

109TH CONGRESS
1ST SESSION

H. R. 2842

To require the Congressional Budget Office and the Joint Committee on Taxation to use dynamic economic modeling in addition to static economic modeling in the preparation of budgetary estimates of proposed changes in Federal revenue law.

IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 2005

Mr. FLAKE (for himself, Mr. DREIER, Mr. SESSIONS, Mr. HENSARLING, Mr. HERGER, Mr. GARRETT of New Jersey, Mr. MILLER of Florida, Mr. MCHENRY, Mr. CONAWAY, Mr. ADERHOLT, Mr. PENCE, Mr. FRANKS of Arizona, Mr. KING of Iowa, Mr. HOSTETTLER, Mr. SHADEGG, Mr. NEUGEBAUER, Mr. WILSON of South Carolina, Mr. GINGREY, Mr. SAM JOHNSON of Texas, Mrs. MYRICK, Mrs. MUSGRAVE, Mr. FEENEY, Mrs. CUBIN, Mr. AKIN, Mr. BARRETT of South Carolina, Mr. BARTLETT of Maryland, and Mr. RYUN of Kansas) 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 require the Congressional Budget Office and the Joint Committee on Taxation to use dynamic economic modeling in addition to static economic modeling in the preparation of budgetary estimates of proposed changes in Federal revenue law.

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

1 **SECTION 1. SENSE OF CONGRESS.**

2 It is the sense of Congress that it is necessary to en-
3 sure that Congress is presented with reliable information
4 from the Congressional Budget Office and the Joint Com-
5 mittee on Taxation as to the dynamic macroeconomic feed-
6 back effects to changes in Federal law and the probable
7 behavioral responses of taxpayers, businesses, and other
8 parties to such changes. Specifically, the Congress intends
9 that, while not excluding any other estimating method, dy-
10 namic estimating techniques shall also be used in esti-
11 mating the fiscal impact of proposals to change Federal
12 laws, to the extent that data are available to permit esti-
13 mates to be made in such a manner.

14 **SEC. 2. ESTIMATES OF THE JOINT COMMITTEE ON TAX-**
15 **ATION.**

16 In addition to any other estimates it may prepare of
17 any proposed change in Federal revenue law, a fiscal esti-
18 mate shall be prepared by the Joint Committee on Tax-
19 ation of each such proposed change on the basis of as-
20 sumptions that estimate the probable behavioral responses
21 of personal and business taxpayers and other relevant en-
22 tities to that proposed change and the dynamic macro-
23 economic feedback effects of that proposed change. The
24 preceding sentence shall apply only to a proposed change
25 that the Joint Committee on Taxation determines, pursu-

1 ant to a static fiscal estimate, has a fiscal impact in excess
2 of \$250,000,000 in any fiscal year.

3 **SEC. 3. ESTIMATES OF THE CONGRESSIONAL BUDGET OF-**
4 **FICE.**

5 In addition to any other estimates it may prepare of
6 any proposed change in Federal revenue law, a fiscal esti-
7 mate shall be prepared by the Congressional Budget Office
8 of each such proposed change on the basis of assumptions
9 that estimate the probable behavioral responses of per-
10 sonal and business taxpayers and other relevant entities
11 to that proposed change and the dynamic macroeconomic
12 feedback effects of that proposed change. The preceding
13 sentence shall apply only to a proposed change that the
14 Congressional Budget Office determines, pursuant to a
15 static fiscal estimate, has a fiscal impact in excess of
16 \$250,000,000 in any fiscal year.

17 **SEC. 4. DISCLOSURE OF ASSUMPTIONS.**

18 Any report to Congress or the public made by the
19 Joint Committee on Taxation or the Congressional Budget
20 Office that contains an estimate made under this Act of
21 the effect that any legislation will have on revenues shall
22 be accompanied by—

23 (1) a written statement fully disclosing the eco-
24 nomic, technical, and behavioral assumptions that
25 were made in producing that estimate, and

1 (2) the static fiscal estimate made with respect
2 to the same legislation and a written statement of
3 the economic, technical, and behavioral assumptions
4 that were made in producing that estimate.

5 **SEC. 5. CONTRACTING AUTHORITY.**

6 In performing the tasks specified in this Act, the
7 Joint Committee on Taxation and the Congressional
8 Budget Office may, subject to the availability of appro-
9 priations, enter into contracts with universities or other
10 private or public organizations to perform such esti-
11 mations or to develop protocols and models for making
12 such estimates.

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