CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

June 12, 2025

Honorable Brendan F. Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Honorable Hakeem Jeffries
Democratic Leader
U.S. House of Representatives
Washington, DC 20515

Re: Distributional Effects of H.R. 1, the One Big Beautiful Bill Act

Dear Ranking Member Boyle and Leader Jeffries:

This letter responds to your request for an analysis of the distributional effects of H.R. 1, the One Big Beautiful Bill Act, and updates the preliminary analysis the Congressional Budget Office provided in the letter dated May 20, 2025.

CBO and the staff of the Joint Committee on Taxation (JCT) recently estimated the budgetary and distributional effects of H.R. 1 as passed on May 22, 2025.[1] On the basis of those estimates, CBO allocated the effects on revenues and spending to households. The agency also allocated to households the effects of states' estimated responses to changes to health programs—primarily Medicaid—and the Supplemental Nutrition Assistance Program (SNAP).[2]

CBO estimates that if the legislation was enacted, U.S. households, on average, would see an increase in the resources available to them over the 2026–2034 period. The changes would not be evenly distributed among households. The agency estimates that in general, resources would decrease for households

[1] Congressional Budget Office, Estimated Budgetary Effects of H.R. 1, the One Big Beautiful Bill Act (June 4, 2025), www.cbo.gov/publication/61461; and Joint Committee on Taxation, *Estimated Revenue Effects of Tax Provisions to Provide For Reconciliation of the Fiscal Year 2025 Budget as Passed by the House of Representatives on May 22, 2025*, JCX-26-25R (June 2025), www.jct.gov/publications/2025/jcx-26-25r/. For more information about the budget reconciliation process and the cost estimates of the legislation, see Congressional Budget Office, "Reconciliation" (accessed June 10, 2025), www.cbo.gov/topics/budget/reconciliation.

[2] For more information about how CBO incorporates state responses into its estimates of certain changes to Medicaid, see Congressional Budget Office, letter to the Honorable Ron Wyden and the Honorable Frank Pallone, Jr. providing estimates for Medicaid policy options and state responses (May 7, 2025), www.cbo.gov/publication/61377.

toward the bottom of the income distribution, whereas resources would increase for households in the middle and top of the income distribution.

This analysis includes most, but not all, provisions of H.R. 1. The distributional analysis of changes to taxes and tax-related outlays is based on analysis done by JCT. Therefore, the analysis in this letter excludes any tax provisions not allocated in JCT's distributional analysis of H.R. 1.[3] Also, CBO's analysis does not reflect the effects of the additional debt-service costs or the macroeconomic effects of the bill.

CBO estimates that the budgetary effects of the legislation would affect household resources through four channels over the 2026–2034 period:

- **Federal taxes and cash transfers** would increase household resources by $3.1 trillion, on net (in 2025 dollars). In particular, changes to federal tax provisions, especially extensions of provisions of the 2017 tax act and reductions in subsidies for health insurance under the Affordable Care Act, would affect household resources. Changes to student loan programs would also affect those resources.

- **Federal and state in-kind benefits** would decrease household resources by $1.0 trillion, primarily because federal spending on benefits provided through Medicaid and SNAP would be lower. Changes to program benefits that states made in response to changes in federal policy would also reduce household resources.

- **States' fiscal responses** would increase household resources by $10 billion, on net. Those responses consist of the tax and spending changes implemented by states in response to changes to their fiscal position. In CBO's assessment, Medicaid eligibility changes under the legislation would reduce states' spending on Medicaid benefits.[4] Those decreases would be largely offset by the new matching requirements for SNAP, which would increase state spending. In CBO's analysis, states,

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[3] Joint Committee on Taxation, *Distribution of the Estimated Revenue Effects of the Tax Provisions to Provide for Reconciliation of the Fiscal Year 2025 Budget as Passed by the House of Representatives on May 22, 2025*, JCX-27-25 (June 2025), www.jct.gov/publications/2025/jcx-27-25. The largest provisions excluded from JCT's analysis are the permanent extension of increased estate and gift tax exemptions (a revenue decrease of about $200 billion over the 2026–2034 period); the termination of clean energy credits, including credits for commercial and consumer clean vehicles, residential clean energy, and energy-efficient home improvements (a revenue increase of about $175 billion); and the elimination of taxes on car loan interest (a revenue decrease of about $50 billion).

[4] Rather than modeling separate responses for each state, CBO estimated states' fiscal responses in the aggregate, accounting for a range of possible outcomes.

in the aggregate, would use the resulting overall reduction in benefit spending to increase spending in other areas and to reduce taxes, both of which would increase household resources.

- **Other spending and revenues** would increase household resources by $129 billion, on net. The spending and revenues in this category were allocated as if they were public goods. This category includes federal spending on defense, border security, and infrastructure. Those outlays are partially offset by reductions in federal pensions, receipts from spectrum auctions, and changes in receipts and outlays associated with changes to emissions regulations.

