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## Budget Offsets Bank

March 9, 2020

The federal debt is at a post-war record high, deficits are set to exceed the trillion-dollar mark [this year](#), and new initiatives are being [proposed regularly](#).

In order to help policymakers offset the cost of new spending programs and tax cuts and slow the growth of the national debt, the Committee for a Responsible Federal Budget is publishing a Budget Offsets Bank of options to raise revenue and reduce spending.

Our Budget Offsets Bank shows ranges of potential saving for types of policy changes – readers can [contact us](#) to learn more about understanding and designing specific policy changes. These estimates are largely based on those from the Congressional Budget Office and other reputable sources, with adjustments from our staff as needed to account for the passage of time or subsequent legislation.

Our first installment focused on health care policies that reduce the cost of Medicare, Medicaid, or other federal health spending or increase health-related revenue. The second installment focused on infrastructure-related policies that would reduce federal spending on infrastructure or increase revenue related to infrastructure. Our latest installment focuses on income tax options that would roll back the 2017 tax cuts, rates, limit tax expenditures, and reduce tax loopholes, among other reforms.

We will be publishing additional options in the coming weeks and months. Prior options lists are available [here](#) or in the list below. View the full Budget Offsets Bank at [crfb.org/Offsets](http://crfb.org/Offsets).

## Previously Published Offset Options

- [Offsets Proposed by Both President Trump and President Obama](#)
- [Other Policies With Potential Bipartisan Support](#)
- [Highway Trust Fund and Infrastructure Offsets](#)
- [Disaster Relief Offsets](#)
- [Pension Rescue and PGBC Offsets](#)
- [Options to meet House FY 2018 Budget's Reconciliation Instructions](#)
- [Options to Offset Veterans Administration Cap Adjustment](#)
- [Health, Revenue, and Other Mandatory Spending Options \(2015 list\)](#)



## Health-Related Offset Options

Health Policy	Ten-Year Savings
<b>Medicare Provider Payments</b>	
Reduce excessive payments for post-acute care	Up to \$85 billion
Equalize hospital and physician payments regardless of site of service	\$15 to \$90 billion
Expand use of bundled payments	\$10 to \$50 billion
Reduce Medicare's coverage of bad debt	\$10 to \$50 billion
Reduce and reform payments for Graduate Medical Education	\$5 to \$50 billion
Reduce and reform payments for uncompensated care (DSH)	\$5 to \$100 billion
Replace sequester with rebased Medicare payments	Long-term savings
Reduce and reform payments to rural hospitals	\$5 to \$30 billion
Reduce payments growth to hospitals by 1%	\$20 billion
Reform Medicare hospice payments	\$10 billion
Expand penalties for preventable readmissions and unnecessary complications	Up to \$10 billion
Expand competitive bidding for medical equipment and labs	Up to \$10 billion
Reform and tighten "Stark rule" to limit self-referrals	\$5 billion
<b>Prescription Drugs</b>	
Allow HHS to negotiate Part D drug prices, but not exclude drugs from coverage	less than \$10 billion
Require HHS to negotiate Part D drug prices with a cap based on international prices and a large penalty for manufacturers who walk away from negotiations	\$350 billion
Redesign Medicare Part D benefit, including by adding a catastrophic cap, eliminating the donut hole coverage gap, and reducing government re-insurance for high-cost drugs	\$35 to \$75 billion
Require drug companies to pay "rebates" to reduce costs in Medicare Part D	\$50 to \$200 billion
Restrict drug price increases in excess of inflation in Part B and Part D	\$70 billion
Tighten Medicaid drug rebates	\$5 to \$20 billion
Allow for drug re-importation	Up to \$25 billion
Encourage use of generics by low-income Medicare beneficiaries	Up to \$20 billion
Modify Part B physician administered drug payments that promote high-cost drugs	Up to \$10 billion
Increase flexibility of the Part D drug formulary	\$10 billion
Encourage entry of generic drugs and biosimilars	\$10 billion
Prohibit pharmacy benefit manager spread pricing	\$5 billion
<b>Medicare Beneficiary Responsibility</b>	
Restrict Medigap plans from offering generous wrap-around coverage	\$100 billion
Restrict TRICARE for life from offering generous wrap-around coverage	\$35 billion
Restrict employer and other wrap-around coverage	Up to \$100 billion <sup>1</sup>
Reform Medicare benefit design to establish unified Part A and B deductible, co-insurance, and a catastrophic cap	\$0 to \$70 billion
Establish cost sharing for home health	\$5 to \$20 billion
Increase Medicare Part B deductible	\$10 to \$20 billion
Increase base Medicare premiums by 10 percent of costs	\$450 billion
Increase Medicare premiums for high earners	\$50 to \$100 billion
Increase the Medicare eligibility age	\$20 to \$30 billion
<b>Medicare Advantage and Private Medicare Plans</b>	
Allow private plans to compete with Medicare, set subsidy based on average bid	\$50 to \$350 billion
Allow private plans to compete with Medicare, set subsidy based on 2 <sup>nd</sup> lowest bid	\$150 to \$800 billion
Set Medicare Advantage payments using competitive bidding	\$30 to \$100 billion
Modify risk adjustment payments to Medicare Advantage plans	\$50 to \$80 billion
Reduce excessive quality bonus payments to Medicare Advantage plans	\$20 to \$110 billion



