NEW INCOME AND PAYROLL TAX OFFSETS TO CHANGES IN EXCISE TAX REVENUES FOR 2016-2026

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 114th Congress. The Joint Committee staff explained the methodology underlying these estimates in a prior publication.2

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.

Table 1. Income and Payroll Tax Offsets Under Present Law Baseline 2016 Through 2026

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<tbody>
<tr>
<td>Income and Payroll Excise Tax Offsets</td>
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The estimated income and payroll excise tax offsets are close to the long-time standard offset factor of 25 percent. This is because many tax reductions enacted in 2001 and 2003 were permanently extended with the American Taxpayer Relief Act of 2012. The gradual increase in the offset is explained by forecasted income growth, which increases the average marginal individual income tax rate.

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 2016-2026 (JCX-7-16), February 17, 2016. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

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 (the “CBO”) macroeconomic forecast.³

³ For the calculation of the taxable amount of income factors the NIPA forecasts are from CBO, 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 2016 to 2026, January 2016, Washington, D.C., http://www.cbo.gov/publication/51129.