

Reconciliation 101

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February 2025



**COMMITTEE FOR A
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The Fiscal Outlook is Dismal

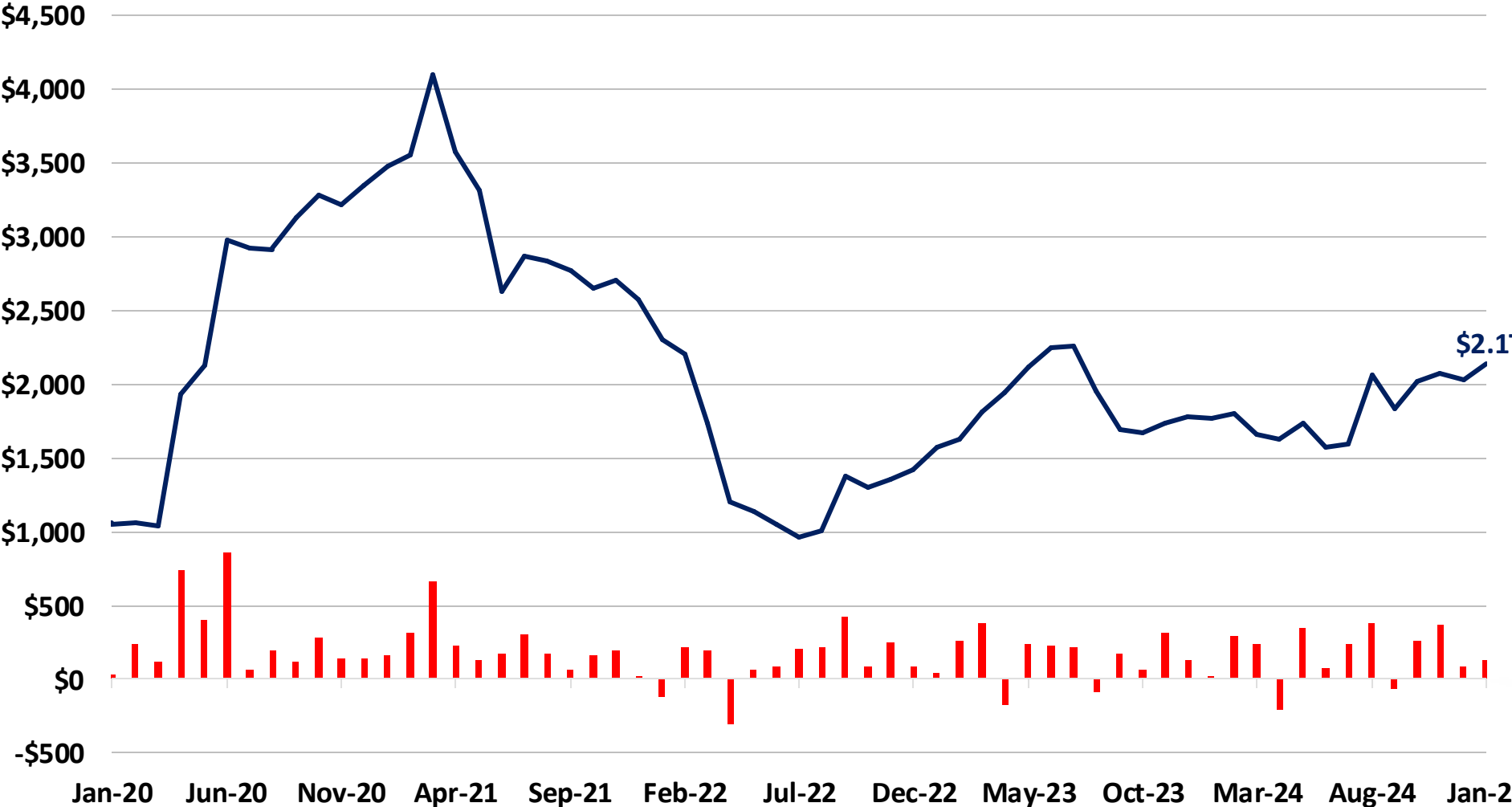


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Deficits Were \$2.1 Trillion Over the Past Year

Budget deficit in current and prior 11 months (Billions)



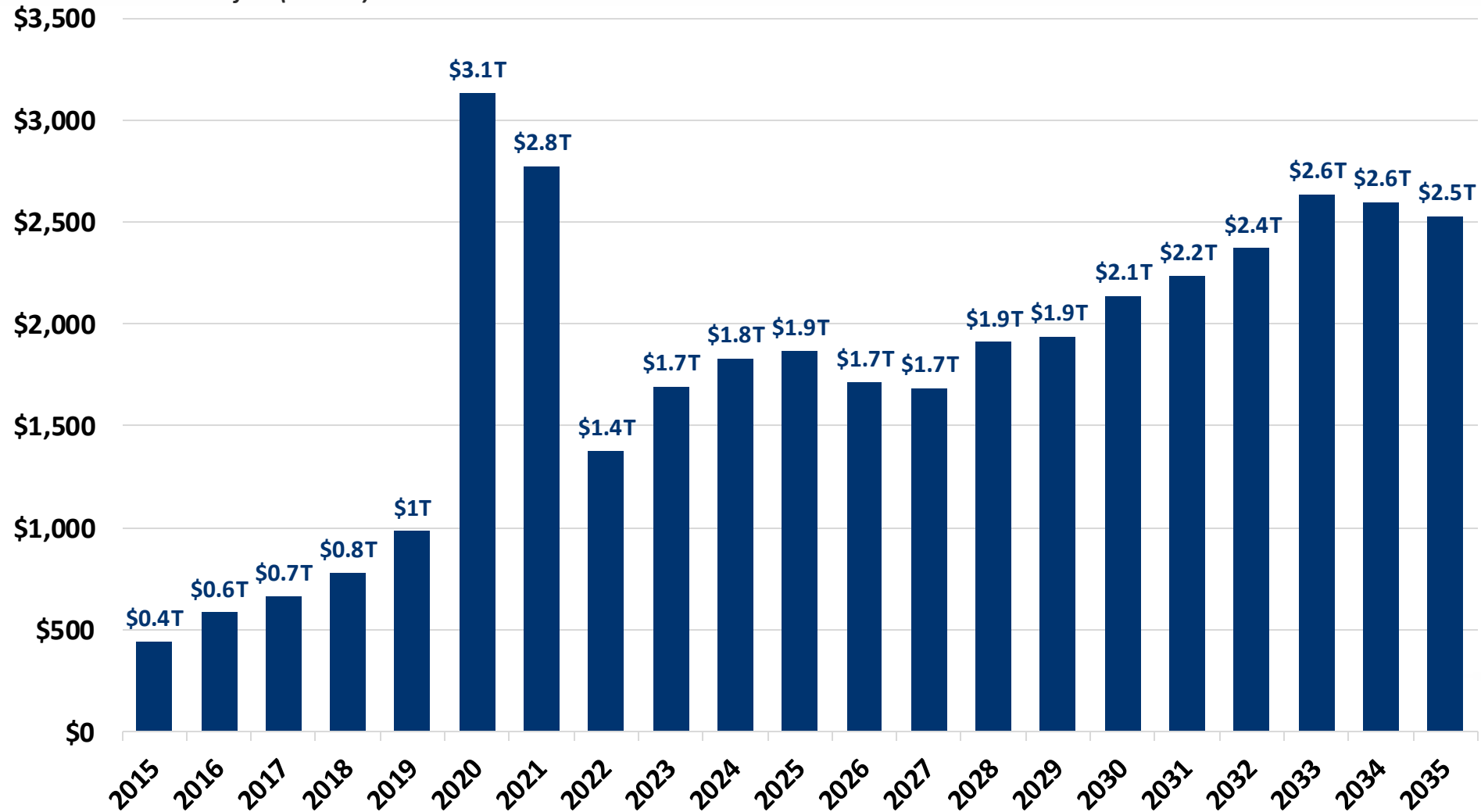
\$2.1T



Sources: Committee for a Responsible Federal Budget, U.S. Department of Treasury, Congressional Budget Office.

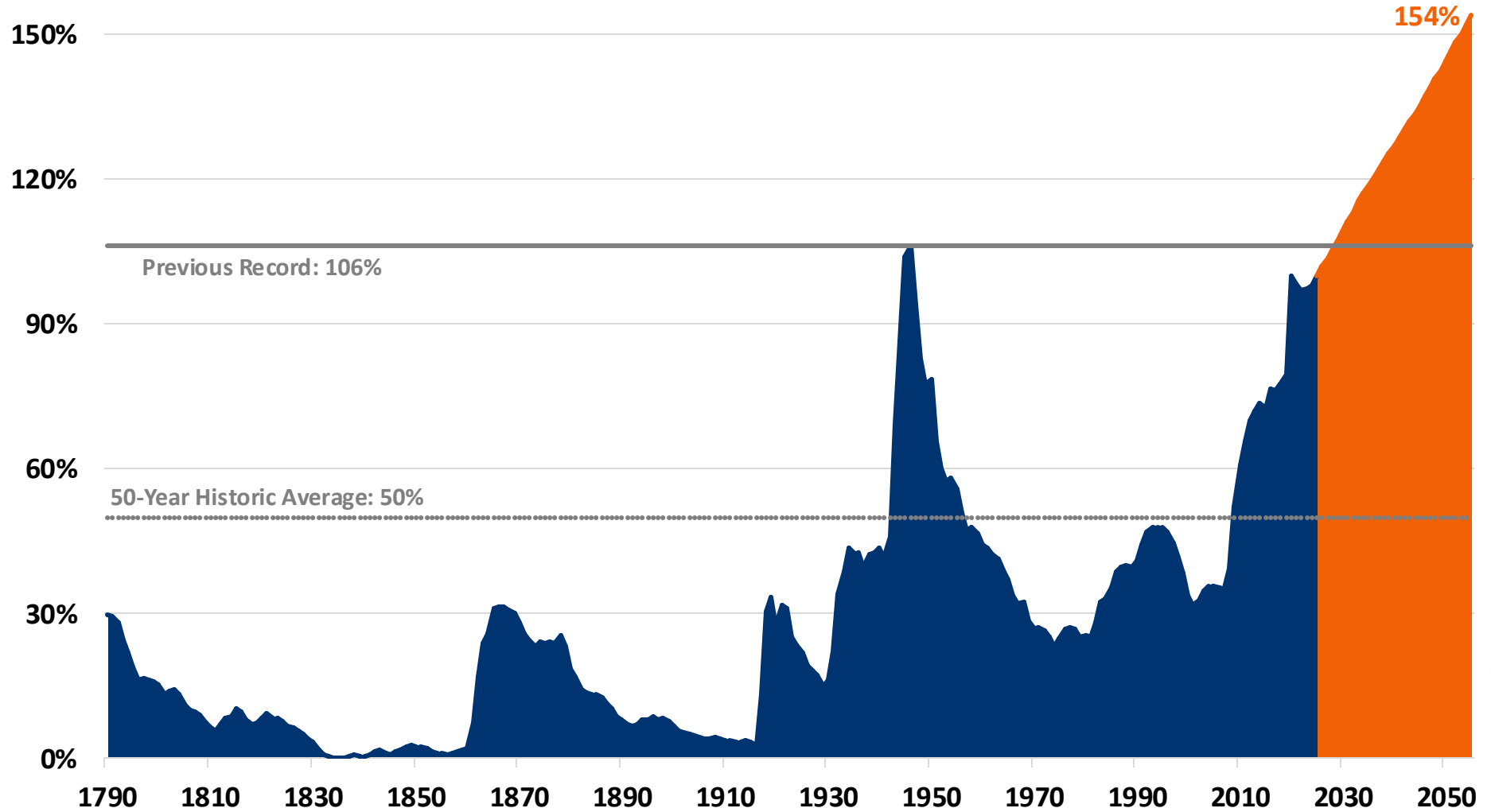
\$2 Trillion Deficits Are the New Normal

Annual Deficit (billions)

