Congressional Budget Office
Dynamic Estimate

June 17, 2025

H.R. 1, One Big Beautiful Bill Act

As passed by the House of Representatives on May 22, 2025

By Fiscal Year, Billions of Dollars	2025	2025-2029	2025-2034
Direct Spending (Outlays)	-197	-176	-774
Revenues	-96	-2,094	-3,546
Increase or Decrease (-) in the Deficit	-101	1,918	2,773

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	n.a.
		Mandate Effects	
		Contains intergovernmental mandate?	n.a.
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	> $5 billion	Contains private-sector mandate?	n.a.

n.a. = not applicable.

This dynamic estimate supplements the cost estimates for H.R. 1 transmitted by CBO on June 4, 2025. Under House Rule XIII(8), H.R. 1 is considered major legislation. That rule requires cost estimates, to the extent practicable, to account for the budgetary effects of economic changes resulting from major legislation. This dynamic estimate accounts for those effects.

The Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) previously reported that H.R. 1, the One Big Beautiful Bill Act, as passed by the House of Representatives on May 22, would increase the primary deficit by $2.4 trillion over the 2025-2034 period.[1] That estimate reflects a $3.7 trillion reduction in revenues and a $1.3 trillion reduction in noninterest outlays.[2] It does not account for how the bill would affect the economy.

Under House Rule XIII(8), H.R. 1 is classified as major legislation and CBO and JCT are required, to the extent practicable, to account for the budgetary effects of changes in the

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. Those estimates reflect most behavioral responses to the policies but not those behavioral responses that would affect the size of the economy. For more information about the budget reconciliation process and the cost estimates of the legislation, see Congressional Budget Office, “Reconciliation” (accessed June 16, 2025), www.cbo.gov/topics/budget/reconciliation.
2. JCT’s estimate that the tax provisions included in H.R. 1 would have a revenue effect of -$3.8 trillion includes some changes that are labeled as revenue effects in their estimate that would be reflected as outlays in the federal budget.

economy resulting from the bill. CBO and JCT have now had time to complete that analysis and estimate the following relative to CBO's January 2025 baseline:

- The economic effects of H.R. 1 would decrease the primary deficit by $85 billion over the 2025-2034 period, primarily reflecting an increase in economic output; and
- The bill would increase interest rates, which would boost interest payments on the baseline projection of federal debt by $441 billion.

Accounting for those budgetary effects, CBO's estimate under House Rule XIII(8) is that H.R. 1 would increase deficits by $2.8 trillion over the 2025-2034 period (see Table 1).

Table 1.
Estimated Revenues, Noninterest Outlays, and Net Interest Costs Under H.R. 1

	By Fiscal Year, Billions of Dollars		
	2025-2029	2030-2034	2025-2034
Conventional Estimate			
Revenues	-2,129	-1,541	-3,670
Noninterest Outlays	-373	-881	-1,254
Increase in the Primary Deficit	1,756	660	2,416
Budgetary Feedback From Macroeconomic Effects Under House Rule XIII(8)			
Revenues	35	88	124
Noninterest Outlays	-2	41	39
Decrease (-) in the Primary Deficit	-37	-47	-85
Net Interest Costs[a]	199	242	441
Increase in the Deficit	161	195	356
Dynamic Estimate Under House Rule XIII(8)			
Revenues	-2,094	-1,452	-3,546
Noninterest Outlays	-375	-840	-1,215
Increase in the Primary Deficit	1,719	613	2,332
Net Interest Costs[a]	199	242	441
Increase in the Deficit	1,918	855	2,773

Memorandum: Increase in Debt Held by the Public[b]	End of 2029	End of 2034
Percentage of Gross Domestic Product	5.3	7.1
Billions of Dollars	2,119	3,328

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

a. Includes only the changes to net interest costs stemming from changes to interest rates on the baseline projection of federal debt. By long-standing convention, estimates under House Rule XIII(8) do not include any increases or decreases in interest payments on the federal debt that would arise from an estimated change in borrowing needs. Consistent with that approach, this estimate does not include the increases in interest payments that would arise from net increases in borrowing needs that would result from enacting the bill.

b. Includes the dynamic estimate under House Rule XIII(8) plus increases in interest payments on the federal debt that would arise from the estimated net increases in borrowing needs. Total increases in deficits would be $2,074 billion from 2025 to 2029, $1,352 billion from 2030 to 2034, and $3,426 billion over the entire 2025-2034 period. Total effects on deficits are not equal to the effects on debt held by the public at the end of the projection period because credit programs are treated differently in the two calculations. Total increases in net interest costs would be $364 billion from 2025 to 2029, $703 billion from 2030 to 2034, and $1,067 billion over the entire 2025-2034 period.