Estimated Effects

CBO estimates that, on average, household resources would increase over the 2026–2034 period, mainly because of reductions in how much households owed in federal taxes. The effects on household resources would vary by channel and across the income distribution.

Resources for households in the lowest decile of the income distribution would decrease by about $1,600 per year (in 2025 dollars) compared with their projected income in CBO's baseline projections (see Figure 1).[5] That amounts to 3.9 percent of their income (see Figure 2). Those projected decreases are mainly attributable to reductions in in-kind transfers, such as Medicaid and SNAP.

Households in the fifth and sixth deciles (that is, in the middle of the income distribution) would see their resources increase by $500 (or 0.5 percent of projected income) and $1,000 (or 0.8 percent of projected income), respectively.

Resources would increase, on average, over the projection period by about $12,000 for households in the highest decile, amounting to 2.3 percent of their projected income. Those projected increases are mainly attributable to reductions in the taxes households in that decile owe.

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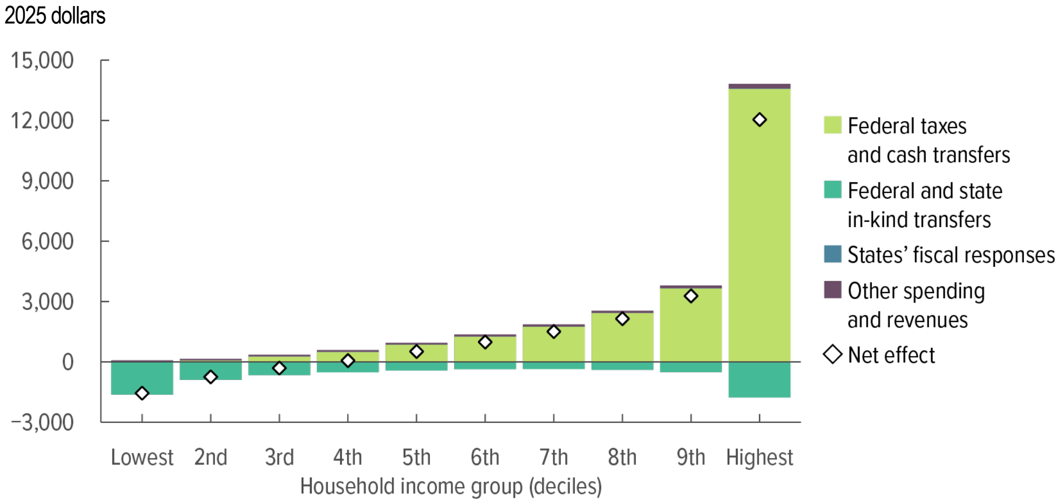
[5] The deciles are constructed by ranking households on the basis of income after transfers and taxes, adjusted for household size. For details about how CBO produces those deciles, as well as the data the agency uses and how it produces an income distribution for future years, see Bilal Habib and Rebecca Heller, *Current Work on the Distributional Effects of Policy Changes*, Working Paper 2022-09 (Congressional Budget Office, December 2022), www.cbo.gov/publication/58508. Amounts are expressed in 2025 dollars, adjusted using the price index for personal consumption expenditures.

Figure 1.

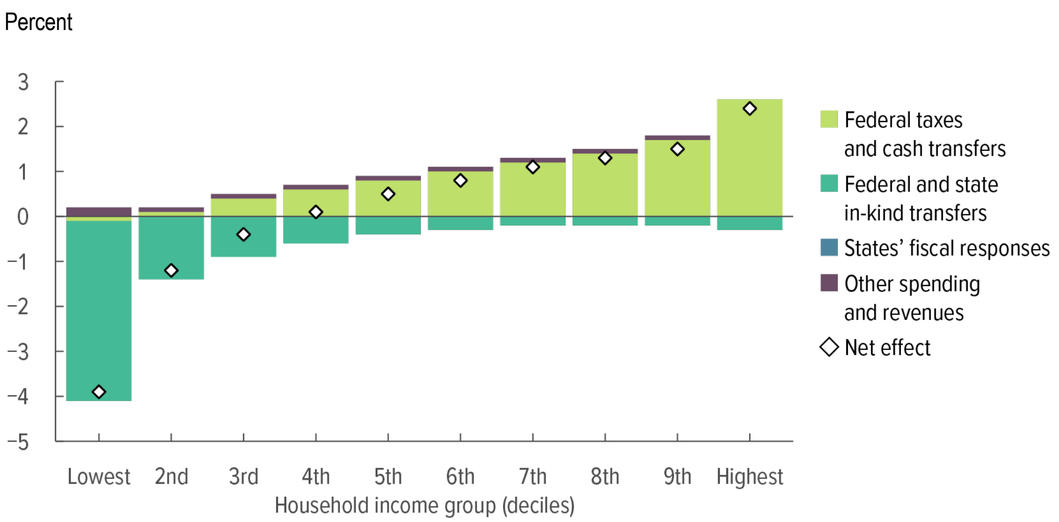
Average Annual Change in Resources per Household, 2026 to 2034



Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/61387#data.