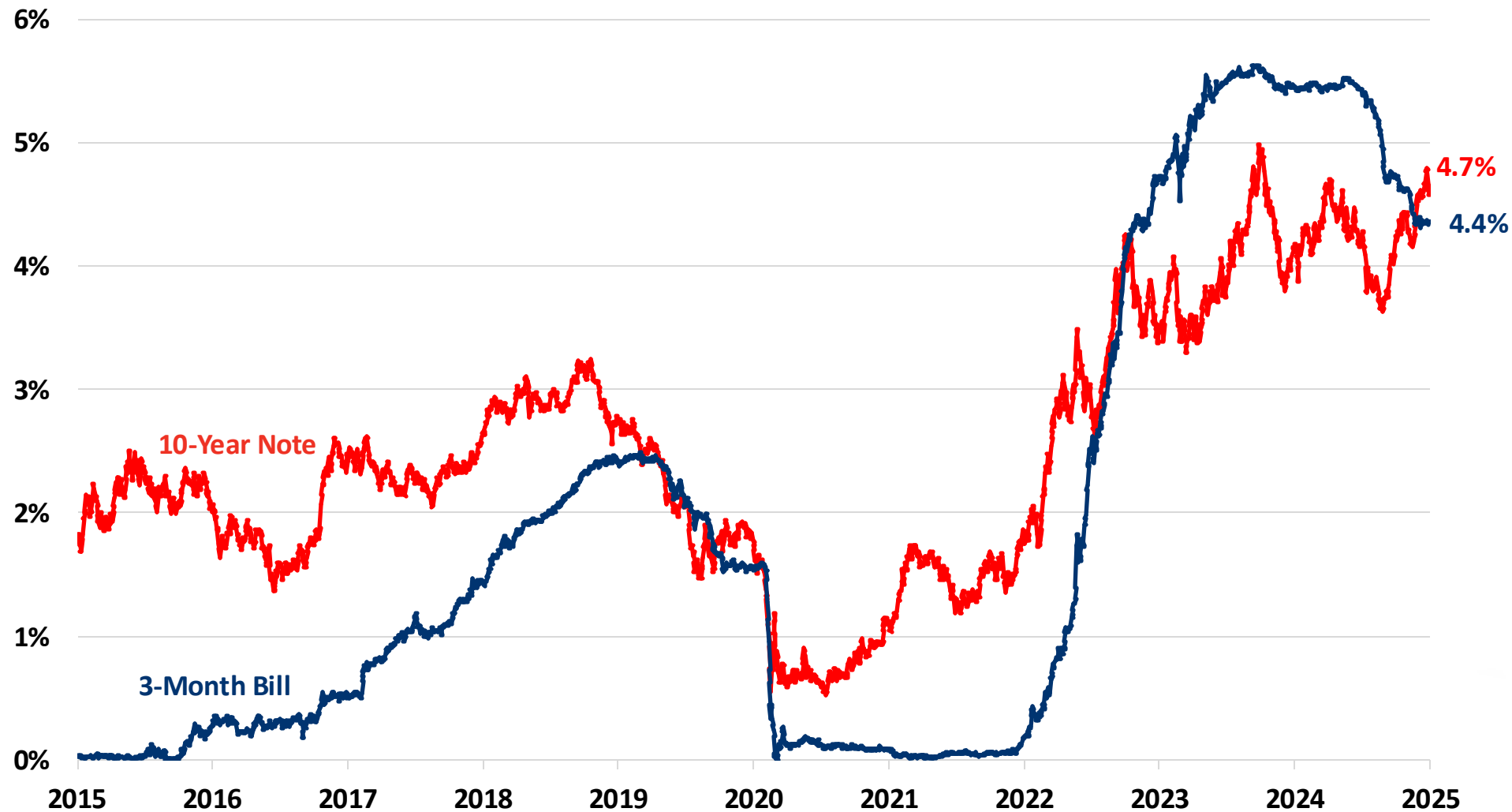


The National Debt Is Approaching A New Record

Debt Held by the Public as a Percent of GDP

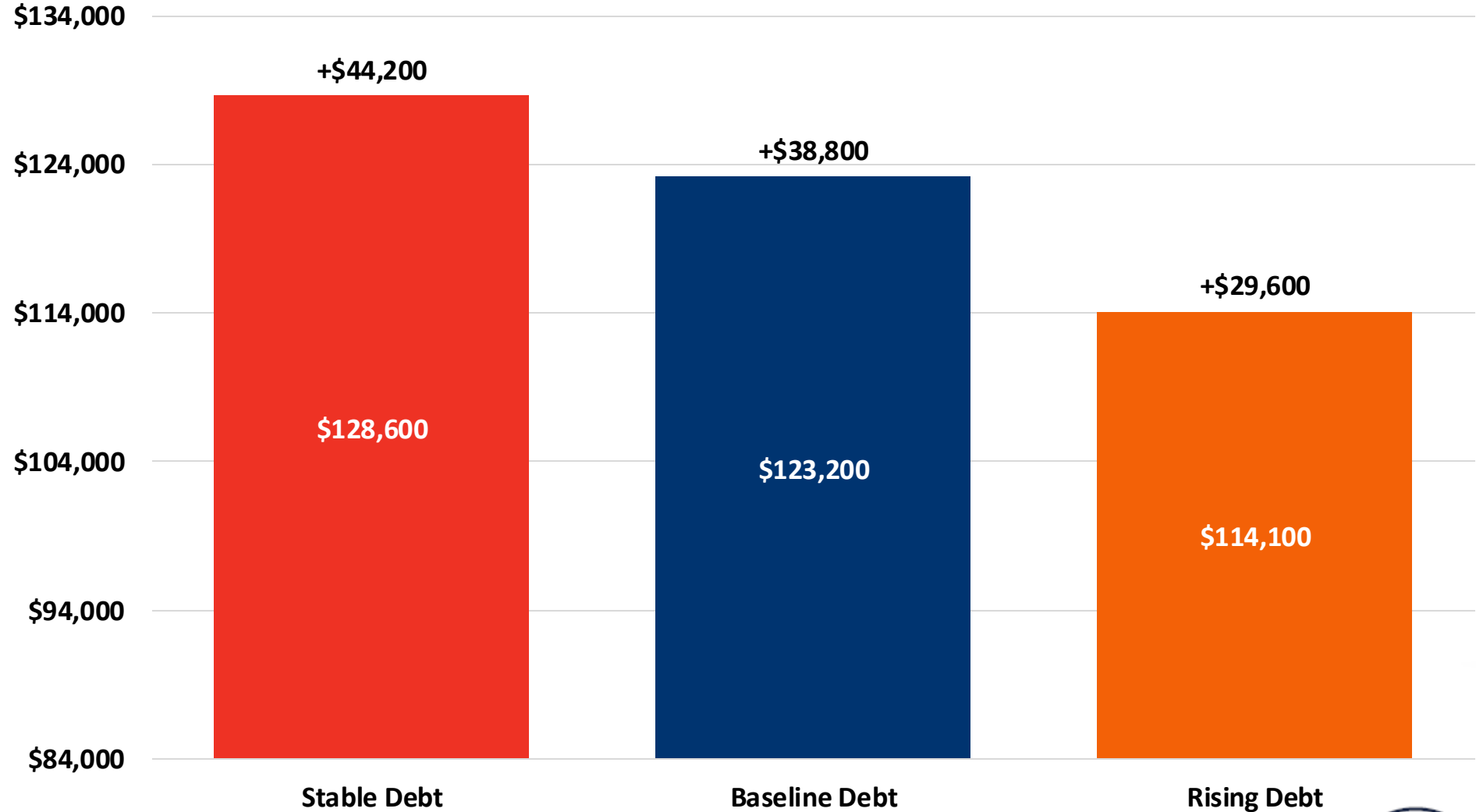


Rising Debt Pushes Up Interest Rates...



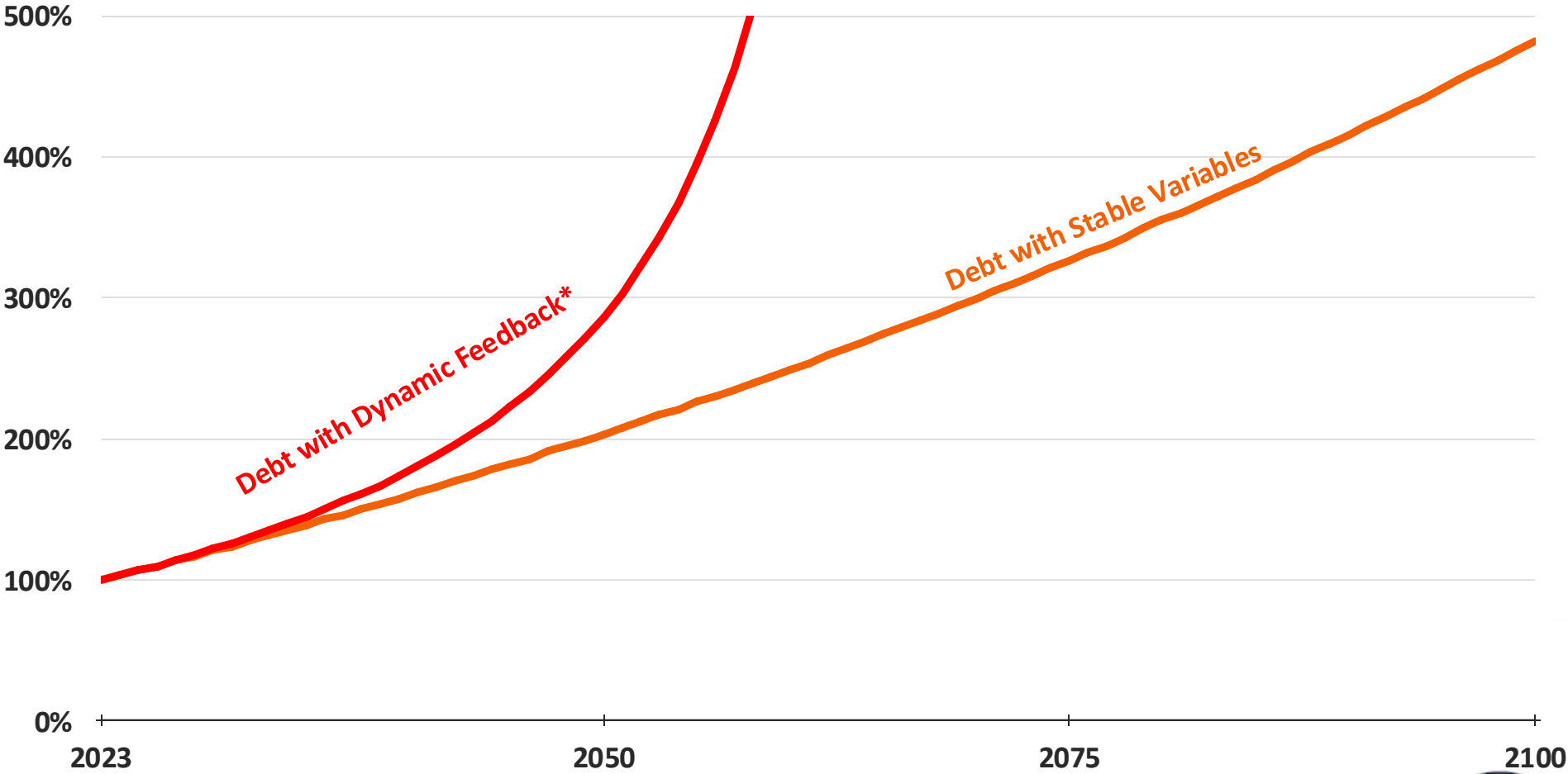
...Slows Income Growth

Real Gross National Product Per Person in 2054 (2024 dollars)



And Can Lead to a Debt Spiral

Debt-to-GDP with 2.5 percent of GDP primary deficit, 3.8% growth rate, 4.8% interest rate



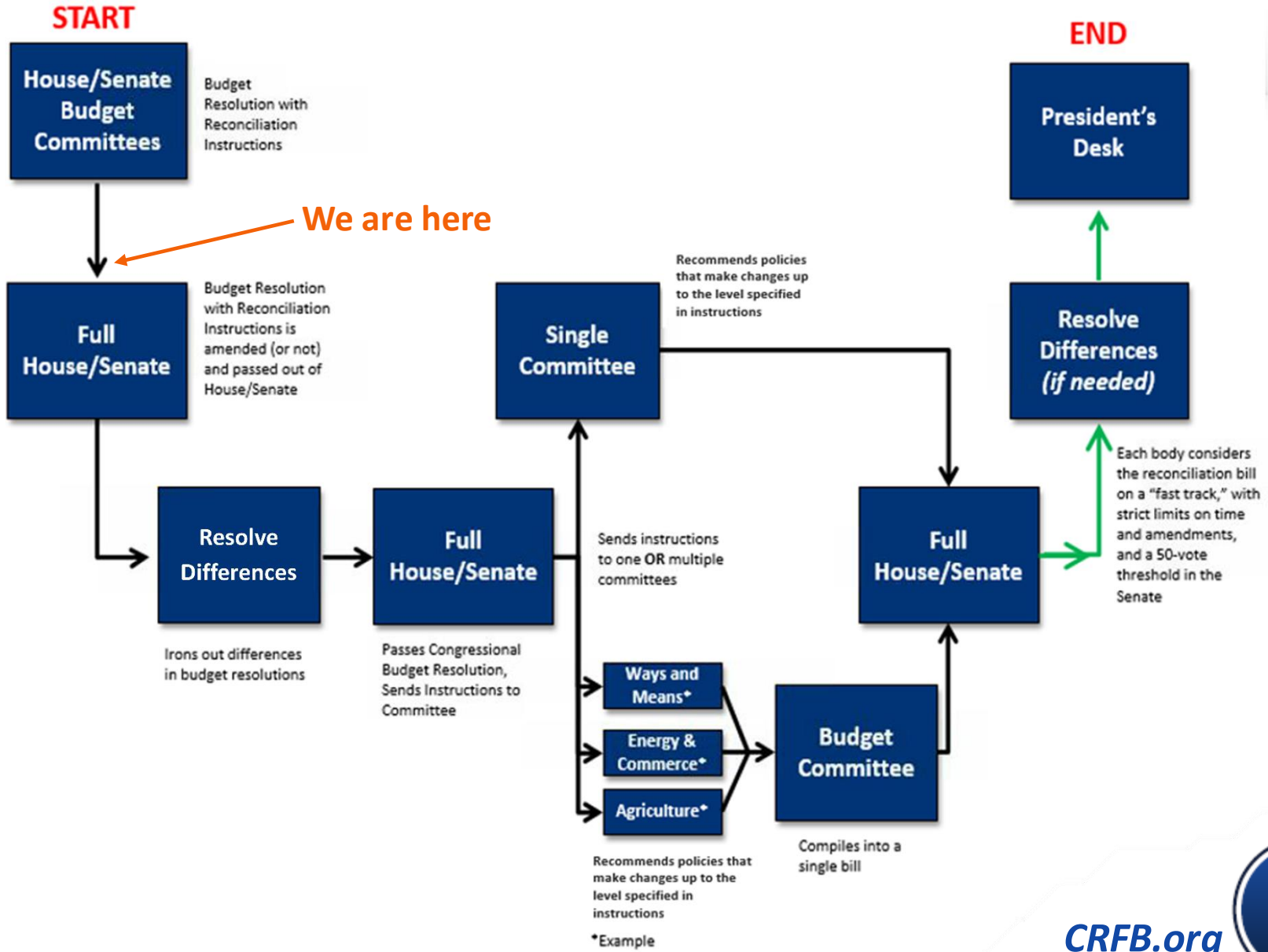
The Budget Process and Reconciliation



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Reconciliation Process Timeline



