

Table T22-0163R
Modify Business Tax Provisions Enacted by the 2017 Tax Act, Make Child Tax Credit (CTC) Fully Refundable, and
Extend Expansion of Earned Income Tax Credit (EITC) for Workers without Qualifying Children Enacted by ARP
Baseline: Current Law¹
Impact on Tax Revenue (billions of current dollars), 2023-42 Fiscal Years

Proposal	Fiscal Years											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-32	2033-42
Make child tax credit (CTC) fully refundable ²	-16.8	-12.9	-12.5	-10.5	-3.4	-3.2	-3.1	-3.0	-2.9	-2.8	-71.1	-24.4
Extend expansion of EITC for workers without qualifying children enacted by American Rescue Plan (ARP) ³	-13.2	-12.1	-12.9	-13.4	-13.6	-13.7	-13.9	-14.1	-14.2	-14.3	-135.4	-153.8
Repeal amortization of research and experimental (R&E) expenditures ⁴	-53.3	-25.2	-19.0	-12.5	-7.9	-6.7	-6.8	-7.0	-7.2	-7.5	-153.2	-92.5
Extend limitation of interest deductions to 30 percent of EBITDA ⁵	-12.7	-6.8	-7.1	-7.3	-7.6	-7.9	-8.2	-8.5	-8.8	-9.2	-84.1	-112.5
Make 100 percent bonus depreciation permanent ⁶	-9.4	-19.7	-27.6	-33.8	-38.4	-33.1	-26.9	-22.8	-20.1	-18.4	-250.3	-153.8
Total for all provisions	-105.4	-76.7	-79.1	-77.5	-70.9	-64.6	-58.9	-55.4	-53.2	-52.2	-694.1	-537.0

Sources: Urban-Brookings Tax Policy Center (TPC) Microsimulation Model (version 0722-2); TPC depreciation model; Joint Committee on Taxation (JCT) revenue estimates available in supplemental data to Congressional Budget Office's (CBO) May 2022 report, The Budget and Economic Outlook: 2022 to 2032; and TPC calculations.

(1) Initial baseline is the law currently in place for each year at the time of estimation. Numbers might not add due to rounding.

(2) Proposal would make the CTC fully refundable regardless of earnings or individual income tax liability, retroactive to 01/01/2022.

(3) Proposal would increase the phase-in and phase-out rates to 15.3 percent; increase the end of the phase-in range to \$9,820, indexed for inflation after 2021; increase the start of the phase-out range to \$11,610 (\$17,550 for married couples filing jointly), indexed for inflation after 2021; and modify age requirements. Proposal is retroactive to 01/01/2022.

(4) R&E expenditures were allowed to be expensed through 2021. Beginning in 2022, businesses are required to capitalize and amortize R&E expenditures over a five-year period. Proposal would repeal capitalization, retroactive to 01/01/2022. The estimate through fiscal year 2032 is from JCT, available in CBO's May 2022 report, The Budget and Economic Outlook: 2022 to 2032. Estimates for 2033-42 are TPC calculations.

(5) The TCJA limited interest deductions to 30 percent of EBITDA (earnings before interest, taxes, depreciation and amortization) through 2021. Beginning in 2022, interest deductions are further limited to 30 percent of EBIT (earnings before interest and taxes), a narrower definition of income. Proposal would extend the 30 percent of EBITDA limitation, retroactive to 01/01/2022.

(6) Under current law, 100 percent bonus depreciation is set to phase out by 20 percent each year beginning in 2023. The proposal would make 100 percent bonus depreciation permanent. This estimate is derived using the TPC depreciation model, with the total revenue change through fiscal year 2032 calibrated to match the JCT estimate in CBO's May 2022 report, The Budget and Economic Outlook: 2022 to 2032. Estimates for 2033-42 are TPC calculations, adjusted to be consistent with the estimates for the first ten years.