2013 and April 1 of every fourth year there-
11 after. The report shall address the long-term fiscal sus-
12 tainability of the Government, including its ability to man-
13 age finances to meet spending commitments, with a de-
14 tailed analysis of social insurance programs, for the budg-
15 et year and for the 30-year period commencing with the
16 budget year.

17 **Subtitle E—Presidential Address to**
18 **Congress on Fiscal Sustainability**

19 **SEC. 141. PRESIDENTIAL ADDRESS ON LONG-TERM FISCAL**
20 **SUSTAINABILITY.**

21 During October 2011 and each October thereafter,
22 there shall be convened a joint session of Congress at
23 which the President shall be invited to give an address
24 on the long-term fiscal sustainability of the Government.
25 As used in the preceding sentence, the term “long-term

1 fiscal sustainability” means the ability of the Government
 2 to achieve and then maintain a debt to gross domestic
 3 product ratio of not more than 60 percent and an annual
 4 deficit to gross domestic product ratio of not more than
 5 3 percent.

6 **TITLE II—ACCOUNTING AND**

7 **SCORING REFORMS**

8 **Subtitle A—Discounted Baseline**

9 **SEC. 201. DISCOUNTED BASELINE.**

10 Section 257 of the Balanced Budget and Emergency
 11 Deficit Control Act of 1985 is amended as follows:

12 (1) At the end of subsection (a), insert the fol-
 13 lowing new sentence: “For any budget year the dis-
 14 counted baseline refers to an alternative projection
 15 of current-year levels of new budget authority, out-
 16 lays, revenues, and the surplus or deficit into the
 17 budget year and the outyears, for a minimum of 30
 18 years, based on laws enacted through the applicable
 19 year, and annually discounted for—

20 “(1) the present value of money, set at the pre-
 21 vailing interest rate for 30-year Treasury bonds; and

22 “(2) the uncertainty of policies announced for
 23 the outyears, set at 10 percent.”.

24 (2) At the end, add the following new sub-
 25 section:

1 “(f) DISCOUNTED BASELINE.—The discounted base-
 2 line shall be computed using the same exceptions, assump-
 3 tions, and other qualifying guidelines applicable to the
 4 baseline under this section.”.

5 **Subtitle B—Alternative Net Cost** 6 **Estimate**

7 **SEC. 211. ALTERNATIVE ANALYSIS BY CONGRESSIONAL** 8 **BUDGET OFFICE.**

9 (a) IN GENERAL.—Part A of title IV of the Congres-
 10 sional Budget Act of 1974 is amended by adding at the
 11 end the following new section:

12 “ALTERNATIVE ANALYSIS BY CONGRESSIONAL BUDGET
 13 OFFICE

14 “SEC. 407. (a) ALTERNATIVE NET COST ESTI-
 15 MATES.—To the extent practicable, the Director of the
 16 Congressional Budget Office shall prepare for each bill or
 17 joint resolution of a public character reported by any com-
 18 mittee of the House of Representatives or the Senate (ex-
 19 cept the Committee on Appropriations of each House) and
 20 for amendments thereto and conference reports thereon an
 21 alternative net cost estimate.

22 “(b) CALCULATION.—The alternative net cost esti-
 23 mate of proposed measures shall be calculated by com-
 24 paring the current discounted baseline with an alternative
 25 discounted baseline that accounts for the policy changes
 26 in the proposed measures reported from committee.

1 “(c) PERIOD.—The alternative net cost estimate shall
2 cover as many years as the Director deems appropriate
3 for the applicable legislation to have a significant budg-
4 etary impact, but for not more than 30 fiscal years.

5 “(d) SUBMISSIONS.—To the extent practicable, the
6 alternative net cost estimate shall be submitted—

7 “(1) for a reported bill or resolution referred to
8 in subsection (a), to the House of Representatives or
9 the Senate, as applicable, at the same time as the
10 submission under section 402;

11 “(2) for any amendment, to the applicable
12 House of Congress before the amendment is offered;
13 and

14 “(3) for any conference report, to the House of
15 Representatives and the Senate before the con-
16 ference report is first considered.”.

