Table T17-0196
Net Revenue Effects of Guaranteed Retirement Account with $207 Credit
Baseline: Current Law
Impact on Tax Revenue, 2018-27 [1]

Line Item	Fiscal Year										
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2018-2027**
A. Net Revenue Effects from Contributions Made in Current Year											
Federal income tax	9.3	12.0	11.9	11.8	11.5	11.4	11.1	10.9	10.9	10.7	111.3
Payroll tax	-4.5	-6.1	-6.3	-6.6	-6.8	-7.1	-7.3	-7.6	-7.9	-8.2	-68.5
Others [2]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.6
B. Net Revenue Effects from Contributions Made in Prior Years											
Federal income tax [3]	0.0	-0.6	-1.5	-2.5	-3.5	-4.6	-5.7	-7.0	-8.2	-9.5	-43.1
Total Net Revenue Effects	**4.9**	**5.3**	**4.1**	**2.8**	**1.2**	**-0.2**	**-2.0**	**-3.7**	**-5.2**	**-6.9**	**0.3**

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).
Notes:
(1) Fiscal years. Baseline is current law. The proposal would repeal Retirement Savings Contributions Credit, exclusion from income tax of elective contributions to employees' defined contribution plans, and income tax deduction based on contributions to self-employed defined contribution plans and Individual Retirement Accounts (IRAs). The proposal would mandate contributions to a Guaranteed Retirement Account (GRA) for any employee or self-employed without a defined benefit pension plan. The mandate would require earners to contribute 1.5% of their combined earnings and self-employment income up to $3,750. In addition, their employers must contribute 1.5% of employees' earnings up to $3,750 when earnings are at least $20,000; otherwise, the required employer contribution would be the smaller between 2% of earnings and $300. Individuals with self-employment income must make contributions on their own behalf in lieu of employers under the same rule. All GRA employer contributions would be exempt from income and payroll tax. Participants would be eligible for a refundable tax credit which is the smaller between the credit limit and their GRA employee contributions. The GRA employee contributions not qualified for the tax credit would be deductible for income tax purpose. The proposal would allow individuals and their employers to contribute more than the GRA contribution limits, but the combined GRA and non-GRA contributions must not exceed relevant (defined contributions pension or IRA) contribution limits. GRA employer contributions for employees would be exempt from income and payroll tax, but only exempt from only income tax for self-employed. Investment returns from all GRA contributions and non-GRA employer contributions would be exempt from income tax but withdrawals of principals and accumulated earnings would be taxable. In contrast, non-GRA elective contributions would be taxable and treated as tax-deferred contributions, i.e. investment returns accumulated tax-free but taxable upon withdrawals while withdrawals of principals would be tax exempt. Retirement savings made prior to the proposal's effective date would be governed by the current law. The proposal would be effective for new contributions beginning on 1/1/2018. The credit amount under this proposal would be $207. The tax parameters stated above are in 2016 dollars and would be indexed by CPI-U. Estimates are in billions of dollars.
(2) These estimates include changes in consumption taxes, excise taxes and penalties. Primarily, changes in income tax deduction and exclusion under the proposal would affect Adjusted Gross Income and in turn Individual Mandate Penalty under the Affordable Care Act.
(3) These off-model estimates capture impacts on federal income tax revenues from changes in contribution amounts made in previous years and changes in their tax treatment. In particular, there would generally be a net loss in future tax revenues when tax-deferred contributions were made under the proposal in lieu of traditional-account contributions made under the current law. In contrast, there would generally be a net gain in future tax revenues when tax-deferred contributions were made under the proposal in lieu of ROTH contributions. The estimates also include estimated changes in future tax revenues due to changes in individuals' contributions to taxable accounts under the assumption that individuals would decrease their taxable savings equal to the amount mandated to save without tax credit under the GRA program.