



How Does Microeconomic Feedback Affect Our Revenue Scores?

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Key Takeaways

1

Under the Full Extension scenario, positive employment gains modestly increase revenues over the budget window. Effects under Partial Extension are nearly identical to those of Full Extension.

2

Employment losses, caused by work disincentives related to the design of the CTC, reduce revenues under Clausing-Sarin in the near term. As children age into the workforce, though, these negative effects are outweighed by productivity gains.

Relative to conventional scores, how does incorporating microeconomic responses affect our budget estimates? The table below presents the revenue change attributable to these types of behavioral feedback by scenario.

Indirect Budget Effects Due to Microeconomic Feedback, FY2025-2054

Billions of dollars

Scenario	Budget window	Second decade	Third decade
Full Extension	11	18	42
Partial Extension	11	19	43
Clausing-Sarin	-6	-2	35

Source: [The Budget Lab](#) • Created with [Datawrapper](#)

- Under the Full Extension scenario, positive employment gains modestly increase revenues over the budget window. Children exposed to the larger CTC enter the workforce in the second and third decade, further boosting income and payroll tax revenues.
- Effects under Partial Extension are nearly identical to those of Full Extension, given design similarities.
- Employment losses, caused by work disincentives related to the design of the CTC, reduce revenues under Clausing-Sarin in the near term. As children age into the workforce, though, these negative effects are outweighed by productivity gains.

Overall, revenue feedback in each scenario is small (in the tens of billions of dollars) in comparison to the direct budgetary effects (several trillions of dollars). In other words, for this set of reforms, over this time frame, the conventional revenue estimate is a suitable approximation for the partially dynamic estimate.