<b>Affordable Care Act (ACA)</b>	
Reduce Medicaid match in expansion population to match ordinary FMAP	\$400 billion
Restore Cost Sharing Reduction subsidies	\$100 billion <sup>2</sup>
Phase out ACA exchange subsidies above 300 percent of poverty	Up to \$50 billion
Recapture excessive premium subsidies	\$50 billion
Establish a public option for health exchanges	\$100 billion
Repeal the Prevention Fund	\$10 billion
Allow states to apply Medicaid asset tests to expansion population	\$5 billion
<b>Medicaid</b>	
Establish Medicaid spending cap and/or block grant Medicaid	\$200 to 900 billion
Limit states from inflating the federal Medicaid match through “provider taxes”	\$5 to \$400 billion
Reduce the Federal Medical Assistance Percentage (FMAP) floor	Up to \$450 billion
Reduce federal Medicaid matching rates for base Medicaid program	\$50 billion/pp
Match all administrative costs at 50%	\$65 billion
Establish work and “community engagement” requirement in Medicaid	\$25 to \$100 billion
Encourage states to re-determine Medicaid eligibility more frequently	\$50 billion
Subject Medicaid managed care plans to medical loss ratio rules	\$10 billion
Require states to deny personal care payments for duplicative/inappropriate services	Up to \$10 billion
<b>Other Health Savings</b>	
Restrict out-of-network “surprise billing”	\$20 to \$25 billion
Reform medical malpractice law	Up to \$30 billion
Replace the Federal Employees Health Benefits (FEHB) program with a voucher	Up to \$35 billion
Introduce TRICARE for Life enrollment fee	\$15 billion
Extend CHIP programs beyond 2027	\$5 billion
<b>Health-Related Tax Preferences</b>	
Cap the employer sponsored insurance (ESI) income tax exclusion	\$100 to \$700 billion
Cap the ESI payroll tax exclusion (at median to 90 <sup>th</sup> percentile)	\$30 to \$250 billion
Replace the ESI exclusion with a credit or deduction	dialable
Eliminate the ESI exclusion for the Medicare payroll tax	\$250 billion
Limit the ESI exclusion for higher income workers	\$50 to \$200 billion
<i>Repeal Cadillac Tax (subtract from options above if replacing Cadillac Tax)</i>	<i>-\$200 billion</i>
Eliminate income tax deduction for health-related cafeteria plans contributions	\$400 billion
Eliminate payroll tax deduction for health-related cafeteria plans contributions	\$200 billion
Limit or end medical expense deduction	Up to \$75 billion
Limit or repeal health Flexible Spending Accounts (FSAs)	Up to \$50 billion
Limit or repeal Health Savings Accounts (HSAs)	Up to \$50 billion
Limit or repeal private activity bonds for nonprofit hospitals	\$10 to \$25 billion
Eliminate orphan drug tax credit	\$20 billion
Repeal small business tax credit for offering health benefits	\$10 billion
Repeal Blue Cross/Blue Shield deduction	\$5 billion
<b>Health-Related Revenue</b>	
Raise Medicare Hospital Insurance payroll tax rate	\$925 billion/point
Expand the 3.8% Medicare Tax to all passthrough income	\$200 billion
Apply Medicare payroll tax to all business income from material participants	\$125 billion
Equalize and increase alcohol taxes	Up to \$100 billion
Increase cigarette taxes	\$40 to \$100 billion
Expand cigarette taxes to include vaping	\$10 billion
Impose tax on sugary drinks	\$50 to \$200 billion
Double employer mandate penalty	\$50 billion
Establish a food safety user fee	\$10 billion



