JCT dynamic score for Build it in America Act shows minimal impact on long-term economic growth

The Build it in America Act—one of the components of an economic growth package that cleared the House Ways and Means Committee last month solely on the strength of Republican votes—would have just a minimal impact on the economy outside the 10-year budget window, according to a "dynamic" scoring analysis released by the Joint Committee on Taxation staff on July 11.
URL: https://www.jct.gov/publications/2023/jcx-34-23/

Release of the dynamic revenue score complies with a rule reinstated by House Republicans when they took control of the chamber at the start of the 118th Congress in January that requires the JCT staff to estimate the budgetary feedback effects that certain major legislation may have on macroeconomic variables such as economic growth. A similar requirement applies to the nonpartisan Congressional Budget Office.

'Build It In America' overview

At a high level, the Build it in America Act is intended to mitigate the adverse impact of some business-related tax code changes that were enacted in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-197), scale down the clean energy tax incentives that became law as part of last year's Inflation Reduction Act (P.L. 117-169), and address certain supply chain issues.
URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2023/06/H.R.-3938-Bill-Text-1.pdf
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf
URL: https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc

TCJA fixes: The Build it in America Act proposes to temporarily reverse—through 2025—three significant revenue-raising provisions in the Tax Cuts and Jobs Act that have recently taken effect and that many in the business community contend are impediments to innovation and growth. Specifically, the measure would:

- Delay mandatory capitalization of research expenditures under section 174, retroactive to January 1, 2022;
- Reinstate 100 percent bonus depreciation, effective January 1, 2023; and
- Reinstate the allowance for depreciation and amortization for the 30 percent limitation on interest deductions, retroactive to January 1, 2023, and, if elected, retroactive to January 1, 2022.

Energy and environmental provisions: The legislation would significantly pare back the clean energy tax incentives enacted in the Inflation Reduction Act by:

- Repealing the clean electricity production credit and the clean electricity investment credit;
- Generally returning the clean vehicle credit to the pre-Inflation Reduction Act parameters while retaining certain limitations on the credit in the 2022 law related to modified adjusted gross income of

purchasers, manufacturer's suggested retail price of eligible vehicles, and critical mineral and battery component requirements; and

- Repealing the credits for previously owned clean vehicles and qualified commercial clean vehicles.

It also would repeal the Superfund tax on crude oil received at US refineries and petroleum products entering the US for consumption, use, or warehousing after December 31, 2022, and the authorization for the Hazardous Substance Superfund to borrow from the General Fund through repayable advances.

Supply-chain issues: The legislation includes a provision that would allow taxpayers to make an election to essentially opt out of certain regulations recently issued by the Treasury Department that critics argue are overly stringent in determining what constitutes a creditable foreign tax and that Ways and Means Republicans contend may discourage companies from moving operations closer to the US.

A separate provision would expand an existing tax on sales of US land to foreign purchasers by imposing a 60 percent excise tax on purchasers from certain specified "countries of concern."

JCT analysis

When the Build it in America Act was marked up in the Ways and Means Committee last month, the JCT staff estimated that it would increase federal revenues by roughly $157 billion (net) over the 10-year budget window covering 2023-2033.
URL: https://www.jct.gov/publications/2023/jcx-29-23/

In its just-released dynamic analysis, which was based on three macroeconomic simulation models, the JCT staff explains that it is "impracticable" to develop projections of the measure's impact on economic activity and revenues beyond the budget window because it is "so small relative to the size of the economy and the degree of uncertainty associated with the estimate as to be insignificant within the context of a model of the aggregate economy."

Floor vote on economic growth package unlikely before August

House Republican leaders intend to combine the Build it in America Act with the Tax Cuts for Working Families Act and the Small Business Jobs Act—the other two components of the Ways and Means economic growth package which were also approved at last month's mark-up—before the consolidated legislation is brought up for a vote on the House floor. Based on prior estimates from the JCT staff, the three Ways and Means bills, taken together, include a total of $237 billion in tax cuts and $216 billion in revenue increases for a net 10-year revenue loss of $21 billion. (For additional details on the Tax Cuts for Working Families Act and the Small Business Jobs Act, as well as an overview of the debate at the Ways and Means mark-up, see *Tax News & Views*, Vol. 24, No. 24, June 16, 2023.)
URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2023/06/H.R.-3936-Bill-Text51.pdf
URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2023/06/H.R.-3937-Bill-Text-1.pdf
URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230616_1.html

Exactly when the House will take up the consolidated measure remains unclear as Republicans argue behind closed doors about whether or not to include a provision to eliminate or relax the TCJA's limitation on the deduction for state and local taxes, and a contingent of deficit hawks pushes for a fully offset bill—while rejecting additional tax increases as pay-fors. House Majority Leader Steve Scalise, R-La., told reporters July 12 that Ways and Means Committee Chairman Jason Smith, R-Mo., is "working with other members on remaining issues" and a floor vote ahead of the upcoming August recess appears unlikely. According to Scalise, the agenda for the remainder of the July work period will focus on moving the National Defense Authorization Act and the 12 appropriations bills necessary to fund the federal government for fiscal year 2024, which begins on October 1.

Assuming a consolidated economic growth bill clears the House largely, if not entirely, along party lines, it is unlikely to advance in the Senate without substantial changes, as that chamber's Democratic majority is expected to oppose any significant reduction in the Inflation Reduction Act's clean energy provisions and will likely push for the inclusion of an expanded child tax credit—something many Republicans have been reluctant to embrace. Democrats also may point to the JCT's dynamic analysis of the Build it in America Act to rebut the argument presented by many in the GOP that tax cuts "pay for themselves" through expanded economic growth.

Debate over how to structure a tax bill that could pass in both chambers is likely to stretch out over the next several months.

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