17 (b) CONFORMING AMENDMENT.—The table of con-
18 tents set forth in section 1(b) of the Congressional Budget
19 and Impoundment Control Act of 1974 is amended by in-
20 serting after the item relating to section 406 the following
21 new item:

“Sec. 407. Alternative analysis by Congressional Budget Office.”.

Subtitle C—Deficit Control
Mechanism

SEC. 221. ALTERNATIVE NET COST ESTIMATE BY CONGRES-
SIONAL BUDGET OFFICE.

(a) IN GENERAL.—Part A of title IV of the Congressional Budget Act of 1974 (as amended by section 211) is further amended by adding at the end the following new section:

“ALTERNATIVE NET COST ESTIMATE BY CONGRESSIONAL
BUDGET OFFICE

“SEC. 408. (a) ALTERNATIVE NET COST ESTIMATE.—The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or joint resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House) and for amendments thereto and conference reports thereon a statement of whether the measure’s alternative net cost would exceed \$5 billion. The alternative net cost shall be obtained by computing the total value of the measure, discounting for the present value of money and the uncertainty of policies announced for future periods, using the same methodology as in section 407.

“(b) POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider

1 any bill, joint resolution, amendment, motion, or con-
2 ference report for which the Director issues a statement
3 under the preceding subsection that shows a alternative
4 net cost exceeding \$5 billion, as adjusted annually for in-
5 flation.

6 “(c) EMERGENCY DESIGNATION.—If a measure or
7 provision is designated as an emergency requirement
8 under the applicable rules of the House of Representatives
9 and the Senate, the Director shall not include the cost of
10 such a provision in the statement of the budgetary effects
11 of such measure or provision.

12 “(d) PUBLIC AVAILABILITY.—Not later than 14 days
13 (excluding Saturdays, Sundays, and public holidays) after
14 Congress adjourns to end a session, the Director shall
15 make publicly available and cause to be printed in the
16 Federal Register an annual Discounted Score Deficit Con-
17 trol report. The report shall include up-to-date deficit con-
18 trol mechanism scorecards, information about emergency
19 legislation (if any) designated under subsection (c), and
20 other data and explanations that enhance public under-
21 standing of this Act and actions taken under it.”.

22 (b) CONFORMING AMENDMENTS.—(1) Subsections
23 (c)(1) and (d)(2) of section 904 of the Congressional
24 Budget Act of 1974 are amended by inserting “408(b),”
25 after “313,”.

1 (2) The table of contents set forth in section 1(b) of
 2 the Congressional Budget and Impoundment Control Act
 3 of 1974 (as amended by section 211) is further amended
 4 by inserting after the item relating to section 407 the fol-
 5 lowing new item:

“Sec. 408. Alternative net cost estimate by Congressional Budget Office.”.

6 **Subtitle D—Accrual Accounting** 7 **Report**

8 **SEC. 231. ACCRUAL ACCOUNTING REPORT.**

9 (a) ACCRUAL-BASED ACCOUNTING SYSTEM.—The
 10 Director of the Office of Management and Budget shall
 11 develop a proposal for the implementation of an accrual-
 12 based accounting system for certain portions of the budg-
 13 et, including—

14 (1) insurance, including social insurance pro-
 15 grams such as Social Security, Medicare, and Med-
 16 icaid;

17 (2) environmental liabilities;

18 (3) Federal employee pensions;

19 (4) retiree health benefits; and

20 (5) other budget items where accrual-based ac-
 21 counting would feasibly capture significant future
 22 cash resource requirements that are not reflected in
 23 the cash-based budget; where appropriate and rea-
 24 sonable.

1 (b) REPORT.—Within one year of the date of enact-
2 ment of this Act, the Director of the Office of Manage-
3 ment and Budget shall submit a report to Congress set-
4 ting forth the legislation necessary for the implementation
5 of an accrual-based accounting system for part of the
6 budget, along with any recommendations regarding its
7 proposed legislation.

