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Congress of the United States

JOINT COMMITTEE ON TAXATION
502 FORD HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
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April 9, 2020

Honorable Sheldon Whitehouse
United States Senate
SH- 530
Washington, D.C. 20510

Honorable Lloyd Doggett
U.S. House of Representatives
2307 Rayburn House Office Building
Washington, D.C. 20515

Dear Senator Whitehouse and Mr. Doggett:

This is in partial response to your request dated April 7, 2020, for information about the distributional effects of the temporary suspension of the limitation on excess business losses for taxpayers other than corporations for taxable years beginning in 2018, 2019, and 2020. The table below is consistent with the revenue estimate provided for the CARES Act, to which you referred. The table shows the distributional effects for 2020, the year in which the liability change is the greatest because assumed losses are the greatest. The revenue estimate assumes that business losses of individuals will be much higher in 2020 than would have been assumed at the start of this year. However, we did not assume that the increase in losses would fall disproportionately on certain industries or on certain business entities based on the size of those business entities. There is, of course, a great deal of uncertainty about the economic effects of the COVID-19 pandemic, and how those economic effects will translate into business losses for individuals. The revenue estimate represents our best effort to give Congress useful information about the potential scale of revenue changes associated with this provision.

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 Honorable Lloyd Doggett

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| INCOME CATEGORY (1) | Calendar Year 2020 | | |
|------------------------------------------------------------------------------|----------------------|----------------------------|------------------------|
| | Number of Returns | Change in Tax Liability | Percent of Total |
| | Thousands | \$Billions | |
| Less than \$10,000..... | 1 | -0.1 | 0.1% |
| \$10,000 to \$20,000..... | 1 | -0.2 | 0.2% |
| \$20,000 to \$30,000..... | 2 | -0.2 | 0.3% |
| \$30,000 to \$40,000..... | 2 | -0.2 | 0.3% |
| \$40,000 to \$50,000..... | 3 | -0.3 | 0.3% |
| \$50,000 to \$75,000..... | 6 | -0.7 | 0.8% |
| \$75,000 to \$100,000..... | 9 | -0.6 | 0.7% |
| \$100,000 to \$200,000..... | 21 | -2.2 | 2.6% |
| \$200,000 to \$500,000..... | 25 | -5.2 | 6.0% |
| \$500,000 to \$1,000,000..... | 19 | -6.1 | 7.1% |
| \$1,000,000 and over..... | 43 | -70.3 | 81.8% |
| Total, All Individual Taxpayers with Business Income or Loss..... | 130 | -\$86.0 | 100.0% |

Source: Joint Committee on Taxation

 Details may not add to total due to rounding.

The income concept used to place tax returns into income categories is adjusted gross income (“AGI” plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] workers’ compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2020 levels.

Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

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I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,



Thomas A. Barthold