

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

DEC 12 2019

MEMORANDUM

TO: Andrew Grossman

FROM: Thomas A. Barthold



SUBJECT: Revenue Estimate

This memorandum is in response to your inquiry dated December 12, 2019, for an estimate of wage increases as a result of the provisions of H.R. 3.

In CBO's report of H.R. 3 posted on December 10, 2019, they state "Title I would increase revenues by about \$45 billion, primarily because the availability of lower drug prices would reduce the estimated cost of health insurance offered by employers. CBO and JCT estimate that employment-based insurance premiums would decline as a result. Relative to present law, that reduction in premiums would increase revenues because a larger share of total compensation for workers would take the form of taxable wages and salaries."

CBO and JCT estimate that Title I would increase these taxable wages and salaries for people on employment-based health insurance (not counting those in the Federal Employees Health Benefits program) by approximately \$116 billion over the 2020-2029 period. For the purpose of this estimate, we assume that employee total compensation remains the same and that when premiums decrease, wages increase (*i.e.* a "wage pass-back").