

MACROECONOMIC ANALYSIS IN THE CONGRESSIONAL BUDGET PROCESS



Prepared by the Staff of the Joint Committee on Taxation

Macroeconomic Analysis in Congressional Budget Process, 1995 – 2014

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- ❑ From 1995 to 2003, the JCT staff developed macroeconomic analysis capabilities, beginning with its macroeconomic modeling symposium convened in 1996-97.

- ❑ From 2003 - 2014, the JCT staff was required by House Rule XIII(3)(h)(2) to provide a macroeconomic impact analysis of all tax legislation reported by the Ways and Means Committee.
 - **For most tax bills, the expected effects were so small that a brief statement was all that was required.**
 - **Legislation that involves large policy changes required more detailed analysis. Forecasted macroeconomic impacts are sensitive to assumptions about taxpayer responsiveness, fiscal and monetary policy, and general modeling frameworks.**
 - **The JCT staff generally provided a range of estimates in these macroeconomic analyses to account for different assumptions regarding taxpayer responsiveness and modeling frameworks.**
 - **Some of these analyses can be found at <http://www.jct.gov/publications.html> under “Macroeconomics.”**

Macroeconomic Analysis in Congressional Budget Process, 2015 – Present

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- ❑ In 2015, the House adopted a new “dynamic scoring” rule, XIII(8)(b), which was eventually incorporated into a joint Concurrent [House-Senate] Budget Resolution for the 114th Congress.
- ❑ The House has affirmed the application of this rule for the 115th Congress; the Senate has not yet adopted a comparable rule.
- ❑ The new rule requires a point (single) estimate within the budget window of the deficit effect due to the macroeconomic response to certain proposed legislation.
 - **The requirement applies to bills with gross budget effects >0.25% of GDP (about \$49 billion in 2017) in any year.**
 - **It also requires qualitative analysis for 20 years after the budget window.**
- ❑ Two of the estimates produced by JCT staff pursuant to this new rule can also be found at <http://www.jct.gov/publications.html> under “Macroeconomic;” several others were produced in collaboration with the Congressional Budget Office and issued as CBO documents.