CBO's estimate of how the economic effects of H.R. 1 would affect the deficit builds on JCT's estimates of the tax provisions of the bill. JCT estimated that those provisions would result in economic changes that would decrease primary deficits by $103 billion because revenues would be higher and outlays for refundable tax credits would be lower.[3]

CBO's analysis expands on JCT's analysis in two important ways. First, it reflects the effects that the nontax provisions of H.R. 1 would have on the economy. Second, it reflects the effects of interest rate changes on net interest outlays for debt projected in the baseline. The effects of those rate changes on net interest outlays are large because the existing stock of debt is historically large. Because of the large stock of debt projected in the baseline, those increases in interest payments more than offset the primary deficit reductions driven by increases in economic output. The interest rate changes result from both the tax provisions analyzed by JCT and the remaining provisions of H.R. 1 analyzed by CBO. Because the tax provisions increase the deficit by more than the nontax provisions reduce the deficit (especially in the earlier years of the 2025-2034 period), the tax provisions are an important driver behind the higher interest rates that lead to increased net outlays for interest on the baseline projection of federal debt.

CBO estimates that enacting H.R. 1 would increase debt held by the public at the end of 2034 to 124 percent of gross domestic product (GDP), up from the agency's January 2025 baseline projection of 117 percent of GDP. That projection includes costs associated with servicing the additional debt attributable to the legislation. CBO's estimate of the effects of H.R. 1 on the deficit under House Rule XIII(8) does not include those costs. (By long-standing convention, those costs are excluded from estimates under that rule because such estimates do not include any changes in interest payments on the federal debt that would arise from an estimated net increase or decrease in the deficit.) After accounting for those effects, which are an input into the projection of debt, CBO estimates that the bill would increase total deficits by $3.4 trillion over the 2025-2034 period.[4]

How H.R. 1 Would Affect the Economy

Building on JCT's analysis of the tax provisions of H.R. 1, CBO estimates that, overall, H.R. 1 would affect the economy in the following ways relative to CBO's January 2025 baseline:

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3. For JCT's estimates of the macroeconomic effects of the tax provisions as ordered reported by the Committee on Ways And Means on May 14, 2025, see Joint Committee on Taxation, *Macroeconomic Analysis of the Tax Provisions of the Budget Reconciliation Legislative Recommendations Related to Tax as Ordered Reported by the Committee on Ways and Means on May 14, 2025,* JCX-25-25 (May 22, 2025), www.jct.gov/publications/2025/jcx-25-25.

4. That total reflects CBO's estimate of how the increase in federal borrowing, before accounting for how the bill would affect the economy, would increase net outlays for interest. That estimate is described in Congressional Budget Office, letter to the Honorable Jeff Merkley about the debt-service effects derived from H.R. 1, the One Big Beautiful Bill Act (June 5, 2025), www.cbo.gov/publication/61459. The total also reflects additional effects on net outlays stemming from the economic effects of the bill.

- Real (that is, adjusted to remove the effects of inflation) GDP would increase by an average of 0.5 percent over the 2025-2034 period,
- Interest rates on 10-year Treasury notes would go up by an average of 14 basis points (a basis point is one one-hundredth of a percentage point) over the period, and
- Inflation would increase by a small amount through 2030.

How H.R. 1 Would Affect Real GDP

The agency estimates that H.R. 1 would increase real GDP by 0.5 percent, on average, over the 2025-2034 period relative to CBO's January 2025 projections. That effect would be positive in all years, peaking in 2026 at 0.9 percent. In CBO's assessment, average annual real GDP growth would be 0.09 percentage points higher from 2025 to 2029 and 0.04 percentage points higher over the entire 2025-2034 period relative to the agency's January 2025 projections. CBO's estimates of those effects on real GDP are consistent with other groups' estimates of those effects.[5]

The provisions of the bill would affect real GDP in the short and longer term through four main channels: changes in aggregate demand, changes in the supply of labor, changes in the capital stock (resulting from changes in investment), and changes in total factor productivity (TFP; the potential productivity of labor and capital, excluding the effects of cyclical changes in economic activity). In the short run, changes in real GDP would be driven primarily by aggregate demand effects. Over the longer term, changes in real GDP would be determined by changes in potential (maximum sustainable) output, which would be driven by changes in the supply of labor, capital, and TFP growth.