Figure 2.

Average Annual Change in Household Resources as a Percentage of Current Law Income After Transfers and Taxes, 2026 to 2034



Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/61387#data.

Those estimates reflect the average distributional effects over the 2026–2034 period. The distributional effects would vary throughout that period as different components of the legislation were phased in and out.

CBO's analysis combined the four channels (described above) through which household resources would be affected. Each channel is allocated to households in different ways and would affect households differently. For example, both reductions in taxes and increases in border security spending would have a positive effect on household resources in this analysis, but the ways in which households would benefit from them differ.

Basis of the Estimates

For this analysis, changes in taxes were based on JCT's estimates. Changes to Medicaid were allocated in part to program participants because they would be affected by program changes, such as those to eligibility rules.[6] Changes were also partially allocated to healthcare providers and insurers, whose revenue would be reduced.[7] Changes to SNAP were allocated to program participants. Changes to student loan programs were allocated to borrowers on the basis of their current income, although student loan policy is typically made with a view toward students' income over their lifetime.[8]

The distributional estimates also reflect the effects of states' responses to federal policy. CBO accounted for state spending on Medicaid and SNAP

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[6] Medicaid eligibility changes would affect low-income households in two main ways: through their effects on able-bodied adults without dependents who would be required to work and through their effects on certain groups of immigrants.

[7] CBO's allocation of changes in Medicaid spending corresponds to the effects of different provisions on quantities of care and reimbursements to providers, accounting for changes in uncompensated care. Reductions in beneficiaries' resources account for 44 percent of the changes, CBO estimates. The remaining 56 percent of the changes are accounted for by reductions in the resources of people owning and working for health care providers and insurers. (About 70 percent of those reductions were allocated to labor income and 30 percent to capital income on the basis of the income shares in those sectors.) For more information, see Pengju Zhang and Ling Zhu, "Does the ACA Medicaid Expansion Affect Hospitals' Financial Performance?" *Public Finance Review*, vol. 49, no. 6 (November 2021), pp. 779–814, https://doi.org/10.1177/10911421211064676; Amy Finkelstein, Nathaniel Hendren, and Erzo F. P. Luttmer, "The Value of Medicaid: Interpreting Results From the Oregon Health Insurance Experiment," *Journal of Political Economy*, vol. 127, no. 6 (December 2019), pp. 2836–2874, https://doi.org/10.1086/702238; and Craig Garthwaite, Tal Gross, and Matthew J. Notowidigdo, "Hospitals as Insurers of Last Resort," *American Economic Journal: Applied Economics,* vol. 10, no. 1 (January 2018), pp. 1–39, https://dx.doi.org/10.1257/app.20150581.

[8] As required by the Federal Credit Reform Act of 1990, the budgetary effects of the federal student loan program are estimated on a net-present-value basis. (A present value is a single number that expresses a flow of current and future payments or receipts in terms of an equivalent lump sum paid or received at a specific time.) By contrast, the distributional effects of changes to that program are computed on a cash-flow basis—that is, the resources available to households in a given year that are attributable to the policy change. Because of that discrepancy, the total resource cost allocated to households does not match the budgetary effect reported by CBO.

stemming from H.R. 1 as well as for changes in taxes and other spending implemented by states in response to the effects of H.R. 1 on their budgets.[9]

All other changes were allocated as if they were public goods—that is, they were allocated equally in proportion to each household's share of the population and its share of total income.[10]

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by JCT are the official estimates for all tax legislation considered by the Congress. Therefore, CBO incorporates those estimates into its cost estimates of the effects of legislation. JCT has also evaluated the distributional effects of the estimated changes in taxes and tax-related outlays. CBO incorporated JCT's estimates in the results reported above.

I hope this information is useful to you. Please contact me if you have further questions.

Sincerely,

Phillip L. Swagel
Director

cc: Honorable Jodey Arrington
Chairman
House Committee on the Budget

Honorable Mike Johnson
Speaker
U.S. House of Representatives

[9] For more details about CBO's estimates of the budgetary effects of changes to the Supplemental Nutrition Assistance Program, see Congressional Budget Office, letter to the Honorable Amy Klobuchar and the Honorable Angie Craig providing information on the potential effects on the Supplemental Nutrition Assistance Program of Reconciliation Recommendations Pursuant to H. Con. Res. 14, as Ordered Reported by the House Committee on Agriculture on May 12, 2025, (May 22, 2025), www.cbo.gov/publication/61426.

[10] For a discussion of those methods, see Congressional Budget Office, *The Distribution of Federal Spending and Taxes in 2006* (November 2013), www.cbo.gov/publication/44698.