## Infrastructure-Related Offset Options

Infrastructure Policy	Ten-Year Savings
<b>Highway Trust Fund Revenue Sources</b>	
Increase the gas and diesel fuel tax	~\$14 billion per cent
Increase fuel taxes by 15 cents and index to inflation	\$235 billion
Increase fuel taxes by 35 cents and index to inflation	\$515 billion
Raise gas tax to match diesel tax rate	\$65 billion
Index gas and diesel fuel taxes for inflation	\$30 billion
Increase truck and trailer tax from 12% to 20%	\$30 billion
Repeal special gas and diesel tax rates on certain fuels	\$20 billion
Double heavy vehicle use tax	\$15 billion
Eliminate exemptions from gas tax	\$15 billion
<b>New Revenue Sources</b>	
Impose a Vehicle Miles Traveled (VMT) tax on all vehicles	~\$35 billion per 0.1 cent
Impose a VMT tax on commercial trucks	\$25 billion per cent
Impose a freight tax of 30 cents/mile for trucks and 12 cents/mile for rail	\$360 billion
Impose a light-duty vehicle sales tax	\$40 billion per 1%
Impose a per-barrel oil tax	~\$30 billion per dollar
Impose a vehicle registration fee of \$10 on light vehicles and \$20 on trucks	\$40 billion
Impose a \$10 driver's license surcharge	\$25 billion
Impose a \$10 tire tax	\$25 billion
Impose a \$20 fee on containers at U.S. ports	\$10 billion
Establish new rail safety and inland waterways fees	\$10 billion
<b>Other Revenue Changes</b>	
Repeal last in, first out (LIFO) and lower of cost or market (LCM) inventory accounting	\$60 billion
Terminate new Private Activity Bonds	\$35 billion
End Section 179 "SUV loophole"	\$10 billion
Allow greater use of bridge and highway tolls	varies
<b>Highway Trust Fund Spending</b>	
Reduce all surface transportation spending	\$45 billion per 10% reduction
Limit federal highway spending to Highway Trust Fund revenue (require states to cover difference)	\$140 billion
Eliminate all spending in transit account	\$105 billion
Eliminate one year of commitments	\$55 billion
Freeze all surface transportation spending for ten years	\$35 billion
Freeze all surface transportation spending for three years	\$15 billion
Reduce funding to Highway Safety Improvement Program	\$10 billion
Terminate funding for the Transportation Alternatives Program	\$10 billion
<b>Other Spending</b>	
Eliminate the Community Development Block Grant	\$25 billion
Eliminate Capital Investment Grants	\$25 billion
End funding for Amtrak and Essential Air Service	\$20 billion
Repeal Davis-Bacon Act	\$15 billion
Sell various electricity transmission assets	\$10 billion
Reform the National Flood Insurance Program	\$10 billion
Eliminate grants to large and medium-sized airports	\$10 billion