Effects on Aggregate Demand. In the short term, CBO's estimate of the legislation's effect on real GDP is mostly driven by increases in aggregate demand. Relative to CBO's January 2025 projections, H.R. 1 would increase real GDP by 0.9 percent in 2026. Because the effects of changes in aggregate demand would subside quickly, the temporary boost from demand-side factors would diminish after 2026.

H.R. 1 would increase aggregate demand by increasing most households' income after taxes and transfers. The effects of the increase in income on real GDP would depend on how H.R. 1 affected households' income across different levels of income. That is because the increase in demand depends on the share of the additional dollars received that are spent, and spending by households with lower income tends to be more sensitive to changes in income than spending by households with higher income. CBO's estimate of aggregate demand also reflects how households' income would be affected by states' responses to the bill's changes

5. For example, both CBO and researchers at the Penn Wharton Budget Model estimate that H.R. 1 would increase real GDP at the end of 2034 by 0.4 percent. See Penn Wharton Budget Model, "The House-Passed Reconciliation Bill: Budget, Economic, and Distributional Effects" (University of Pennsylvania, May 23, 2025; updated June 10, 2025), https://tinyurl.com/38smmfna.

to federal health programs—primarily Medicaid—and the Supplemental Nutrition Assistance Program (SNAP).

Effects on Labor Supply. CBO estimates that over the 2025-2034 period, H.R. 1 would increase labor supply by 0.6 percent, on average, relative to the January baseline. That effect would peak at 0.9 percent in 2026—an effect equivalent to increasing the number of employed workers by 1.5 million—before gradually falling to 0.6 percent by 2034. The increase in the supply of labor would increase average annual potential GDP growth by 0.08 percentage points from 2025 to 2029 and by 0.03 percentage points over the entire 2025-2034 period.

Most of the increase in labor supply is driven by the reduction in marginal tax rates on labor income. (Under current law, those tax rates are scheduled to increase in 2026.)[6] Lowering those tax rates increases incentives to work. Changes in Medicaid, SNAP, and student loan programs would increase the supply of labor to a lesser degree. The increase in labor supply would be partially offset by a reduction in the size of the civilian noninstitutionalized population.[7] The increase in resources provided for interior immigration enforcement and detention is estimated to result in more people's being deported and detained, particularly among working-age immigrants.

Effects on the Capital Stock. On net, H.R. 1 would boost the size of the capital stock (that is, the stock of tangible and intangible productive assets with an expected service life of one year or more that are used to produce goods and services). The increase in the capital stock reflects an initial increase in private investment, which would peak in 2027. CBO estimates that H.R. 1 would cause total private investment to be 1.2 percent higher in that year than CBO projected it would be in its January 2025 baseline. Private investment would decline in the later years of the projection period. In 2034, the capital stock would be roughly unchanged from what it was projected to be in the January 2025 forecast. The changes in the capital stock would increase average annual potential GDP growth by 0.02 percentage points from 2025 to 2029 but would have a near-zero effect on potential GDP growth over the entire 2025-2034 period.

The bill would affect private investment through three major channels. First, on net, provisions of the bill would create an incentive for additional private investment. Tax provisions and provisions related to oil and gas production would have the largest effects on those incentives. The effects on incentives would be larger in the earlier years of the period

6. For more information about how the tax provisions would affect the supply of labor, see Joint Committee on Taxation, *Macroeconomic Analysis of The Tax Provisions of the Budget Reconciliation Legislative Recommendations Related to Tax as Ordered Reported by the Committee on Ways and Means on May 14, 2025,* JCX-25-25 (May 22, 2025), www.jct.gov/publications/2025/jcx-25-25.

7. The civilian noninstitutionalized population consists of people age 16 or older who are not members of the armed forces on active duty and who are not in institutions (such as penal or mental institutions or immigration detention centers) or in homes for the elderly or infirm.

analyzed because certain tax provisions that provide more generous deductions for capital investment are temporary.[8] Second, private investment would increase in response to the larger labor supply, which would, in turn, increase the return on investment. Finally, by increasing the deficit, the bill would reduce the resources available for private investment and put upward pressure on interest rates. In turn, that would reduce private investment (an effect often referred to as crowding out). The effect of the three channels on private investment would turn negative in 2030 as certain provisions that would increase investment expired.