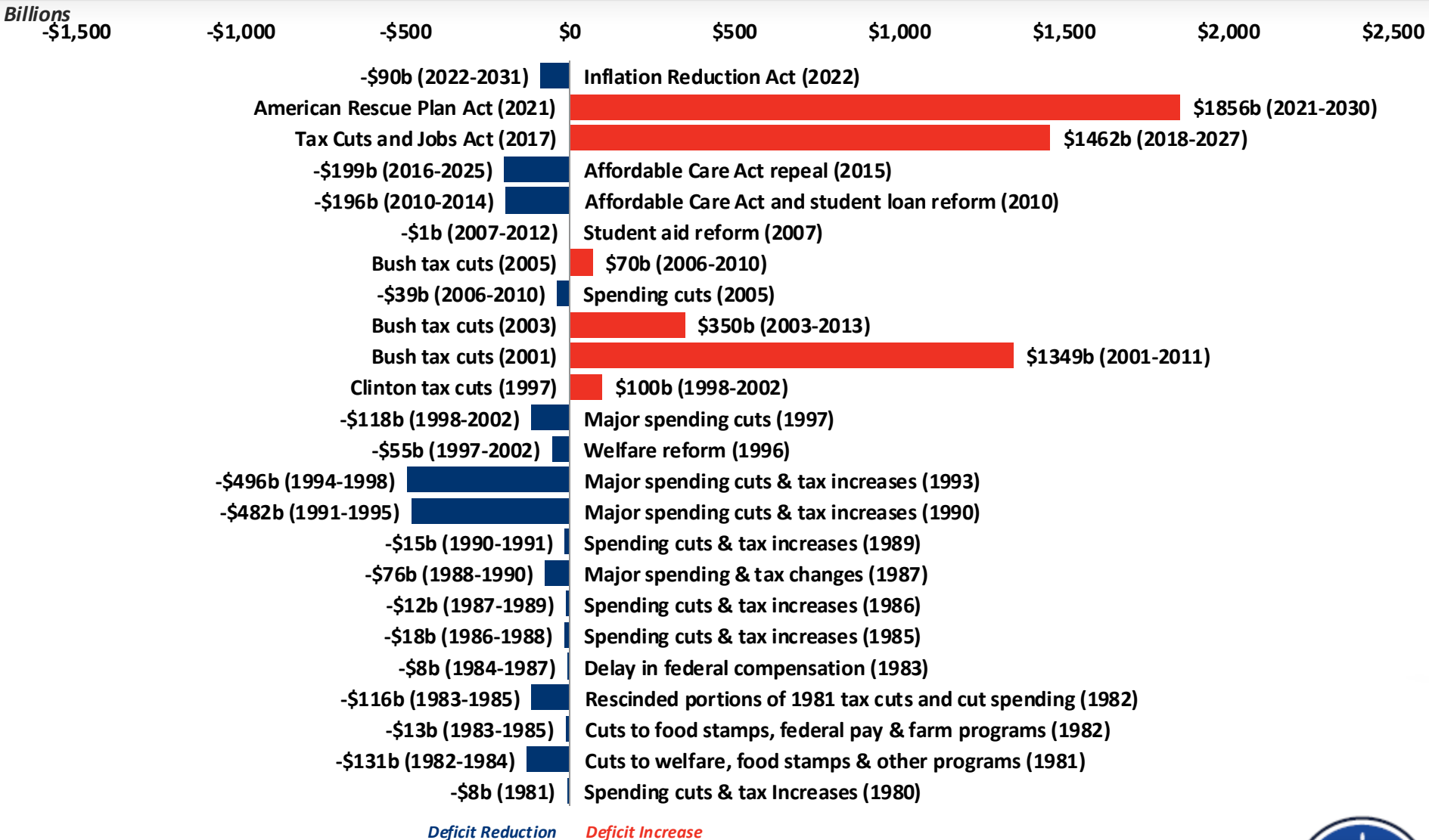
What is Reconciliation?

- A special legislative process to help lawmakers make the tax and mandatory spending changes necessary to meet the levels proposed in the Congressional budget resolution.
- Budget resolution contains instructions for authorizing committees covering changes in mandatory spending, revenue, or debt limit.
- Committees identify specific policies to meet these goals in the form of a reconciliation bill, which can be enacted on a fast-track basis.
- A reconciliation bill is privileged in several ways, including a 20-hour limit on debate in the Senate, a non-debatable motion to proceed to the bill, and a germaneness test for amendments.
- Reconciliation bills **cannot be filibustered and can pass the Senate with a simple majority.**

Rules for Reconciliation

- Instructions can reduce or increase deficits (or spending or revenue) for any given Committee
- Instructions are ***only top-line numbers*** (max cost/min savings)
- Committees must report legislation with *at least* as much savings or *at most* as much costs is in the instructions
- Reconciliation bills must abide by the “Byrd Rule”
 - 1) Can only included budget-related changes – no provisions without fiscal impact or with “merely incidental” impact.
 - 2) No change to Social Security spending or revenues.
 - 3) Cannot increase deficits outside the budget window.

How Has Reconciliation Been Used in the Past?



Sources: Congressional Budget Office, Congressional Research Service.

The FY 2025 Budget Resolution



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Dozens of Policies Will Expire This Year

Policy (First Year Policy Expires or Changes)	2026-2035 Cost/Savings (-)
Reduce individual income tax rates (2026)	\$3.4 trillion
Establish 20% pass-through 199a deduction (2026)	\$780 billion
Repeal AMT for most taxpayers, Repeal Pease (2026)	\$760 billion
Double child credit, expand stand deduction, repeal dependent exemptions	\$300 billion
Double estate tax exemptions	\$190 billion
Expand opportunity zones (2027)	\$70 billion
Limit SALT deduction to \$10,000 (2026)	-\$1.2 trillion
Cap mortgage deduction, repeal other deductions (2026)	-\$400 billion
Limit pass-through loss deduction (2029)	-\$20 billion
Extend Expiring Individual and Estate Tax Provisions	\$3.9 trillion
Reverse to 100% bonus depreciation (2022)	\$380 billion
Revive full R&E expensing (2023)	\$280 billion
Extend GILTI, FDII, and BEAT rates (2026)	\$160 billion
Revive looser interest deduction limit (2022)	\$50 billion
Extend expanded (ACA) subsidies (2026)	\$380 billion
Total Potential Cost from Extensions and Revivals	\$5.2 trillion

And President Trump Has Additional Priorities

Fiscal Impact of President Trump's Reported Priorities (2026-2035)

Policy	Low Est.	High Est.
Extend the Tax Cuts and Jobs Act	\$3.9 trillion	\$4.8 trillion
Provide SALT Relief	\$200 billion	\$1.2 trillion
Cut Taxes on Tips	\$100 billion	\$550 billion
Cut Taxes on Overtime Pay	\$250 billion*	\$3.0 trillion
Cut Taxes on Social Security	\$550 billion'	\$1.5 trillion
Cut Taxes for Domestic Production	\$100 billion	\$200 billion
Cut Tax Breaks for Carried Interest, Stadium Owners	-\$100 billion	#
Increase Defense Spending	\$100 billion	\$150 billion
Increase Spending on Immigration and Border Security	\$150 billion	\$300 billion
Total	\$5.25 trillion	\$11.7 trillion

Source: Committee for a Responsible Federal Budget, Largely based on estimated from [The Fiscal Impact of the Harris and Trump Campaign Plans](#).

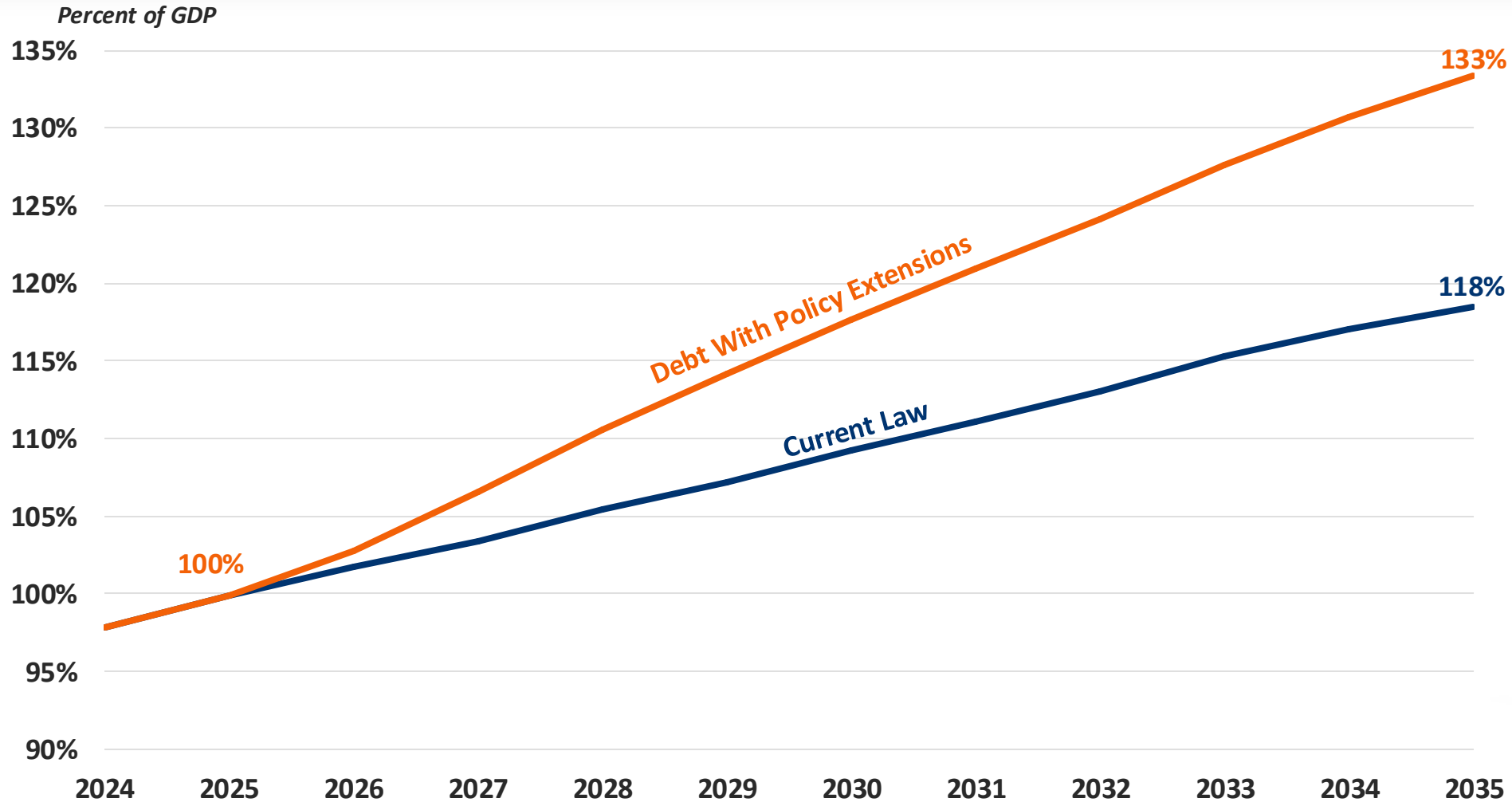
Note: All figures rounded to the nearest \$50 billion.

Less than \$25 billion of savings.

* Assumes 20 hours a month of overtime are exempt from income (but not payroll) taxes, and additional overtime pay remains taxable.

