



**NEW INCOME AND PAYROLL TAX OFFSETS  
TO CHANGES IN EXCISE TAX REVENUES FOR 2018-2028<sup>1</sup>**

Table 1, below, presents the new income and payroll tax offsets that the staff of the Joint Committee on Taxation (“Joint Committee staff”) will apply in its economic models of proposed changes in Federal excise taxes during the second session of the 115<sup>th</sup> Congress. The Joint Committee staff explained the methodology underlying these estimates in a prior publication.<sup>2</sup>

The new offsets are calculated on a calendar year by year basis. The new income and payroll tax offsets will be applied to excise tax estimates. Generally, these offsets will be applied to calendar year excise tax effects and then fiscalized. With this publication the Joint Committee staff plans to start using these offsets exclusively.

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**Table 1.—Income and Payroll Tax Offsets Under Present Law Baseline 2018 Through 2028**

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<u>Item</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Income and Payroll Excise Tax Offsets .....	0.215	0.217	0.218	0.219	0.220	0.221	0.221	0.222	0.243	0.244	0.244

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As a result of tax changes enacted at the end of 2017 with Pub. L. No. 115-97, estimated income and payroll tax offsets are lower in 2018. The gradual increase in the offset is explained by forecasted income growth, which increases the average marginal individual income tax rate. The increase in 2026 is due to the expiration of certain tax provisions after December 31, 2025. As a result, the estimated income and payroll excise tax offsets return close to the long-time standard offset factor of 25 percent.

The offsets calculated above take into account both the changes in tax rates that have been legislated to occur over the budget window, as well as adjustments to the taxable portion of income consistent with the current Congressional Budget Office macroeconomic forecast.<sup>3</sup>

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *The Income and Payroll Tax Offset to Changes in Excise Tax Revenues for 2018-2028* (JCX-8-18), March 8, 2018. This document can also be found on the Joint Committee website at [www.jct.gov](http://www.jct.gov).

<sup>2</sup> Joint Committee on Taxation, *The Income and Payroll Tax Offset to Changes in Excise Tax Revenues* (JCX-59-11), December 23, 2011.

<sup>3</sup> For the calculation of the taxable amount of income factors the NIPA forecasts are from Congressional Budget Office, and the taxable portions are from the Joint Committee staff individual income tax model. See, Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2018 to 2028*, forthcoming, Washington DC.