



The Daily Dish

Doing the Budget Math on the BBBA

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Eakinomics: Doing the Budget Math on the BBBA

One might think that the Build Back Better Act (BBBA) – aka “the reconciliation bill” – being considered in the House of Representative’s would be pretty straightforward from a budgetary point of view. After all, it is widely understood that the Democrats want to spend a _____ (fill in your preferred descriptor) of money, which is paid for by raising _____ (fill in your preferred descriptor) in taxes. Or, maybe not, as the spending programs in the BBBA are largely temporary, at least on paper, and with the expectation that they will be extended in the future. If all the new spending programs were permanent, the BBBA would be recognized as deeply exacerbating the structural federal deficit. That, as it turns out, would also disqualify the use of reconciliation to pass the bill, as a reconciliation bill cannot increase deficits beyond the 10-year budget window.

But there are further layers of confusion. Consider, for example, the 10 titles voted out of the Ways and Means Committee (W&M) last week. As pointed out by Gordon Gray in his [analysis](#) of the 5 titles for which we have scores from the Joint Committee on Taxation (JCT), these titles would reduce the deficit by \$871.3 billion over the next 10 years. That makes sense; this is, after all, the W&M Committee, which has the primary responsibility for initiating tax law in the United States.

But this is not \$871.3 billion in new taxes. Instead, there is \$2.1 trillion in additional tax revenue proposed to be put on the books. Where did the rest of the money go? W&M also provided \$514 billion in new tax reductions and, buried in the tax-writing committee’s legislation, added \$688 billion in new spending over the decade.

The poster child for these budget impacts is the new child tax credit (CTC), the single largest outlay in this legislation that the JCT estimated would cost \$556 billion over the next decade. First of all, the CTC only lasts for 5 years, so making it permanent (which is the intent) will cost over \$1 trillion. But even focusing on the \$556 billion, only \$135 billion of this is reduced taxes. The CTC is refundable, meaning that even if taxpayers have no tax liability, they would still receive the credit in the form of a payment. As a result, the CTC increases spending by \$421 billion over the 10-year period.

Gray points out that “In addition to the child tax credit, the legislation contains 19 additional provisions that affect spending, combining to increase spending by an additional \$267 billion over the next decade.” The debate over the BBBA promises to be vociferous, prolonged, and confusing. Gray’s analysis can at least help with the latter.