8 **Subtitle E—On-Budget Status of**
9 **Trust Funds and GSEs**

10 **SEC. 241. OMB REPORT RESPECTING BUDGETARY STATUS**
11 **OF TRUST FUNDS AND GSES.**

12 (a) REPORT.—Within one year after the date of en-
13 actment of this Act, the Director of the Office of Manage-
14 ment and Budget shall submit a report to Congress on
15 the various scenarios by which the receipts and disburse-
16 ments of the following entities could be counted as new
17 budget authority, outlays, receipts, or deficit or surplus
18 for the purposes of the budget of the United States Gov-
19 ernment as submitted by the President, the congressional
20 budget, the Balanced Budget and Emergency Deficit Con-
21 trol Act of 1985, and the Statutory Pay-As-You-Go Act
22 of 2010:

23 (1) Government-sponsored enterprises (GSEs),
24 including the Federal National Mortgage Association
25 and the Federal Home Loan Mortgage Corporation.

1 (2) The various trust funds, including the Fed-
2 eral Old-Age and Survivors Insurance Trust Fund,
3 the Federal Disability Insurance Trust Fund, and
4 the Highway Trust Fund.

5 (b) SPECIFIC RECOMMENDATIONS.—In the report de-
6 scribed in subsection (a), the Director of the Office of
7 Management and Budget shall provide a specific rec-
8 ommendation for each scenario described in the report,
9 taking into account at least the following factors:

10 (1) Whether the reformed budget would more
11 or less accurately reflect the Government’s finances,
12 short-, medium-, and long-term.

13 (2) Challenges associated with implementing
14 the reformed budget.

15 (3) Whether the reformed budget would be
16 more or less useful in enforcing the pay-as-you-go
17 requirements of the Statutory Pay-As-You-Go Act of
18 2010 and other deficit control provisions.

19 (4) Whether the reformed budget could use the
20 same accounting standard for all budget items.

21 (5) Whether the reformed budget would have
22 any impact on the financing of Government-spon-
23 sored enterprises, trust funds, Social Security, Medi-
24 care, or Medicaid.

1 **TITLE III—TAX EXPENDITURE**
2 **REFORMS**
3 **Subtitle A—Identification of Tax**
4 **Expenditures**

5 **SEC. 301. JCT REPORTS ON TAX EXPENDITURES.**

6 Section 202(f) of the Congressional Budget Act of
7 1974 is amended by inserting “(1)” before “For” and by
8 adding at the end the following new paragraph:

9 “(2) Reports to Congress by the Joint Committee on
10 Taxation identifying tax expenditures shall also—

11 “(A) include an aggregate net cost of tax ex-
12 penditures that estimates the net impact of all tax
13 expenditures on tax revenues, taking into account,
14 where possible, interaction between such tax expend-
15 itures; and

16 “(B) compare this aggregate net cost with the
17 total revenue currently raised by the Internal Rev-
18 enue Code of 1986.”.

19 **SEC. 302. DEFINITION OF TAX SUBSIDY.**

20 Section 3 of the Congressional Budget and Impound-
21 ment Control Act of 1974 is amended by adding at the
22 end the following new paragraph:

23 “(11) The term ‘tax subsidy’ means those tax
24 expenditures that are deliberately inconsistent with
25 an identifiable general rule of the present tax law,

1 and that collect less revenue than does the general
 2 rule.”.

3 **Subtitle B—Enforcement of Tax** 4 **Expenditure Requirements**

5 **SEC. 311. TAX EXPENDITURE POINTS OF ORDER.**

6 (a) POINTS OF ORDER.—Title III of the Congres-
 7 sional Budget Act of 1974 is amended by adding at the
 8 end the following new section:

9 “TAX EXPENDITURE POINTS OF ORDER

10 “SEC. 316. (a) TAX EXPENDITURE POINT OF
 11 ORDER.—(1) It shall not be in order in the House of Rep-
 12 resentatives or the Senate to consider any bill or joint res-
 13 olution reported by the Committee on Ways and Means
 14 of the House or the Committee on Finance of the Senate
 15 that proposes to amend the Internal Revenue Code of
 16 1986 to establish a new tax expenditure unless the com-
 17 mittee report includes—

18 “(A) a clear statement of the purpose of the tax
 19 expenditure, including a justification of why this
 20 purpose is best achieved through the tax system
 21 rather than as an outlay;

22 “(B) an explanation of how the tax expenditure
 23 will be implemented and integrated with other re-
 24 lated tax expenditures and outlays;

25 “(C) a macroeconomic impact analysis; and

1 “(D) a statement from the Joint Committee on
2 Taxation explaining why a macroeconomic analysis
3 is not calculable.

