



**UPDATED INCOME AND PAYROLL TAX OFFSETS
TO CHANGES IN EXCISE TAX REVENUES FOR 2020-2030¹**

Table 1, below, presents the updated 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 remainder of the second session of the 116th Congress. This update accounts for the COVID-19 related economic downturn by using the July 2020 macroeconomic forecast of the Congressional Budget Office.² The Joint Committee staff explained the methodology underlying these estimates in a prior publication.³

The new offsets are calculated on a calendar 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.

Table 1.—Income and Payroll Tax Offsets Under Present Law Baseline 2020 Through 2030

Item	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income and Payroll Excise Tax Offsets	0.211	0.212	0.215	0.216	0.217	0.218	0.241	0.242	0.242	0.242	0.242

¹ This document may be cited as follows: Joint Committee on Taxation, *New Income and Payroll Tax Offsets to Changes in Excise Tax Revenues for 2020–2030* (JCX-20-20), August 6, 2020. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

² See, Congressional Budget Office, *An Update to the Economic Outlook: 2020 to 2030*, July 2, 2020, Washington DC.

³ Joint Committee on Taxation, *The Income and Payroll Tax Offset to Changes in Excise Tax Revenues* (JCX-59-11), December 23, 2011.

The increase in the magnitude of the offset for years after 2025 is due to the expiration of certain tax provisions after December 31, 2025.⁴ 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 July 2020 Congressional Budget Office macroeconomic forecast.

⁴ For tax provisions after December 31, 2025, see, Joint Committee on Taxation, *List of Expiring Federal Tax Provisions 2020–2029* (JCX-1-20), January 16, 2020.