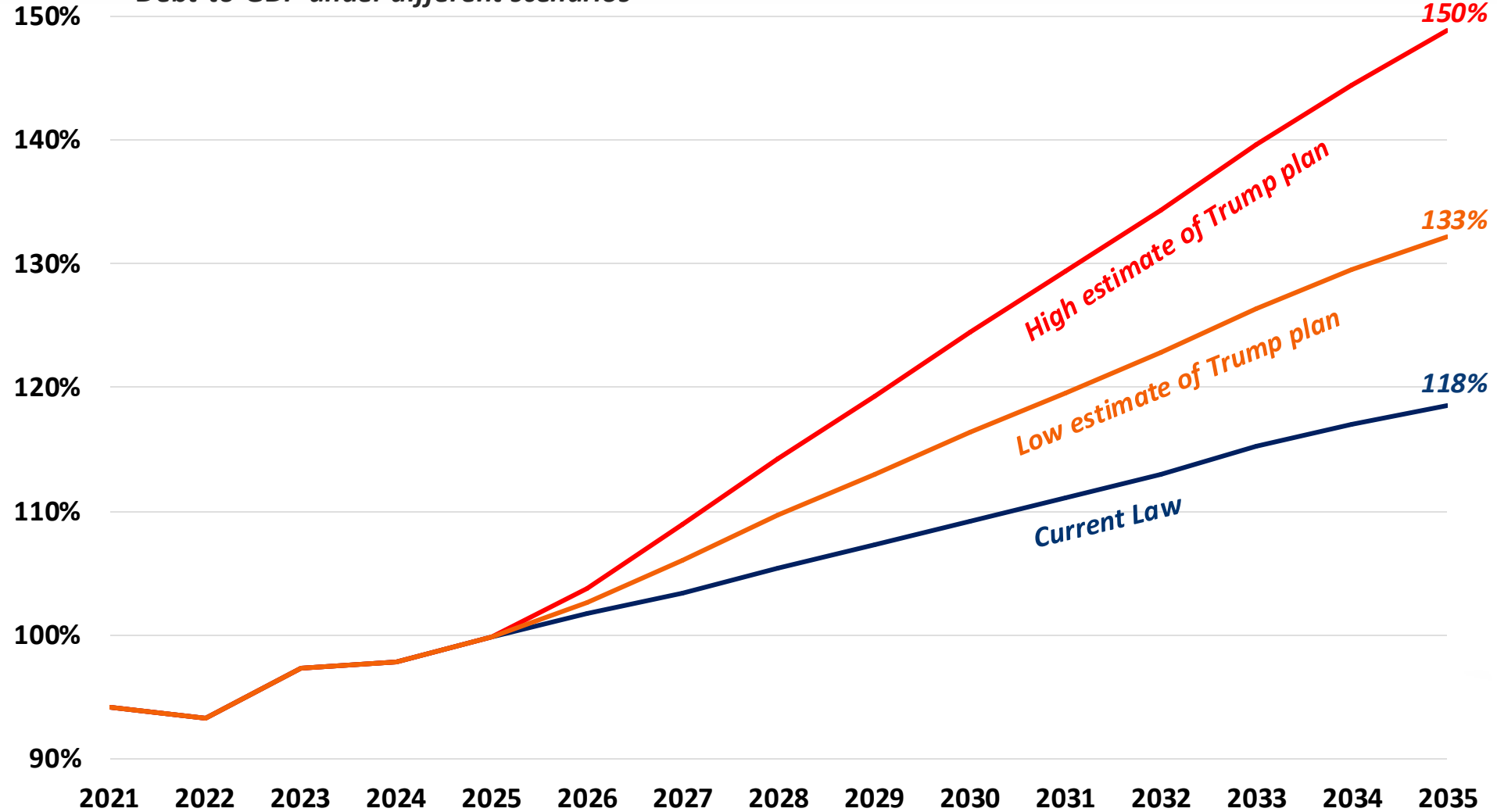
' Assumes policymakers end taxation of the 35 percent of some benefits that goes to Medicare, but retain taxation of the 50 percent of some benefits that goes to Social Security.

Extensions Would Dramatically Worsen the Debt



President Trump's Priorities Could Boost Debt More

Debt-to-GDP under different scenarios



A Status Update

House Budget Resolution

- Reported out of the House Budget Committee on 02/13/2025.
- Based on a “one big beautiful bill” strategy – includes tax cuts, defense, immigration, and spending cuts
- Contains reconciliation instructions that would allow up to \$2.8 trillion of borrowing through 2034
- Calls for \$2.9 trillion of spending cuts, \$4.5 trillion of tax cuts, & \$2.6 trillion assumed from economic feedback
- Claims to reduce debt in FY 2034 to 111% of GDP (from 117% baseline)

Senate Budget Resolution

- Passed the full Senate on 2/21/2025 with 52 votes in favor.
- Based on a “two bill” strategy with the first reconciliation bill covering mainly defense and immigration
- Contains reconciliation instructions that would allow up to \$517 billion of borrowing through 2034
- Calls for \$11.5 trillion in spending cuts – \$9 trillion of which are unspecified – and \$3.7 trillion in tax cut extensions
- Claims to stabilize debt below 100% of GDP (from 117% baseline)

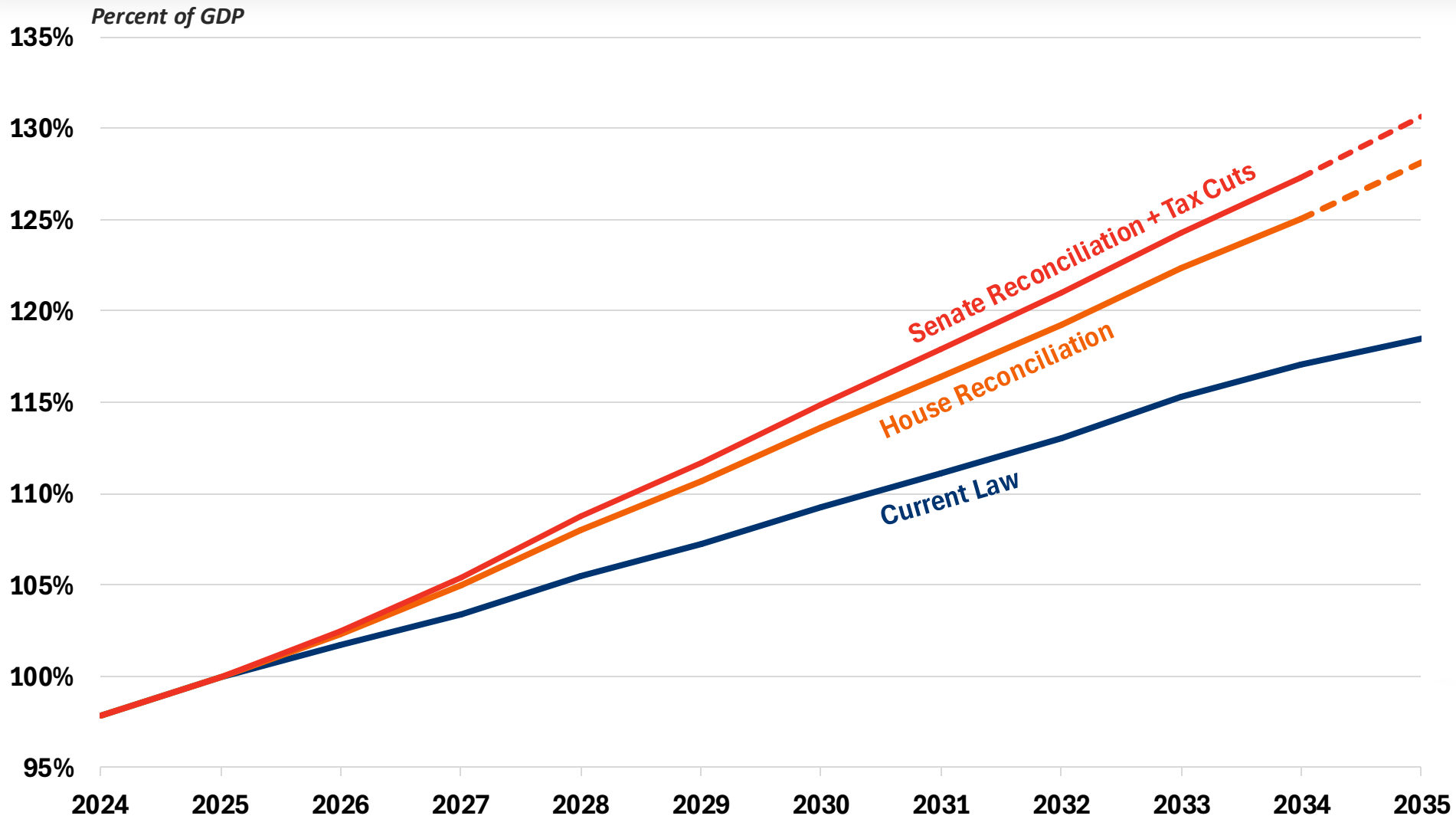
House and Senate Reconciliation Instructions

House Committees	House	Senate
Ways & Means	-\$4,500 billion	n/a
Armed Services	-\$100 billion	-\$150 billion
Homeland Security	-\$90 billion	-\$175 billion
Judiciary	-\$110 billion	-\$175 billion
Transportation & Infrastructure	-\$10 billion	-\$20 billion
Energy & Commerce	+\$880 billion	+\$1 billion
Education & Workforce	+\$330 billion	+\$1 billion
Agriculture	+230 billion	+\$1 billion
Other Committees	+\$52 billion	+\$1 billion
Unallocated Deficit Reduction	+\$500 billion	n/a
Total Allowed Deficit Increase	-\$2,798 billion	-\$516 billion
Remove overlapping instructions	n/a	\$175 billion
Additional intended deficit reduction	n/a	+\$341 billion
Intended Deficit Increase	-\$2,798 billion	\$0

House and Senate Reconciliation Instructions

House Committees	House	Senate
Ways & Means	-\$4,500 billion	n/a
Armed Services	-\$100 billion	-\$150 billion
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Other Committees	+\$52 billion	+\$1 billion
Unallocated Deficit Reduction	+\$500 billion	n/a
Total Allowed Deficit Increase	-\$2,798 billion	-\$516 billion
Remove overlapping instructions	n/a	\$175 billion
Additional intended deficit reduction	n/a	-\$3,387 billion ??
Intended Deficit Increase w/ 2nd bill	-\$2,798 billion	-\$3,728 billion ??

Both Plans Would Boost the Debt

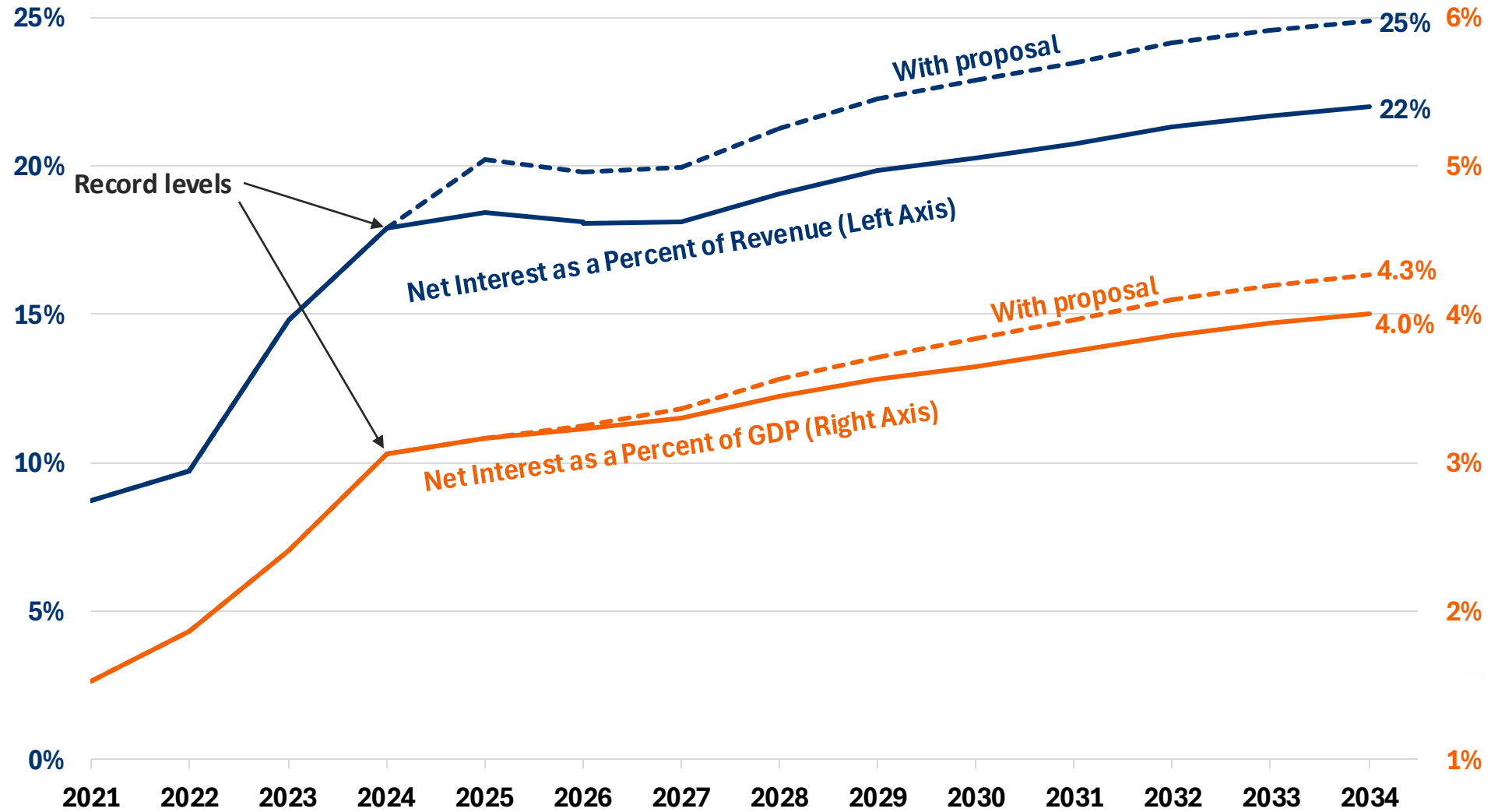


Sources: House Budget Committee, Senate Budget Committee, Congressional Budget Office, Committee for a Responsible Federal Budget