4 “(2) As used in paragraph (1), the term ‘macro-
5 economic impact analysis’ means—

6 “(A) an estimate prepared by the Joint Com-
7 mittee on Taxation of the changes in economic out-
8 put, employment, capital stock, and tax revenues ex-
9 pected to result from enactment of the applicable bill
10 or joint resolution; and

11 “(B) a statement from the Joint Committee on
12 Taxation identifying the critical assumptions and the
13 source of data underlying that estimate.

14 “(b) TAX SUBSIDY POINTS OF ORDER.—(1) It shall
15 not be in order in the House of Representatives or the
16 Senate to consider any bill, joint resolution, amendment,
17 motion, or conference report that contains a new tax sub-
18 sidy, or modifies an existing tax subsidy so that the modi-
19 fied tax code collects less revenue than the current tax
20 code for the ten-year period beginning with the fiscal year
21 in which the modification takes effect, without a provision
22 terminating it after not more than ten years.

23 “(2)(A) It shall not be in order in the House of Rep-
24 resentatives or the Senate to consider any bill or joint res-
25 olution reported by the Committee on Ways and Means

1 of the House or the Committee on Finance of the Senate,
2 as applicable, that proposes to amend the Internal Rev-
3 enue Code of 1986 to establish a new tax subsidy, or to
4 modify an existing tax subsidy so that the modified tax
5 code would collect less revenue than the current tax code,
6 unless—

7 “(i) each new tax subsidy or each modification
8 of an existing tax subsidy is explicitly approved by
9 the affirmative vote of the applicable committee,
10 quorum being present; and

11 “(ii) the chair of the applicable committee
12 causes such official statement to be printed in the
13 Congressional Record before consideration of the ap-
14 plicable bill or joint resolution;

15 as determined under paragraph (3).

16 “(B) The Speaker of the House and the presiding
17 officer of the Senate shall determine the applicable com-
18 mittee by determining the committee of jurisdiction of
19 legislation authorizing comparable spending programs or
20 by considering the tax subsidy to be a spending program.
21 For purposes of paragraph (2), the applicable committee
22 shall be the committee determined under the preceding
23 sentence.”.

24 (b) RULES AMENDMENT.—Clause 6(c) of rule XIII
25 of the Rules of the House of Representatives, as amended

1 by section 221(b), is further amended by adding before
 2 the period at the end thereof the following: “, or a rule
 3 or order that would waive any point of order set forth in
 4 section 316 of the Congressional Budget Act of 1974”.

5 (c) CONFORMING AMENDMENT.—The table of con-
 6 tents set forth in section 1(b) of the Congressional Budget
 7 and Impoundment Control Act of 1974 (as amended by
 8 section 211) is further amended by inserting after the
 9 item relating to section 315 the following new item:

“Sec. 316. Tax expenditure points of order.”.

10 **Subtitle C—Executive Branch** 11 **Reporting of Tax Expenditures**

12 **SEC. 331. EXECUTIVE BRANCH REPORTING OF TAX EX-** 13 **PENDITURES.**

14 (a) OMB GUIDANCE REGARDING TAX EXPENDI-
 15 TURES.—The Director of the Office of Management and
 16 Budget shall develop clear and consistent guidance to
 17 agencies on how to incorporate tax expenditures in their
 18 strategic plans, annual performance plans, and perform-
 19 ance and accountability reports, to provide a broader per-
 20 spective and more cohesive plan of the Government’s goals
 21 and strategies.

22 (b) REPORTING OF TAX EXPENDITURE DATA.—The
 23 Director of the Office of Management and Budget shall
 24 require agencies to report tax expenditure data related to
 25 their overall mission in their annual financial statements.

1 (c) DEFINITIONS.—As used in this section—

2 (1) the term “agency” has the meaning given to
3 such term in paragraph (1) of section 551 of title
4 5, United States Code; and

5 (2) the term “tax expenditure” has the meaning
6 given to such term in paragraph (3) of section 3 of
7 the Congressional Budget and Impoundment Control
8 Act of 1974.

