CBO releases list of deficit reduction options

The Congressional Budget Office (CBO) on December 8 released Options for Reducing the Deficit: 2017-2026, describing 115 policy options that Congress could use to decrease federal spending or increase federal revenues over the next decade. The report includes an estimate of cost savings or revenue increases for each option. (CBO releases such a report periodically.)


The revenue and spending options cited in the CBO report are culled from a variety of sources, including previously proposed legislation and budget proposals from various presidential administrations. Among the more notable business and individual revenue items included in the report are proposals to:

- Eliminate all itemized deductions (estimated 10-year revenue gain: $2.23 trillion);
- Cap the deduction for state and local taxes at 2 percent of a taxpayer’s adjusted gross income ($955.4 billion);
- Tax Social Security and Railroad Retirement benefits in the same way that distributions from defined benefit plans are taxed ($423.1 billion);
- Limit the deduction for charitable giving to contributions exceeding 2 percent of adjusted gross income for taxpayers who itemize ($229.4 billion);
- Repeal the deduction for domestic production activities ($173.7 billion);
- Expand the tax base for the net investment income tax to include income of active participants in S corporations and limited partnerships ($160 billion);
- Convert the mortgage interest deduction to a 15 percent tax credit ($105 billion); and
- Repeal the LIFO and lower of cost or market inventory accounting methods ($101.9 billion).

According to CBO, the report does not include options “that entail comprehensive changes to the tax code” because “such proposals often are combined with those that would reduce individual and corporate income tax rates, and therefore their effects are best addressed in the context of such broader packages.”

CBO also notes that the options cited in the report “are intended to reflect a range of possibilities, not a ranking of priorities or an exhaustive list” and that “inclusion or exclusion of any particular option does not imply endorsement or disapproval by CBO…”

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