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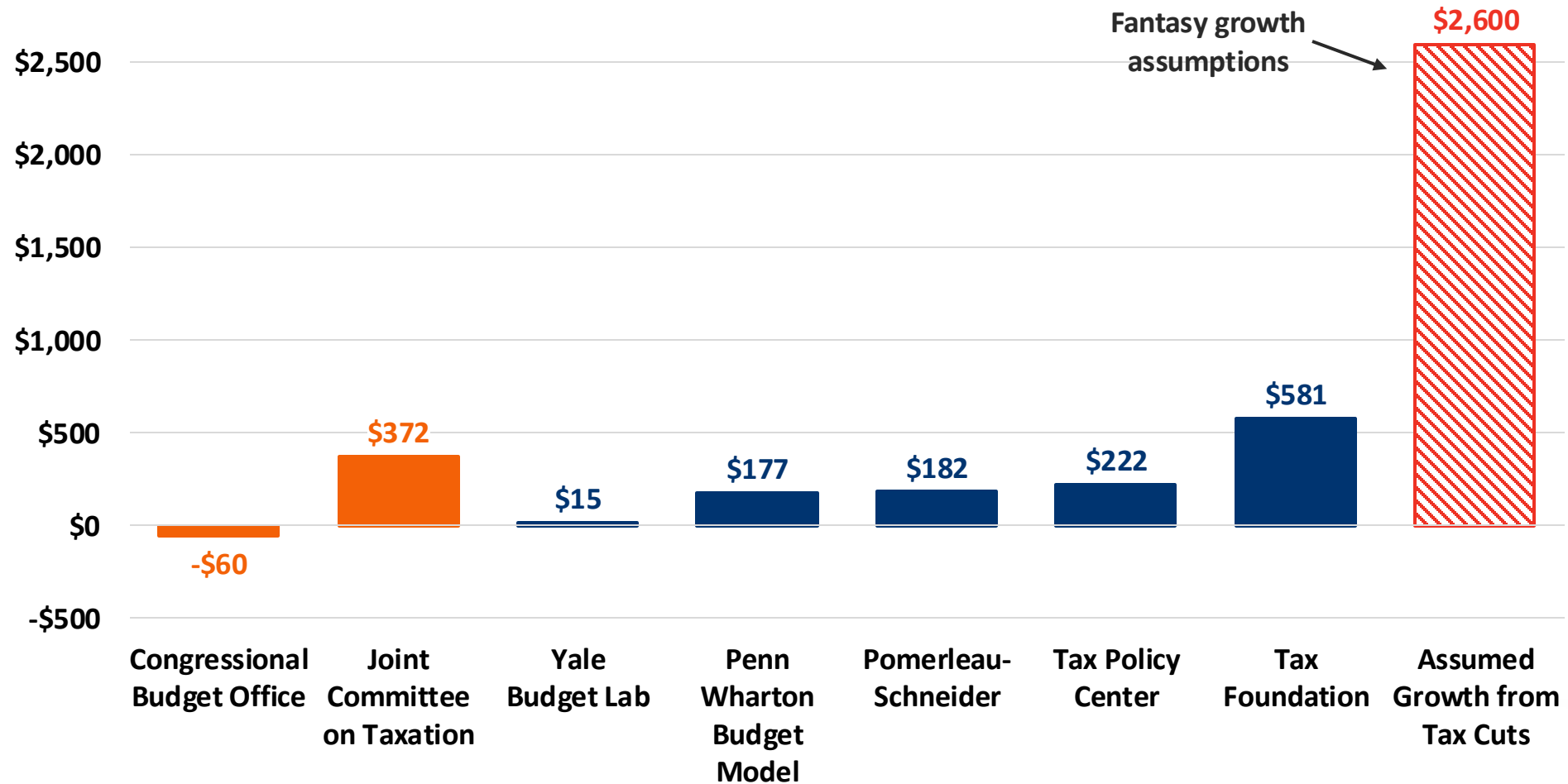


Interest Costs Grow Rapidly Under House Proposal



Dynamic Feedback Won't Cover the Costs

Billions Over Ten Years



Fantasy growth assumptions

Note: Each estimate differs slightly on which TCJA provisions are extended as well as the budget window considered, so comparisons are not fully apples-to-apples.

^ CBO does not provide a point estimate of dynamic feedback. The figure in the chart above is a CRFB estimate based on CBO's projections.

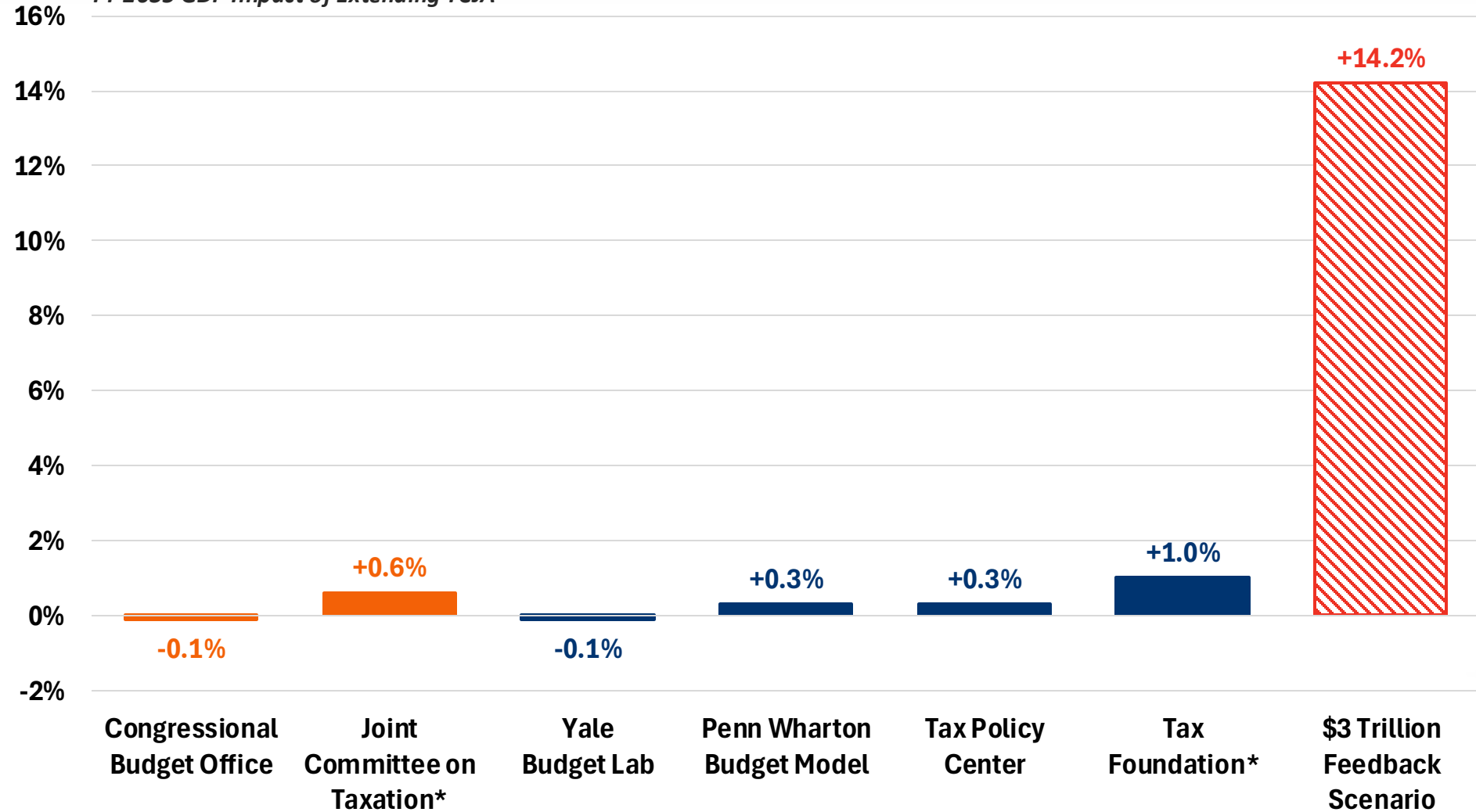
* Estimates appear to account for higher revenue but not higher interest costs as a result of higher interest rates

Sources: Yale Budget Lab, Tax Foundation, Tax Policy Center, Penn Wharton Budget Model, American Enterprise Institute, Congressional Budget Office, Joint Committee on Taxation.



\$3 Trillion Feedback Requires Unrealistic GDP Growth

FY 2035 GDP Impact of Extending TCJA



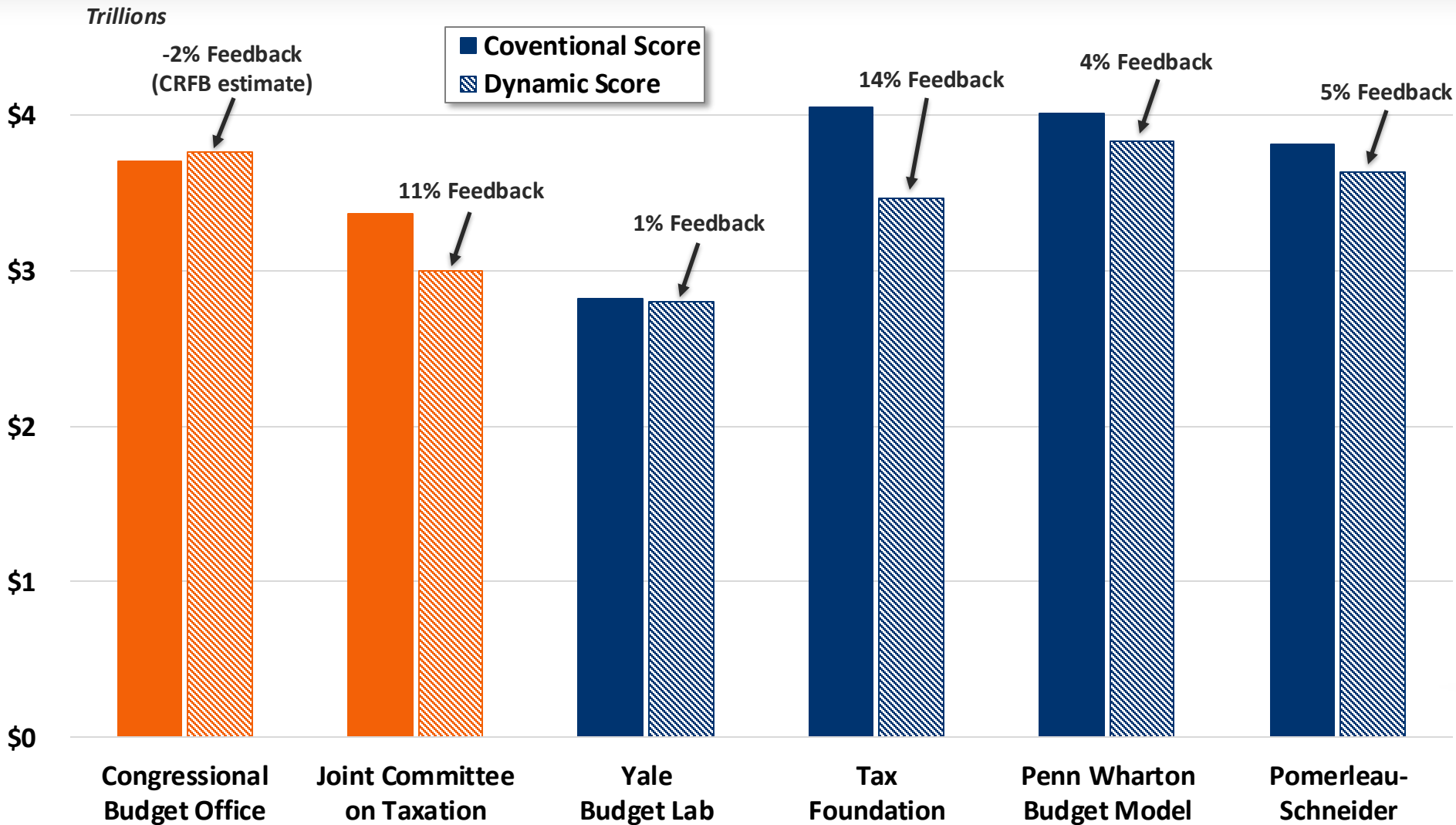
Note: Each estimate differs slightly on which TCJA provisions are extended as well as the budget window considered, so comparisons are not fully apples-to-apples. Many of the 2035 estimates were extrapolated by CRFB.

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Sources: Yale Budget Lab, Tax Foundation, Tax Policy Center, Penn Wharton Budget Model, American Enterprise Institute, Congressional Budget Office, Joint Committee on Taxation.



TCJA Extension Won't Pay for Much of Itself



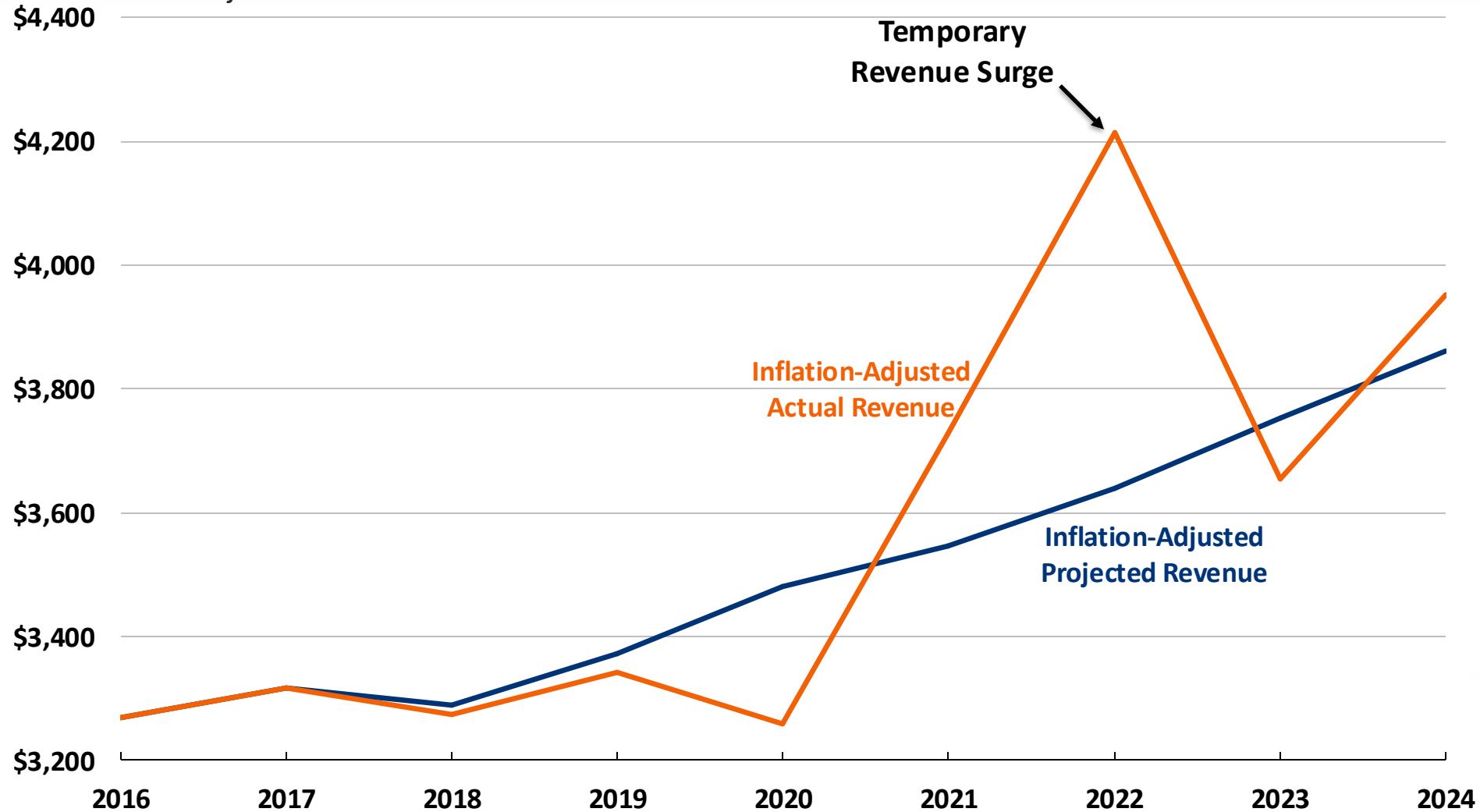
Note: Each estimate differs slightly on which TCJA provisions are extended as well as the budget window considered, so comparisons are not fully apples-to-apples.