9 **Subtitle D—Tax Expenditure Data**

10 **SEC. 341. DEVELOPMENT OF ELECTRONIC INCOME TAX FIL-** 11 **ING SYSTEM.**

12 Not later than one year after the date of enactment
13 of this Act, the Secretary of the Treasury (or his designee)
14 shall develop and report to Congress on the legislative
15 steps necessary to implement an income tax filing system
16 which—

17 (1) allows users to save their work;

18 (2) provides simple instructions for filing;

19 (3) allows users to file their income tax returns
20 electronically; and

21 (4) respects taxpayer privacy and security con-
22 cerns.

23 **SEC. 342. GAO REPORT ON TAX EXPENDITURES.**

24 Not later than one year after the date of the enact-
25 ment of this Act, the Government Accountability Office

1 shall publish a written report making recommendations
 2 for improving the rules of the Internal Revenue Service
 3 to facilitate the evaluation of tax expenditures. Such re-
 4 port shall include a description of how to implement such
 5 improvements, including a list of the key steps in such
 6 implementation.

7 **SEC. 343. TREASURY REPORT ON TAX EXPENDITURES.**

8 Not later than one year after the date of enactment
 9 of this Act, the Secretary of the Treasury (or his designee)
 10 shall make a written report to Congress which describes
 11 how the Secretary intends to use the Internal Revenue
 12 Service panel data sample which was created to facilitate
 13 the evaluation of savings-related tax expenditures. Such
 14 report shall also include a description of all other efforts
 15 related to tax expenditure data acquisition that the Sec-
 16 retary has taken or plans to undertake.

17 **Subtitle E—Tax Expenditure**
 18 **Performance Reviews**

19 **SEC. 351. CBO TAX EXPENDITURE PERFORMANCE REVIEWS.**

20 (a) CBO PERFORMANCE REVIEW SCHEDULE AND
 21 REPORTS.—(1) Title II of the Congressional Budget Act
 22 of 1974 is amended by adding at the end the following
 23 new section:

24 “CBO PERFORMANCE REVIEW SCHEDULE AND REPORTS

25 “SEC. 204. (a) PERFORMANCE REVIEW SCHED-
 26 ULE.—

1 “(1) The Director shall conduct performance
2 reviews of tax expenditures, as identified by the
3 Joint Committee on Taxation, on an ongoing basis.
4 The Director shall develop the schedule for these re-
5 views, such that each tax expenditure is reviewed at
6 least once in every four-year period. A four-year
7 schedule shall be submitted by the Director to Con-
8 gress, the Secretary of the Treasury, and the Direc-
9 tor of the Office of Management and Budget during
10 January of each calendar year.

11 “(2) Within three months after the enactment
12 of any new tax expenditure, the Director shall revise
13 the most recent four-year schedule of tax expendi-
14 ture performance reviews and submit them with the
15 quarterly reports as set forth in section 204(b)(1) of
16 the Congressional Budget Act of 1974.

17 “(3) Not later than one year after the enact-
18 ment of this Act, the Director shall have submitted
19 to Congress, the Secretary of the Treasury, and the
20 Director of the Office of Management and Budget
21 the first four-year schedule and begin the first per-
22 formance reviews under paragraph (1).

23 “(4) The Director shall endeavor to develop a
24 four-year schedule that provides for the simulta-

1 neous review of tax expenditures that have similar
2 policy objectives.

3 “(b) REPORTS.—

4 “(1) The Director shall report each of its per-
5 formance reviews of tax expenditures to Congress,
6 the Secretary of the Treasury, and the Director of
7 the Office of Management and Budget in quarterly
8 reports and containing all of the performance re-
9 views conducted since the preceding report.

10 “(2) The Director may conduct expedited per-
11 formance reviews for any tax expenditure that has
12 an estimated annual fiscal impact of less than \$1
13 billion, annually adjusted for inflation, unless the
14 Secretary of the Treasury requests or the chairs and
15 ranking minority members of the Committees on the
16 Budget of the House of Representatives and the
17 Senate jointly request, in writing, a full review.

18 “(3) Each performance review, except for expe-
19 dited performance reviews, shall include the fol-
20 lowing explanations, descriptions, estimates, anal-
21 yses, and recommendations:

22 “(A) An explanation of the tax expenditure
23 and any relevant economic, social, or other con-
24 text under which it was first enacted.

1 “(B) A description of the intended purpose
2 of the tax expenditure.

3 “(C) An analysis of the overall success of
4 the tax expenditure in achieving such purpose,
5 and evidence supporting such analysis.

