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

Phillip L. Swagel, Director

May 20, 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: Preliminary Analysis of the Distributional Effects of the One Big Beautiful Bill Act

Dear Congressman Boyle and Leader Jeffries:

This letter responds to your request for an analysis of the distributional effects of the 2025 reconciliation bill. The Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) have recently estimated the budgetary effects of the One Big Beautiful Bill Act, as ordered reported by the House Committee on the Budget on May 18, 2025.[1] 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 Medicaid and the Supplemental Nutrition Assistance Program (SNAP). This is a preliminary analysis and will be updated if practicable.

CBO estimates that if the legislation was enacted, U.S. households, on average, would see an increase in the resources provided to them by the government 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 in the lowest decile (tenth) of the

[1] Congressional Budget Office, Estimated Budgetary Effects of a Bill to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, the One Big Beautiful Bill Act (May 20, 2025), http://www.cbo.gov/publication/61420. For more information on the budget reconciliation process and the cost estimates of the legislation, see Congressional Budget Office, "Reconciliation" (accessed May 20, 2025), www.cbo.gov/topics/budget/reconciliation.

income distribution, whereas resources would increase for households in the highest decile.

This analysis includes most, but not all, provisions of the bill. The analysis excludes the effects of part 2 of subtitle D (Affordable Care Act) of the reconciliation recommendations of the Committee on Energy and Commerce, all the recommendations of the Committee on Education and Workforce, and any provisions not allocated in JCT staff's distributional analysis of the recommendations of the Committee on Ways and Means.[2] It also excludes interactions between the titles of the recommendations.

The total effects reported in this analysis for the 2026–2034 period include the following:

- An increase in the federal deficit of $3.8 trillion attributable to tax changes, including extending provisions of the 2017 tax act, which includes revenues and outlays for refundable credits.

- $698 billion less in federal subsidies from changes to the Medicaid program.

- $267 billion less in federal spending for SNAP.

- $64 billion less in spending, on net, for all other purposes. That includes increases in outlays for defense, immigration enforcement, and homeland security. Those are offset by reductions in federal pensions, receipts from spectrum auctions, and changes in receipts and outlays associated with changes to emissions regulations.

- $78 billion in additional state spending, on net, accounting for changes in state contributions to SNAP and Medicaid and for state tax and spending policies necessary to finance additional spending.

CBO estimates that the budgetary effects of the legislation would affect household resources via several channels, or categories:

- **Federal Taxes and Cash Transfers.** Household resources would mainly be affected by changes to tax policy, especially extensions of

---

[2] Staff of the Joint Committee on Taxation, *Distribution Of The Estimated Revenue Effects Of The Tax Provisions Of The Chairman's Amendment In The Nature Of A Substitute To The Budget Reconciliation Legislative Recommendations Related to Tax*, JCX-23-25 (May 2025), www.jct.gov/publications/2025/jcx-23-25/.

provisions of the 2017 tax act and reductions in subsidies for health insurance under the Affordable Care Act.

- **Federal and State In-Kind Benefits.** Household resources would primarily be affected by decreases in federal spending on benefits provided through Medicaid and SNAP. (The category also includes changes in state spending on those programs in response to this legislation.)

- **State Financing.** Potential tax and spending changes by states to finance state contributions to in-kind benefits would affect household resources. An area of ongoing analysis involves CBO's expectations of the states' responses to changes in federal funding.

- **Other Spending and Revenue.** All outlays other than transfers are allocated as if they were public goods.

Estimated Effects

CBO estimates that household resources would decrease by an amount equal to about 2 percent of income in the lowest decile (tenth) of the income distribution in 2027 and 4 percent in 2033, mainly as a result of losses of in-kind transfers, such as Medicaid and SNAP (see the figure).[3] By contrast, resources would increase by an amount equal to 4 percent for households in the highest decile in 2027 and 2 percent in 2033, mainly because of reductions in they taxes they owe. The distributional effects vary throughout the 10-year projection period as different components of the legislation are phased in and out.

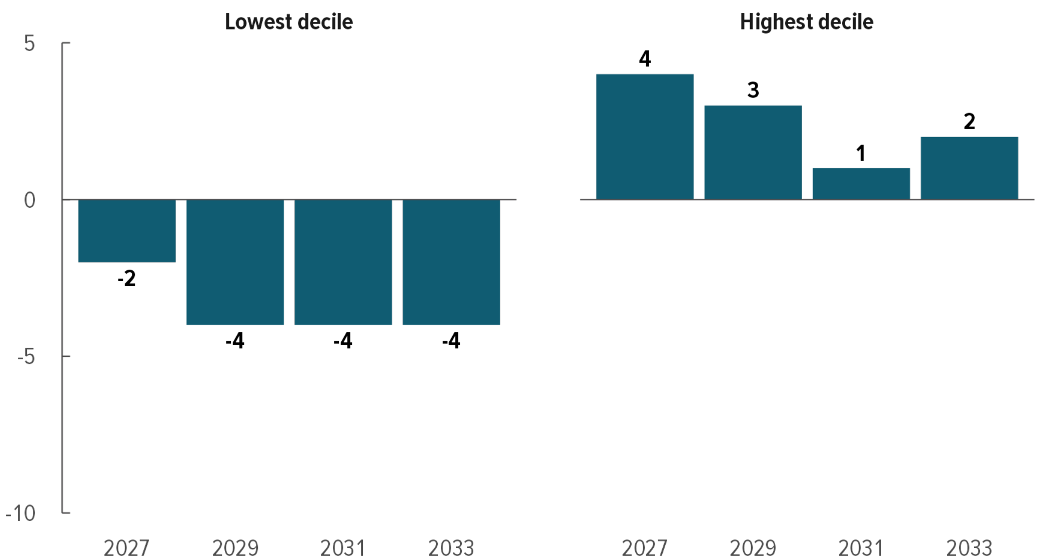
The analysis combines the four channels through which household resources would be affected. Each of those channels is allocated to households in different ways and with different levels of uncertainty. Therefore, caution should be taken when interpreting their combined effects. The estimates reported in this letter are preliminary and have been rounded to the nearest percentage point.

[3] 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.

Figure.

Change in Household Resources as a Percentage of Income Under Current Law for the Lowest and Highest Income Deciles, Selected Years

Percent



Data source: Congressional Budget Office.

Basis of the Estimates

For this analysis, changes in taxes are based on estimates done by JCT staff. Changes to Medicaid were allocated to program participants (who would lose benefits) and to healthcare providers (who would provide care at lower costs to people without publicly subsidized health care and who would thus lose income).[4] Changes to SNAP were allocated to program participants. All other changes were allocated as if they were public goods—that is, equally in proportion to each household's share of the population and its share of total income.[5]

The distributional estimates also reflect the effects of states' responses to federal policy. For SNAP in particular, CBO accounted both for increases

---

[4] For more information about the effects of changes to Medicaid, see 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.

[5] 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.

in spending on benefits resulting from matching requirements under the legislation and for decreases to household income attributable to the tax and spending mechanisms used by states to finance those additional payments.[6]

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by JCT staff 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 staff have also evaluated the distributional effects of the estimated changes in taxes and tax-related outlays.[7] CBO incorporated JCT staff'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

[6] For more information about how CBO incorporates state responses into its estimates, 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.

[7] Staff of the Joint Committee on Taxation, *Distribution Of The Estimated Revenue Effects Of The Tax Provisions Of The Chairman's Amendment In The Nature Of A Substitute To The Budget Reconciliation Legislative Recommendations Related to Tax*, JCX-23-25 (May 2025), http://www.jct.gov/publications/2025/jcx-23-25/.