Sources: Yale Budget Lab, Tax Foundation, Penn Wharton Budget Model, American Enterprise Institute, Congressional Budget Office, Joint Committee on Taxation.



The Tax Cuts DID NOT Pay for Themselves Before

Billions of 2017 Dollars



The Tax Cuts DID NOT Pay for Themselves Before

	2018	2019	2020	2021	2022	2023	2024	2018-2024
Nominal Revenue (billions)								
2018 Projection	\$3,338	\$3,490	\$3,678	\$3,827	\$4,012	\$4,228	\$4,444	\$27,015
Actual Revenue	\$3,330	\$3,463	\$3,421	\$4,047	\$4,897	\$4,439	\$4,918	\$28,517
Difference	-\$8	-\$26	-\$256	+\$221	+\$885	+\$212	+\$474	+\$1,501
	-0.2%	-0.8%	-7.0%	+5.8%	+22.1%	+5.0%	+10.7%	+5.6%
Real Revenue (2017 Dollars, billions)								
2018 Projection	\$3,290	\$3,374	\$3,482	\$3,546	\$3,639	\$3,753	\$3,861	\$24,944
Actual Revenue	\$3,273	\$3,342	\$3,259	\$3,727	\$4,215	\$3,654	\$3,951	\$25,423
Difference	-\$17	-\$31	-\$223	+\$181	+\$576	-\$99	+\$91	+\$478
	-0.5%	-0.9%	-6.4%	+5.1%	+15.8%	-2.6%	+2.4%	+1.9%

And Don't Fall for Other Tricks and Gimmicks

- Switching to a **current policy baseline** doesn't make the costs disappear.
- **Tariffs** can raise real revenue, but tariff threats raise nothing and temporary tariffs raise little.
- Arbitrary **sunsets and expirations** don't make policies cheaper, they just make them shorter.
- Relying on future **DOGE savings** that haven't materialized is just a “magic asterisk.”



But TJCA Could Cost Less (or Nothing), With Changes...

Family Benefits and Alternative Taxes

End personal exemption, lift std deduction:

End dependent exemption, lift child credit:

Repeal AMT for most taxpayers:

Repeal "Pease" surtax on deductions:

Tax Deductions

Limit SALT deduction to \$10,000:

Limit current SALT cap workarounds:

Cap mortgage deduction at \$750k:

Repeal other deductions:

Business, Estate, and Other Provisions

Establish pass-through deduction (199a):

Limit deduction of business losses:

Expand opportunity zones:

Double estate tax exemption:

Corporate Provisions

Amortize R&E costs:

Phase out bonus depreciation:

Tighten limit on interest expenses:

Allow higher global minimum tax:

Other Policies (Non-TCJA)

Expand ACA subsidies:

Increase IRS tax enforcement:

Phase down green energy tax credits:

Other tax or spending changes:

Tax Rates

Reduce individual income tax rates:

Estate tax:

Corporate tax:

Reset Choices:

\$405 Billion

10-Year Revenue Gain

Average Revenue, % of GDP (vs. Baseline): 18.0% (+0.1%)
2035 Debt-to-GDP Ratio (vs. Baseline): 117.0% (-1.0%)

Revenue Impact: (Billions of dollars)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	\$22	-\$17	-\$8	\$8	\$29	\$60	\$66	\$72	\$81	\$91

Tax Rates By Income
(Married Filing Jointly)

Up to \$24k:	10.0%
\$24k - \$100k:	13.5%
\$100k - \$211k:	23.5%
\$211k - \$403k:	26.0%
\$403k - \$511k:	32.5%
\$511k - \$767k:	35.0%
Over \$767k:	38.3%
Corporate Rate:	22.0%

Projected Revenue As a Share of GDP

— Baseline Revenues ···· Revenues with Extensions

Scan the QR code to

Build Your Own

Tax Extensions

<https://www.crfb.org/build-your-own-tax-extensions>



For Example, as Part of Comprehensive Tax Reform

Policies	Clausing-Sarin	Pomerleau-Schneider I	Pomerleau-Schneider II	Progressive Policy Institute	Tax Foundation I	Tax Foundation II	Cato	American Action Forum	American Enterprise Institute	Bipartisan Policy Center	Manhattan Institute	CRFB Budget Blueprint
Individual Income and Estate Provisions												
Cut tax rates from 10 15 25 28 33 35 39.6 to 10 12 22 24 32 35 37 ▲	Let Most Cuts Expire ^a	Modify to 10 15 22 25 33 34 39.6	Modify to 10 12.5 21 25 30 36	Modify to 10 15 24 27 30 36 40 45 50	Modify to 10 12 24 25 32 35 36	Modify to 10 10 20 25 32 35 36	Modify to 12 25	Let Expire	Modify to 10 20 30 35	Modify to 10 12 22 26 34 37 40	Modify to 10 12 22 24 32 35 39.6	Extend, Add 1% to 4% Surtax
Repeal personal/dependent exemptions ▼	Extend	Extend	Extend	Extend	Extend	Extend	Modify	Extend	Extend	Extend	Extend	Extend
Double child tax credit ▲	Expand	Extend	Extend	Expand	Extend	Expand	Full Repeal	Full Repeal	Modify	Expand	Extend	Modify
Expand standard deduction ▲	Extend	Partially Extend	Partially Extend	Modify	Partially Extend	Partially Extend	Modify	Extend	Modify	Extend	Extend	Extend
Repeal AMT for most taxpayers ▲	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Extend	Full Repeal
Repeal "Pease" limitation ▲	Unspecified	Extend	Extend	Extend	Extend	Extend	Extend	Extend	Extend	Let Expire	Extend	Extend
Limit SALT deduction to \$10,000 ▼	Extend	Expand	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Full Repeal	Extend	Full Repeal	Full Repeal	Extend	Full Repeal
Address SALT cap workarounds	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lower mortgage deduction cap ▼	Extend	Modify	Full Repeal	Full Phase Out	Full Repeal	Full Repeal	Full Repeal	Modify	Full Repeal	Modify	Extend	Expand
Limit other deductions ▼	Extend	Extend	Full Repeal	Expand	Full Repeal	Full Repeal	Full Repeal	Extend	Expand	Expand	Expand	Expand
20% pass-through deduction ▲	Let Expire	Modify	Let Expire	Let Expire	Let Expire	Let Expire	Let Expire	Modify	Let Expire	Let Expire	Let Expire	Let Expire
Limit pass-through loss deduction ▼	Extend	Let Expire	Let Expire	Extend	Let Expire	Let Expire	Let Expire	Extend	Let Expire	Let Expire	Extend	Expand
Expand opportunity zones ▲	Let Expire	Extend	Extend	Let Expire	Let Expire	Let Expire	Let Expire	Let Expire	Let Expire	Let Expire	Extend	Let Expire
Double estate tax exemption ▲	Modify	Extend	Modify	Modify	Extend	Extend	Modify	Modify	Modify	Modify	Extend	Modify
Corporate Tax Provisions												
Corporate tax rate (currently 21%)	28%	21%	21%	25%	21%	21%	12%	21%	20%	21%	21%	21% + 4% Surtax
R&E expensing ▲	Revive	Revive	Revive	Revive	Revive	Revive	Revive	Revive	Revive	Revive	Revive	Revive
100% bonus depreciation ▲	Let Expire	Revive	Destination-Based Cash Flow Tax	Revive	Revive	Revive	Revive	Destination-Based Cash Flow Tax	Modify	Modify	Revive	Unspecified
30% of EBIT (formerly EBITDA) interest limit	Maintain	Modify		Phase Out Deduction	Modify	Modify	Maintain		Modify	Maintain	Revive	Expand
Minimum taxes and rules on multinationals	Expand	Modify		Modify	Unspecified	Unspecified	Modify		Modify	Expand	Maintain	Expand
Corporate SALT deduction	No Change	Repeal	Repeal	Repeal	No Change	No Change	Repeal	No Change	No Change	No Change	Repeal	Repeal
Total Savings (+)/Cost (-)												
10-year TCJA plan revenue gain(+)/loss(-)	+\$1.8 trillion ^b	+\$6 billion ^c	-\$1.8 trillion ^c	+\$3.2 trillion	-\$489 billion ^d	-\$182 billion ^d	-\$90 billion	+\$1.8 trillion	-\$151 billion	+\$127 billion	+\$33 billion	+\$1 trillion ^e
Long-term TCJA plan revenue impact	Revenue Raising	Revenue Raising	Revenue Raising	Revenue Raising	Revenue Neutral	Revenue Neutral	Revenue Neutral	Revenue Raising	Revenue Neutral	Revenue Raising	Revenue Raising	Revenue Raising
10-year deficit reduction from full policy plan	+\$4.3 trillion ^a	-	-	+\$11.8 trillion	-	-	-	+\$7.1 trillion	+\$2.5 trillion	+\$6.7 trillion	+\$4.8 trillion	+\$6 trillion

There Are Many Sources of Offsets

- Modify TCJA extensions (*fewer extensions, better targeting, expanded base broadening, etc*)
- Other individual income tax (*tax expenditures, loopholes, etc*)
- Corporate tax changes (*IRA credits, international, tax breaks, etc*)
- Tariffs (*universal baseline tariff? China tariffs?*)
- Executive actions (*\$1 trillion of savings from nixing Biden actions*)
- Medicare savings (*site-neutral, bad debts, Medicare Advantage, etc*)
- Medicaid savings (*“provider tax” scams, FMAP changes, caps, etc*)
- Affordable Care Act (*not “repeal & replace”*)
- Welfare changes (*work requirements, eligibility changes, etc*)
- User fees and asset sales (*spectrum, customs/immigration fees, etc*)
- Federal employee benefits (*health, retirement, etc*)

Check Out Our Budget Offsets Bank

\$700 Billion of Potential Deficit Reduction Options

Policy	2026-2035 Savings
Executive Spending Authority	
Require Future SNAP TFP Updates to be Budget Neutral	\$40 billion
Limit Executive Authority to Unilaterally Forgive Student Loans	\$30 billion
Limit Executive Power to Increase Agricultural Subsidies	\$10 billion
Health Care Spending	
Close Site-Neutral Loophole - End Grandfathering of Hospital-Owned Physician Offices^	\$40 billion
Ban Spread Pricing by Pharmacy Benefit Managers (PBMs)	\$5 billion
Ban "Facility Fees" for Telehealth and Certain Outpatient Services in Commercial Insurance	\$5 billion
Reform Medicaid Managed Care Contracts	\$5 billion
Additional Mandatory Spending	
Extend Mandatory Sequester Cuts*^	\$85 billion
Equalize Retirement Contributions for Newer and Older Federal Workers^	\$40 billion
Close 'married-filing-separate' Student Debt Forgiveness Loophole^	\$5 billion
Make Permanent Increase in Maximum Age for SNAP Work Requirements	\$5 billion
User Fees and Asset Sales	
Extend FCC Spectrum Auctions*^	\$70 billion
Extend Expiring Customs and Border Patrol (CBP) User Fees*^	\$20 billion
Extend Mandatory TSA Fees^	\$15 billion
Extend Fannie Mae's and Freddie Mac's Guarantee Fees^	\$5 billion

<http://www.CRFB.org/offsets>

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Bonus Slides



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What Should Lawmakers Do?

- Pass a concurrent budget resolution with *deficit reduction* – or at least commit to fully paying for any changes.
- Identify and commit to an achievable fiscal goal with the budget.
- Avoid relying on overly-rosy economic growth assumptions or other gimmicks
- Pass fiscally responsible budget enforcement measures like the Conrad Rule and stick to those that already exist (PAYGO)
- Draft a reconciliation bill that responsibly reforms and extends TCJA, coupled with offsets and deficit reduction.
- Work on a bipartisan basis to limit appropriations, secure trust funds, and stabilize the debt.