## Income Tax Offset Options

Revenue Policy	Ten-Year Savings <sup>3</sup>
<b>Repeal or Reform the Tax Cuts and Jobs Act (TCJA)</b>	
Repeal the entire TCJA	\$1.1 trillion
Reverse the TCJA estate tax cuts	\$60 billion
Repeal TCJA individual rate cuts	\$950 billion
Repeal TCJA individual rate cuts for those making above \$200,000/\$250,000	\$200 billion
Revert the top rate individual from 37% to 39.6%	\$120 billion
Repeal or reform the 20% “pass-through deduction”	Up to \$500 billion
Begin child tax credit phase-out at \$110,000 instead of \$400,000 as under pre-TCJA law	\$200 billion
Make deduction and family reforms permanent	\$25 billion
Extend the SALT deduction cap to businesses	\$250 billion
Restore corporate rate to 35%	\$1.6 trillion
Repeal the Foreign-Derived Intangible Income Deduction	\$65 billion
Restore the Alternative Minimum Tax to its pre-TCJA parameters	\$425 billion
<b>Increase Tax Rates</b>	
Raise all individual tax rates	\$950 billion/point
Raise top four individual rates	\$250 billion/point
Raise top two rates individual rates	\$150 billion/point
Raise individual rates on income above \$1 million	\$50 billion/point
Raise corporate tax rate	\$100 billion/point
<b>Limit Tax Expenditures</b>	
Eliminate all itemized deductions	\$1.5 trillion
Eliminate all itemized deduction, assuming extension of TCJA	\$900 billion
Impose broad limit on the value of tax expenditures	Up to \$500 billion
Phase out mortgage deduction	\$100 to \$300 billion
Reduce the mortgage interest deduction cap from \$750,000 to \$500,000	~\$25 billion
Set 2% floor on charitable deduction	\$200 billion
Limit charitable deduction to cash contributions	\$150 billion
End the double-deduction for donation of stock and appreciated assets	\$100 billion
Freeze or reduce retirement account contribution limits	\$50 to \$100 billion
Eliminate education tax expenditures	Up to \$200 billion
Require companies to amortize advertising	\$50 to \$150 billion
Repeal deduction for foreign income and exclusion for federal employees abroad	\$100 billion
Repeal LIFO accounting rules	\$50 billion
Repeal Low-Income Housing Tax Credit	\$50 billion
Repeal certain fossil fuel tax preferences	Up to \$20 billion
<b>Reduce Tax Loopholes</b>	
Count small business owner earned income as wages (Gingrich-Edwards Loopholes)	\$10 to \$200 billion
Apply Net Investment Income Tax (NIIT) to all business income	\$200 billion
Adopt the two policies above together	\$300 billion
Repeal or restrict head of household filing status	\$70 to \$170 billion
Reform treatment of derivatives, life insurance, and “like-kind” exchanges in real estate	Up to \$50 billion
Eliminate corporate deduction of dividends paid to employees with stock options	\$15 billion
Close carried interest loophole	\$10 to \$20 billion
Increase funding to the IRS for audits and tax enforcement	~\$50 billion
Increase certainty with respect to worker classification	\$10 billion
Enact other minor “tax gap” reduction measures	Up to \$10 billion





<b>Increase Capital Gains and Dividends Taxation</b>	
Raise capital gains and dividends rates by 2%	\$70 to \$80 billion
Raise top capital gains and dividends rate to 30%	\$100 billion
Tax all capital gains and dividends as ordinary income, up to revenue-maximizing rates	\$350 billion
End “step-up basis,” require basis of assets be “carried over” after death	\$100 billion
End “step-up basis,” taxing capital gains at death	\$200 to \$250 billion
Tax capital gains at death as ordinary income, up to the top rate to 37%	\$500 billion
Tax capital gains annually on a mark-to-market basis	\$1 to \$2 trillion

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<sup>1</sup> No official estimate is available for this option, and savings would vary substantially based on design

<sup>2</sup> CBO scores restoring CSRs with no savings due to technical reasons, however they would reduce deficits by about \$10 billion per year relative to CBO’s baseline.

<sup>3</sup> All revenue estimates are rough and cover 2020 to 2029, assuming enactment in early 2020. Revenue raised over the 2021-2030 window will differ. All estimates are also relative to current law, and could raise different levels of revenue if the TCJA is either extended or (partially) repealed.