



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 22, 2005

S. 256

Bankruptcy Abuse Prevention and Consumer Protection Act of 2005

*As cleared by the Congress on April 14, 2005,
and enacted as Public Law 109-8 on April 20, 2005*

SUMMARY

S. 256 makes various changes to bankruptcy law, establishes means-testing for determining eligibility for chapter 7 bankruptcy, increases filing fees for both chapter 7 and chapter 11 relief, and authorizes 28 new temporary judgeships and extends 4 existing judgeships. CBO estimates that the mandatory pay and benefits for the additional judgeships and extensions will cost \$26 million over the next five years and \$45 million over the 2006-2015 period. In addition, CBO estimates that implementing S. 256 will increase revenues by about \$60 million over the 2006-2010 period and by about \$140 million over the 2006-2015 period primarily because of provisions that temporarily amend the Treasury's allocation of bankruptcy filing fees. (The legislation will also affect spending subject to appropriation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting S. 256 increases direct spending by about \$45 million over the 2006-2015 period and increases revenues by approximately \$140 million over the 2006-2015 period as shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

ESTIMATED CHANGES IN DIRECT SPENDING AND REVENUES UNDER S. 256

By Fiscal Year, in Millions of Dollars

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------|------|------|------|------|------|------|------|------|------|------|
|--|------|------|------|------|------|------|------|------|------|------|------|

CHANGES IN DIRECT SPENDING

| | | | | | | | | | | | |
|--------------------------------------|---|---|---|---|---|---|---|---|---|---|---|
| Additional Judgeships (Section 1223) | | | | | | | | | | | |
| Estimated Budget Authority | * | 3 | 6 | 6 | 6 | 6 | 6 | 5 | 3 | 3 | 2 |
| Estimated Outlays | * | 3 | 5 | 6 | 6 | 6 | 6 | 5 | 3 | 3 | 2 |

CHANGES IN REVENUES

| | | | | | | | | | | | |
|-------------------------------------|---|----|-----|----|----|----|----|----|----|----|----|
| Changes in Revenue from Filing Fees | | | | | | | | | | | |
| Estimated Revenues | 0 | -6 | -12 | 30 | 24 | 24 | 16 | 16 | 16 | 16 | 16 |

NOTE: * = less than \$500,000.

BASIS OF ESTIMATE**Additional Judgeships (Section 1223)**

Section 128 authorizes 28 new temporary bankruptcy judgeships and extends four existing temporary judgeships. CBO estimates that the mandatory costs associated with the salaries and benefits of those additional judgeships will be less than \$100,000 in fiscal year 2005, about \$26 million over the 2006-2010 period, and about \$45 million over the 2006-2015 period.

Changes in Bankruptcy Filing Fees (Sections 102, 325, and 418)

Section 325 increases the fees charged for filing bankruptcy cases and changes the classification of where bankruptcy filing fees are recorded in the budget.

During the first five years of the new fee structure in S. 256, the increase in the chapter 7, chapter 11, and chapter 13 filing fees above the amounts expected to be collected under prior law will be recorded as revenues. During the first two years after enactment of S. 256, however, the portion of the fees charged under prior law for chapters 7, 11, and 13 that were to be recorded as revenues will be recorded as offsetting collections (a credit against discretionary spending) or offsetting receipts (a credit against direct spending) under S. 256.

Two years following enactment of S. 256, the allocation of those fees will return to the same allocation as under prior law. In sum, CBO estimates that S. 256 will increase revenues by about \$60 million over the 2006-2010 period and by about \$140 million over the 2006-2015 period. (The change in offsetting receipts will be matched by additional spending, resulting in no net change in direct spending.)

Tax Provisions (Title VII)

Title VII of S. 256 alters several provisions related to tax claims. It alters the treatment of certain tax liens, disallows the discharge of taxes resulting from fraudulent tax returns under chapter 11 or chapter 13 of the bankruptcy code, requires periodic cash payments of priority tax claims, and specifies the rate of interest on tax claims. Title VII also changes the status of assessment periods for tax claims and alters various administrative requirements. Based on information from the Internal Revenue Service and the Joint Committee on Taxation, CBO estimates that these provisions will increase revenues, but that any increase will be negligible.

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