Options for Reducing the Deficit Impact Of TCJA Extension

Policy	Reduction in Deficit Impact of TCJA Extensions (2026 – 2035)
Family Parameters	
Reduce standard deduction by 5%	\$240 billion
Eliminate additional standard deduction for elderly	\$110 billion
Phase out standard deduction above \$200k/\$400k of income	\$100 billion*
Phase out Child Tax Credit starting at \$110k instead of \$400k	\$180 billion
Require valid child and parent SSN for Child Tax Credit	\$20 billion
Eliminate Head-of-Household filing status	\$350 billion
Restrict Head-of-Household status to single parents of kids under 17	\$130 billion
Minimum Taxes	
Fully restore AMT revenue collection ¹	\$630 billion
Restore AMT revenue collection above \$400k ¹	\$320 billion
Restore Pease limitation on itemized deductions	\$210 billion
SALT Deduction	
Repeal SALT deduction in full	\$240 billion
Eliminate SALT marriage penalty by reducing to \$5,000 for single taxpayers	\$70 billion
Phase out SALT deduction above \$400k of income	\$50 billion*
Apply SALT cap to corporate income taxes	\$210 billion

* Represents very rough estimates

¹ This would involve adjusting the AMT rates to achieve specific revenue collection targets.

Options for Reducing the Deficit Impact Of TCJA Extension

Policy	Reduction in Deficit Impact of TCJA Extensions (2026 – 2035)
SALT Deduction	
Apply SALT cap to all other corporate taxes	\$220 billion
Restrict SALT pass-through workaround	\$180 billion
Disallow business deduction for state and local employer payroll taxes	\$40 billion
Mortgage Interest Deduction	
Repeal full mortgage deduction	\$360 billion
Reduce \$750k cap to \$500k on primary residences	\$130 billion
Replace mortgage deduction with \$10,000 first-time homebuyer credit	\$200 billion
Replace mortgage deduction with 10% credit	\$40 billion
Other Itemized Deductions	
Limit charitable deduction to cash donations	\$260 billion
Limit 'double deduction' for appreciated assets	\$150 billion*
Set 2% of AGI floor on charitable deduction	\$230 billion
Set 5% of AGI floor on charitable deduction and add an above-the-line deduction	\$80 billion
Repeal deduction for out-of-pocket health costs	\$200 billion

* Represents very rough estimates

' This would involve adjusting the AMT rates to achieve specific revenue collection targets.



Options for Reducing the Deficit Impact Of TCJA Extension

Policy	Reduction in Deficit Impact of TCJA Extensions (2026 – 2035)
Broader Itemized Deduction Reforms	
Repeal all itemized deductions	\$1,200 billion
Limit tax benefit of itemized deductions to 15%	\$700 billion
Limit value of itemized deductions to 24% tax bracket	\$250 billion*
Limit value of all deductions to 24% tax bracket	\$300 billion*
Limit value of all deductions and major exclusions to 24% tax bracket	\$500 billion*
Limit tax benefit of itemized deductions to 28%	\$150 billion
Pass-Through and Other Business Provisions	
Let 199a pass-through deduction expire	\$780 billion
Phase out 199a above \$200k/\$400k	\$470 billion
Reform 199a to finance investment returns (Greenberg reform)	\$500 billion
In place of 199a, tax 23.7% of pass-through income as capital gains (Holtz-Eakin reform)	\$350 billion*
Replace 199A w/ 20% QBI rate reduction (High)	\$180 billion
Replace 199A w/ 20% QBI rate reduction (Low)	\$50 billion
Let Opportunity Zones expire	\$70 billion
Strengthen pass-through loss limit by disallowing conversion to NOLs	\$20 billion

* Represents very rough estimates

' This would involve adjusting the AMT rates to achieve specific revenue collection targets.

Options for Reducing the Deficit Impact Of TCJA Extension

Policy	Reduction in Deficit Impact of TCJA Extensions (2026 – 2035)
Estate Tax	
Let estate tax cut expire to 2017 level	\$190 billion
Reset estate tax to 2018 (post-TCJA) parameters w/ \$11m exemption and freeze	\$80 billion*
Close various estate tax loopholes, restrict use of trusts, improve valuations	\$50 billion*
Adopt carry-over basis for capital gains at death	\$200 billion*
Tax Rate Schedule	
Let tax rate cuts expire	\$3,400 billion
Set rates halfway between pre- and post-TCJA levels (at post-TCJA brackets)	\$1,600 billion
Set top rate to 39.6% above \$400k	\$650 billion
Recapture rate and bracket change benefits at \$400k/\$450k at a 5%/10% rate	\$360 billion
Freeze indexation of tax parameters between 2025 and 2027 (two years)	\$700 billion*
Freeze indexation of tax parameters between 2025 and 2026 (one year)	\$400 billion*
Reduce bracket thresholds for top three individual income tax rates by 10%	\$100 billion

* Represents very rough estimates

' This would involve adjusting the AMT rates to achieve specific revenue collection targets.

\$700B of Easy Deficit Reduction

Policy **2026-2035 Savings**

Executive Spending Authority

Require Future SNAP Thrifty Food Plan Updates to be Budget Neutral	\$40 billion
Limit Executive Authority to Unilaterally Forgive Student Loans	\$30 billion
Limit Executive Power to Increase Agricultural Subsidies	\$10 billion

Health Care Spending

Close Site-Neutral Loophole - End Grandfathering of Hospital-Owned Physician Offices [^]	\$40 billion
Close Site-Neutral Loophole - Apply Site-Neutral Rates to Off-Campus Imaging Services	\$10 billion
Close Site-Neutral Loophole - Apply Site-Neutral Rates to Off-Campus Drug Admin Services	\$5 billion
Ban Spread Pricing by Pharmacy Benefit Managers (PBMs)	\$5 billion
Ban “Facility Fees” for Telehealth and Certain Outpatient Services	\$5 billion
Reform Medicaid Managed Care Contracts	\$5 billion

Additional Mandatory Spending

Extend Mandatory Sequester Cuts ^{*^}	\$85 billion
Equalize Retirement Contributions for Newer and Older Federal Workers [^]	\$40 billion
Close ‘Married-Filing-Separate’ Student Debt Forgiveness Loophole [^]	\$5 billion
Make Permanent Increase in Maximum Age for SNAP Work Requirements	\$5 billion

Note: All numbers rounded to the nearest \$5 billion.

+ We are unaware of any estimate of this policy. \$50 billion represents a rough guess.

** Versions of this policy appeared in budgets proposed by Presidents Trump and Biden*

^ Versions of this policy appeared in budgets proposed by Presidents Trump and Obama



\$700B of Easy Deficit Reduction

Policy **2026-2035 Savings**

User Fees and Asset Sales

Extend FCC Spectrum Auctions ^{*^}	\$70 billion
Extend Expiring Customs and Border Patrol (CBP) User Fees ^{*^}	\$20 billion
Extend Mandatory TSA Fees [^]	\$15 billion
Extend Fannie Mae's and Freddie Mac's Guarantee Fees [^]	\$10 billion

Tax Compliance

Extend IRS Program Integrity Funding ^{*^}	\$130 billion
End Excessive Employee Retention Credit (ERC) Payments	\$80 billion
Enact Policy Changes to Improve Tax Compliance to Reduce the Tax Gap ^{*^}	\$10 billion

Additional Revenue

Close the Electric Vehicle (EV) Credit Leasing Loophole	\$50 billion ⁺
Close Tariff Loophole for 'De Minimis' Imports	\$25 billion
Treat Digital Assets Like Other Financial Assets	\$20 billion
Close Carried Interest Loophole	\$15 billion

Note: All numbers rounded to the nearest \$5 billion.

+ We are unaware of any estimate of this policy. \$50 billion represents a rough guess.

** Versions of this policy appeared in budgets proposed by Presidents Trump and Biden*

^ Versions of this policy appeared in budgets proposed by Presidents Trump and Obama



Options to Repeal Biden Executive Actions

Policy	2026-2035 Savings
Health Care Actions	
Reverse Executive Expansion of State-Directed Payments in Medicaid	\$140 billion
Repeal Biden Administration Limits on Medicaid Eligibility Redeterminations	\$75 billion
Revert Definition of Negotiated Prices Used to Calculate Medicare Part D Rebates	\$65 billion
Revert ACA Affordability Definition to Self-Only Coverage (Family Glitch)	\$40 billion
Block Rule Covering GLP-1 Obesity Drugs under Medicare	\$0/\$20/\$40 billion*
Eliminate Medicaid Nursing Home Minimum Staffing Standards	\$25 billion
Student Debt Actions	
Repeal SAVE Income-Driven Repayment Program	\$0/\$150/\$275 billion ⁺
Prevent Implementation of Interest and Other Debt Cancellation Rule	\$0/\$75/\$150 billion*
Prevent Implementation of Hardship Debt Cancellation Rule	\$0/\$55/\$110 billion ^{*,'}
Partially Repeal Borrower Defense and Closed-School Rules	\$15 billion

+ The SAVE plan was recently stayed in federal court, which will rule on its legality. The high number assumes SAVE is ruled legal and it is reversed both prospectively and retroactively. The middle number assumes it is ruled legal and reversed only prospectively (so those already enrolled are grandfathered). The low number assumes it is ruled illegal by the courts.

** These rules from the Biden Administration have not been finalized and some may be ruled illegal by the courts. The highest savings figure assumes the rules are finalized and ruled fully legal, the middle savings represents savings if enacted today given the Congressional Budget Office (CBO)'s "50% rule" for preliminary rules, and the \$0 represents savings if these changes are withdrawn or struck down by the courts.*

' This is based on estimates from the Department of Education. CRFB estimates costs, and thus savings, would be much larger.

^ These options appeared in an earlier CRFB analysis on easy deficit reduction options.



Options to Repeal Biden Executive Actions

Policy	2026-2035 Savings
Other Biden Administration Actions	
Reverse Executive Actions Increasing SNAP by Modifying Thrifty Food Plan (TFP)	\$180 billion
Prevent Implementation of Rule Limiting Vehicle Carbon Emissions	\$150 billion
Revert SSDI Past Relevant Work Period to 15 Years from 5 Years	\$20 billion
Revert Definition of Public Assistance Household to Pre-2024 Definition for SSI	\$20 billion
Reverse Directive Limiting Use of IRS Enforcement Funding	\$20 billion
Restrict Future Executive Actions[^]	
Require Future SNAP TFP Updates to be Budget Neutral	\$40 billion
Limit Executive Authority to Unilaterally Forgive Student Loans	\$30 billion
Limit Executive Power to Increase Agricultural Subsidies	\$10 billion

+ The SAVE plan was recently stayed in federal court, which will rule on its legality. The high number assumes SAVE is ruled legal and it is reversed both prospectively and retroactively. The middle number assumes it is ruled legal and reversed only prospectively (so those already enrolled are grandfathered). The low number assumes it is ruled illegal by the courts.

* These rules from the Biden Administration have not been finalized and some may be ruled illegal by the courts. The highest savings figure assumes the rules are finalized and ruled fully legal, the middle savings represents savings if enacted today given the Congressional Budget Office (CBO)'s "50% rule" for preliminary rules, and the \$0 represents savings if these changes are withdrawn or struck down by the courts.

[^] This is based on estimates from the Department of Education. CRFB estimates costs, and thus savings, would be much larger.

[^] These options appeared in an earlier CRFB analysis on easy deficit reduction options.

Options to Reduce Federal Medicaid Spending

Policy	2026-2035 Savings
Caps or Block Grants for Medicaid	
Block Grant Medicaid Payments, Index to Inflation (CPI-U)	\$900 billion*
Block Grant Medicaid Payments, Index to Inflation+1%	\$550 billion*
Block Grant Medicaid Payments, Index to Gross Domestic Product	\$350 billion*
Cap State Medicaid Growth, By Category, to Inflation	\$950 billion
Cap State Medicaid Growth, By Category, to Inflation+1%	\$600 billion
Cap Per Capita State Medicaid Growth, By Category, to Inflation	\$1,100 billion
Cap Per Capita State Medicaid Growth, By Category, to Inflation+1%	\$750 billion
Establish a 'Soft' Medicaid Cap, w/Grace Period & Growth Beyond Inflation Reimbursed at 1/2 Normal Rate	\$400 billion*
Changes to Federal Medical Assistance Percentage (FMAP) Matching Rate	
Remove the 50% FMAP Floor	\$600 billion
Reduce FMAP Floor to 45%	\$350 billion
Reduce FMAP for Administrative Costs to 50%	\$80 billion
Repeal 6% FMAP Bonus for Home- and Community-Based Care ("Community First Choice Option")	\$20 billion
Reduce Family Planning Services Match from 90% to Normal FMAP	\$15 billion^
Reduce FMAP for Case Management Costs to 50%	\$5 billion^
Reduce Base FMAPs Across the Board	\$100 billion/point'
Reduce All FMAPs Across the Board	\$115 billion/point'

* Rough estimated provided by Committee for a Responsible Federal Budget.

^ Based on pre-2010 estimate, actual savings could differ substantially.

Policy is Fully Scalable.

' Excludes possible effects on coverage.

` Blase and Gonshorowski estimate direct savings of \$50 billion, but effects on coverage could increase savings to \$150 billion.