6 “(D) An analysis of the extent to which
7 further extending the tax expenditure, or mak-
8 ing it permanent, would contribute to achieving
9 such purpose.

10 “(E) A description of the direct and indi-
11 rect beneficiaries of the tax expenditure, also
12 specifying—

13 “(i) any unintended beneficiaries of
14 the tax expenditure;

15 “(ii) the classes of individuals, types
16 of organizations, or types of industries
17 whose Federal tax liabilities are directly af-
18 fected by the tax expenditure;

19 “(iii) the extent to which terminating
20 the tax expenditure may have negative ef-
21 fects on the category of taxpayers that cur-
22 rently benefit from the tax preference and
23 on the economy; and

24 “(iv) the extent to which the termi-
25 nation of the tax expenditure would affect

1 the distribution of liability for payments of
2 Federal taxes.

3 “(F) An analysis of whether the tax ex-
4 penditure is the most cost-effective method for
5 achieving the purpose for which it was intended,
6 and a description of any more cost-effective
7 methods through which such purpose could be
8 accomplished, and in particular the extent to
9 which a direct spending program might be pref-
10 erable to a tax expenditure, including—

11 “(i) whether an outlay program might
12 achieve the same policy objectives as a tax
13 expenditure;

14 “(ii) whether an outlay program
15 might reduce deadweight losses and im-
16 prove economic efficiency in the national
17 economy; and

18 “(iii) whether a direct spending pro-
19 gram might be more or less expense to ad-
20 minister.

21 “(G) A description of any unintended ef-
22 fects of the tax expenditure that is useful in un-
23 derstanding the tax expenditure’s overall value.

24 “(H) A description of any interactions (ac-
25 tual or potential) with other tax expenditures or

1 direct spending programs in the same or related
2 budget function that should be studied further.

3 “(I) An estimate of the annual cost in for-
4 gone revenues of the tax expenditure, as well as
5 a projection of the cost in foregone revenues for
6 the ensuing ten fiscal years.

7 “(J) A description of any further informa-
8 tion needed to complete a more thorough exam-
9 ination and analysis of the tax expenditure, and
10 what is necessary to make such information
11 available.

12 “(K) A specific recommendation, based on
13 analysis conducted in the performance review,
14 as to whether the tax expenditure should be
15 continued without modification, modified (in-
16 cluding converted fully or partly into a direct
17 spending program), scheduled for sunset, re-
18 viewed at a later date, or terminated imme-
19 diately. The Director may decline to provide a
20 specific recommendation, but in each such case
21 shall provide an explanation of why a rec-
22 ommendation has not been given.

23 “(4) An expedited performance review shall in-
24 clude at least the explanations, descriptions, esti-
25 mates, analyses, and recommendations as listed in

1 subparagraphs (A), (B), (C), (D), (I), (J), and (K)
2 of paragraph (3).

3 “(c) COMMITTEE HEARINGS.—Not later than 60
4 days after the submission of any performance review re-
5 port under subsection (b), the Committees on Ways and
6 Means of the House of Representatives and the Committee
7 on Finance of the Senate shall hold public hearings to con-
8 sider the performance review recommendations contained
9 in that report. The Committees on the Budget of the
10 House of Representatives and the Senate may also hold
11 hearings on such performance review recommendations.”.

12 (2) The table of contents set forth in section 1(b) of
13 the Congressional Budget and Impoundment Control Act
14 of 1974 is amended by inserting after the item relating
15 to section 203 the following new item:

 “Sec. 204. CBO performance review schedule and reports.”.

16 (b) TREASURY AND OMB COMMENTS.—Not later
17 than 60 days after submission of a performance review
18 report pursuant to section 204(b) of the Congressional
19 Budget Act of 1974, the Secretary of the Treasury and
20 the Director of the Office of Management and Budget
21 shall each provide to Congress and to the Director of the
22 Congressional Budget Office detailed, written comments
23 on the performance review recommendations, stating
24 whether the Secretary of the Treasury or the Director of
25 the Office of Management and Budget, as applicable,

- 1 agrees or disagrees with all or any part of the report or,
- 2 if no opinion is given, providing an explanation of why the
- 3 Secretary or the Director has no opinion or has not given
- 4 one.