Options to Reduce Federal Medicaid Spending

Policy	2026-2035 Savings
ACA Medicaid Expansion	
Reduce Match on Expansion Population from 90% to Normal FMAP	\$650 billion
Move Expansion Population Above Poverty Line to Exchanges	\$100 billion [`]
Adopt a Single "Blended Rate" for Each State's Medicaid Match	\$50 billion [#]
Reduce FMAP on Expansion Population	\$15 billion/point [']
Medicaid Provider Taxes	
Ban Medicaid Provider Tax Gimmicks	\$720 billion
Limit Provider Taxes to 2.5% of Provider Revenue (Current Law=6%)	\$285 billion
Limit Provider Taxes to 5% of Provider Revenue (Current Law=6%)	\$55 billion
Limit Provider Taxes to 5% of State General Funding	\$550 billion [*]
Limit Provider Taxes to 10% of State General Funding	\$350 billion [*]
Financing Schemes and Supplemental Payments	
Restrict State Use of Supplemental Payments	\$500 billion [*]
Reverse Executive Action Expanding State-Directed Payments	\$140 billion
Make Scheduled Medicaid DSH Cuts Permanent	\$65 billion
End Medicaid Graduate Medical Education (GME) Reimbursement	\$65 billion
Restrict State Use of Intergovernmental Transfers (IGTs)	\$50 billion [^]

** Rough estimated provided by Committee for a Responsible Federal Budget.*

^ Based on pre-2010 estimate, actual savings could differ substantially.

Policy is Fully Scalable.

' Excludes possible effects on coverage.

` Blase and Gonshorowski estimate direct savings of \$50 billion, but effects on coverage could increase savings to \$150 billion.

Options to Reduce Federal Medicaid Spending

Policy	2026-2035 Savings
Benefits and Coverage	
Impose Work Requirements for Certain Medicaid Beneficiaries	\$140 billion
Allow States the Option to Impose Work Requirements	\$30 billion
Repeal Biden Administration Limits on Medicaid Redeterminations	\$75 billion
Encourage States to Increase Frequency of Redeterminations	\$40 billion
Prohibit Federal Payments for Certain School-Based Administrative & Transportation Services	\$20 billion
Restrict Medicaid Retroactive Coverage	\$10 billion
Increase Allowable Medicaid Cost-Sharing	\$10 billion*^
Strengthen Medicaid Asset Tests	\$5 billion
Restrict Payments for Unauthorized Immigrants, Prisoners, Lottery Winners	\$5 billion
Other Medicaid Changes	
Rescind Medicaid Nursing Home Minimum Staffing Standards Rule	\$25 billion
Lower Medicaid Drug Prices through Negotiations and Rebates	\$20 billion
Reform Medicaid Managed Care Contracts	\$5 billion
Limit durable Medical Equipment (DME) Reimbursement	\$5 billion

* Rough estimated provided by Committee for a Responsible Federal Budget.

^ Based on pre-2010 estimate, actual savings could differ substantially.

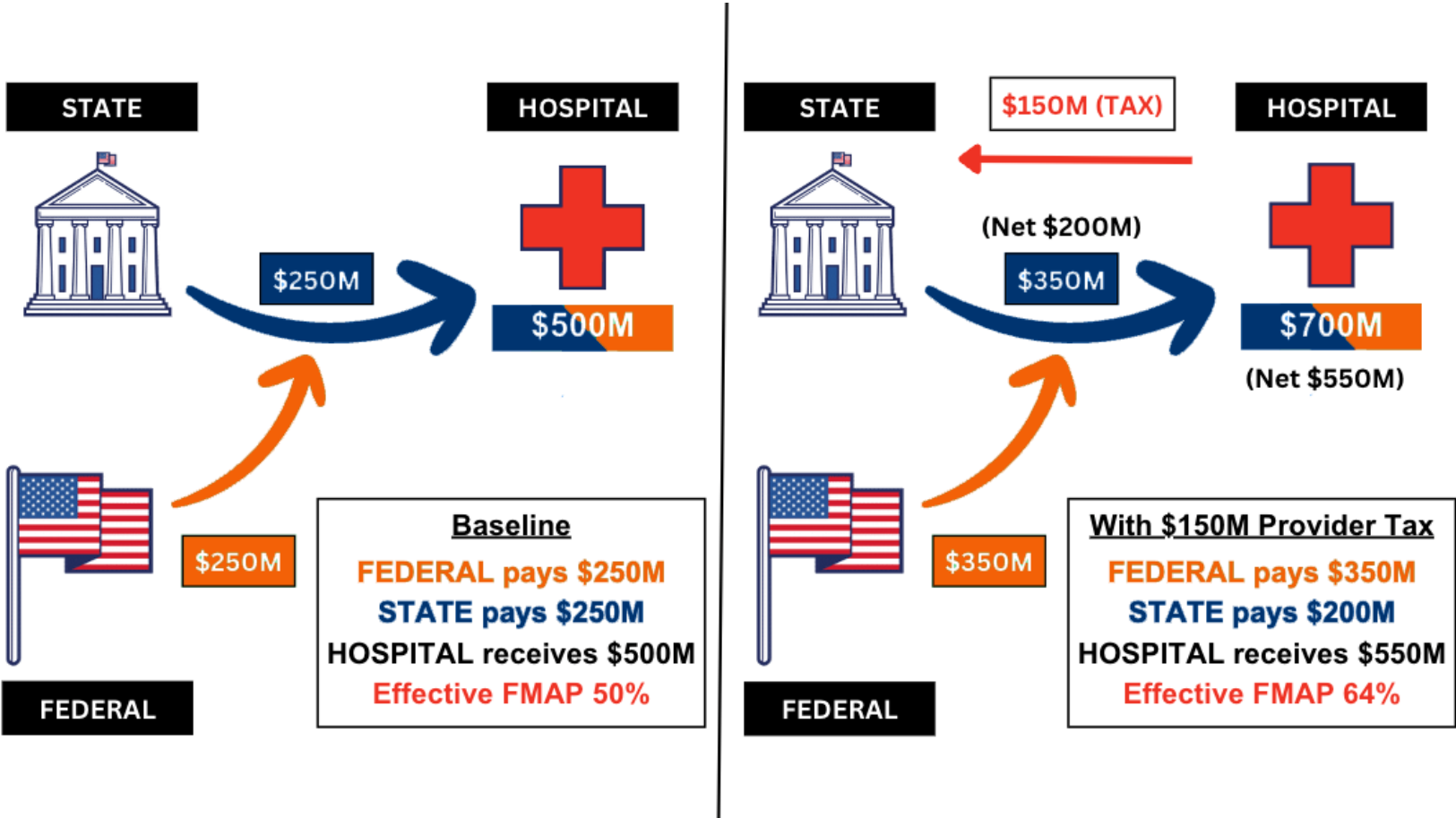
Policy is Fully Scalable.

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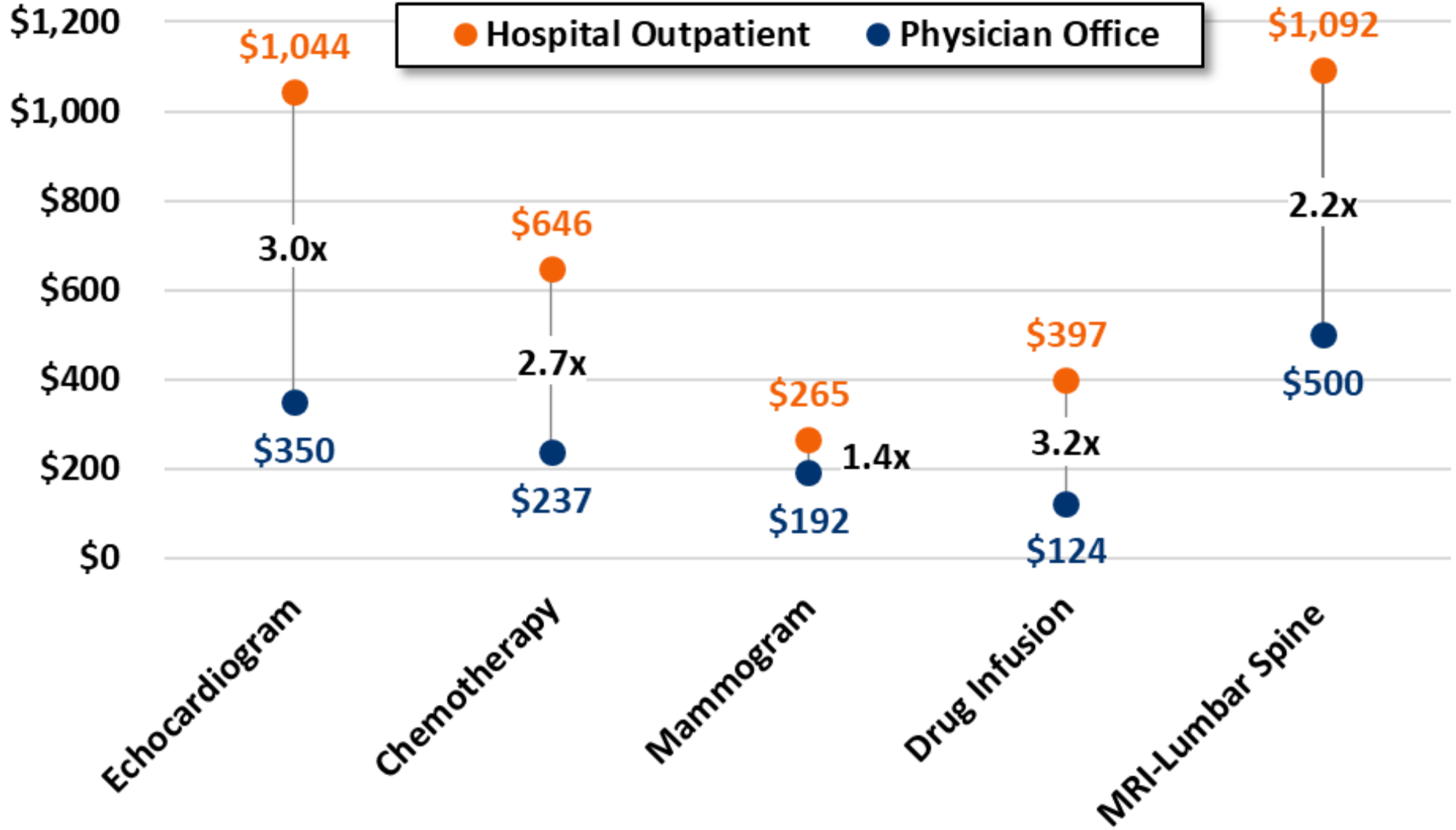
Medicaid Financing Schemes

Illustrative “Provider Tax” Scheme



Source: Committee for a Responsible Federal Budget.

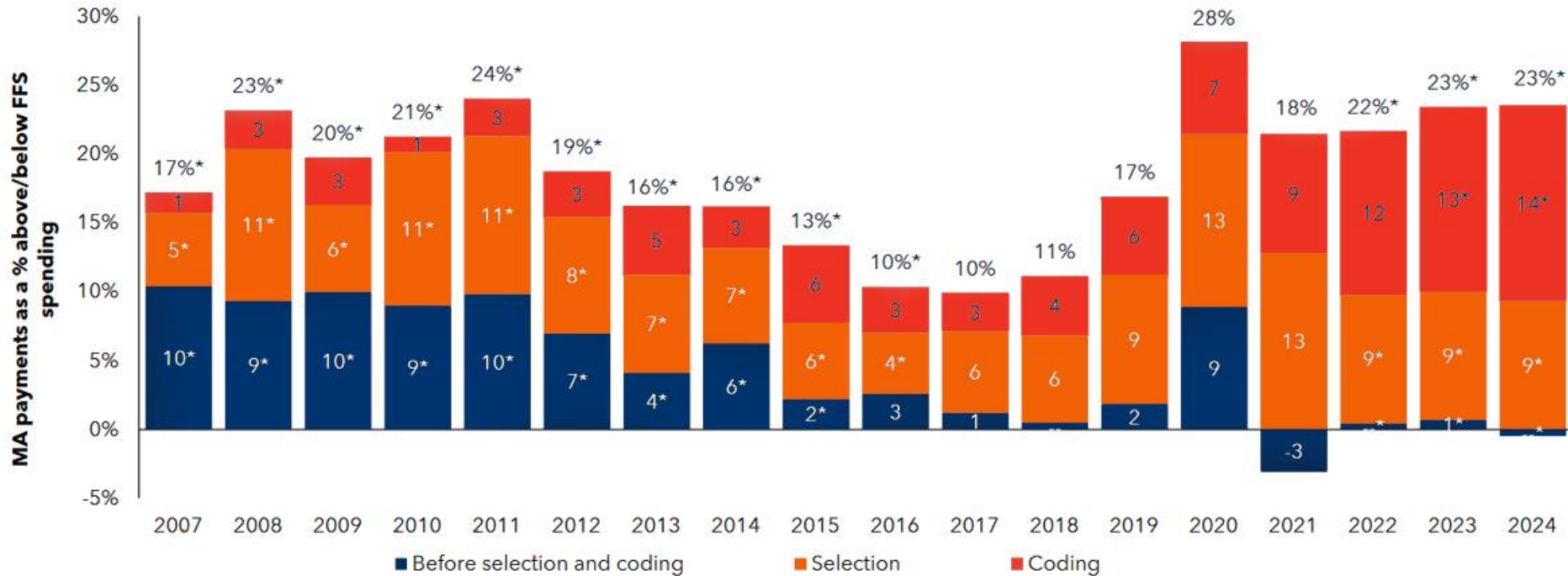
Site-Neutral Payments



Source: Committee for a Responsible Federal Budget analysis of large- and small-group commercial claims data from 2019.

CPTs: Echocardiogram-Transthoracic; Chemotherapy Infusion-1 hr.; Mammogram-Bilateral Screening; IV Infusion-Single or First Drug; MRI-Lumbar Spine w/o Contrast.

Medicare Advantage Overpayments



Note: MA (Medicare Advantage), FFS (fee-for-service). Totals may not sum due to rounding. Estimates from 2017 through 2021 use actual MA and FFS data.

* Specified values used projected data.

-- Unidentified values indicate less than 0.5 percent.

Sources: MedPAC analysis of Medicare enrollment, Medicare claims spending, and risk-adjustment files.

There's a Growing Gap Between Revenue and Spending