Effects on Total Factor Productivity. H.R. 1 would have small positive effects on the level of TFP. On average over the 2025-2034 period, the bill would increase the level of TFP by less than one-tenth of one percent. The changes in TFP growth would slightly increase average annual potential GDP growth over the entire 2025-2034 period.

Several factors would have small positive effects on TFP growth, including the bill's effects on domestic oil and gas production, physical infrastructure investment, investment in research and development, permitting requirements, and spectrum auctions. Other effects of the bill would have small negative effects on TFP growth, including changes in educational attainment and a reduction in the number of individuals working in science, technology, engineering, and mathematics that stems from changes in higher education and immigration policy.

How H.R. 1 Would Affect Interest Rates

CBO estimates that H.R. 1 would increase interest rates on 10-year Treasury notes by an average of 14 basis points over the 2025-2034 period relative to CBO's January 2025 projections. In the short run, the bill would increase aggregate demand, increase employment, and put modest upward pressure on inflation. CBO expects that monetary policy officials would slow the decline of their target for the federal funds rate in response to those economic changes—increasing it relative to CBO's January projections. In the near term, the changes in the path of the target rate would put upward pressure on the federal government's longer-term borrowing rates.

In the longer run, the bill would increase government borrowing rates relative to CBO's January 2025 projections through two channels. First, greater federal borrowing would push up interest rates. Second, the bill would increase the supply of labor relatively more than it would increase the size of the capital stock. The resulting reduction in the amount of capital per worker would also increase interest rates.

8. For a description of those provisions, see Joint Committee on Taxation, *Description of the Budget Reconciliation Legislative Recommendations Related to Tax,* JCX-18-25 (May 9, 2025), www.jct.gov/publications/2025/jcx-18-25.

How H.R. 1 Would Affect Inflation

CBO estimates that H.R. 1 would cause inflation (as measured by the consumer price index for all urban consumers) over the first several years of the 2025-2034 period to be slightly higher than in CBO's January 2025 projections, even with the tighter monetary policy noted above. That effect would peak in 2027; CBO estimates that H.R. 1 would increase the inflation rate by 0.12 percentage points in that year. CBO estimates the bill would not affect inflation after 2030.

Budgetary Feedback of the Macroeconomic Effects of H.R. 1

In CBO's assessment, macroeconomic effects—that is, effects that result from changes in the economy—of H.R. 1 would have the following budgetary effects over the 2025-2034 period:

- An increase of $124 billion in revenues, mostly reflecting the positive effects of higher real output that stem from both tax and spending provisions of the bill;
- An increase of $39 billion in noninterest spending, mostly reflecting the effects of higher inflation; and
- An increase in net outlays for interest on projections of federal debt in the baseline of $441 billion because interest rates would be higher.

CBO's estimate of the deficit effect of H.R. 1 under House Rule XIII(8) reflects those three macroeconomic effects. The agency's estimate of how H.R. 1 would affect its baseline projection of debt also reflects $76 billion more in net interest outlays. The additional net interest outlays are higher because of the higher interest rates on additional federal debt attributable to the bill and additional debt-service costs associated with the bill's feedback effect on federal borrowing (see Table 1).

Under House Rule XIII(8), CBO is also required, to the extent practicable, to provide an assessment of the budgetary and economic effects of major legislation in the 20-year period after the end of the projection period. From 2034 to 2054, the effects of crowding out on investment would continue to grow, producing an increasingly negative net effect on investment. Because of that, CBO estimates that the positive effects of H.R. 1 on the primary deficit from higher output would shrink over time, and net interest outlays would continue to be pushed up by higher interest rates. As a result, the macroeconomic effects of H.R. 1 would also increase projected deficits in CBO's extended baseline.[9]

9. Congressional Budget Office, *The Long-Term Budget Outlook: 2025 to 2055* (March 27, 2025), www.cbo.gov/publication/61187.

How CBO Estimated the Macroeconomic and Budgetary Feedback Effects of H.R. 1

To estimate the budgetary effects of the macroeconomic changes resulting from the bill, CBO first analyzed how the bill would affect key macroeconomic variables (real GDP, interest rates, and inflation) using a variety of models. Using those estimates, the agency then estimated how economic changes stemming from the bill would affect federal spending and revenues.[10]

Real GDP

To estimate the effects of H.R. 1 on real GDP, CBO analyzed the short-term effects and longer-term effects. In the short term, the bill would affect the economy by reducing tax liabilities, which would increase the demand for goods and services. In turn, increased demand would push real GDP up relative to potential (or maximum sustainable) output. The increase in demand reflects differences in how households would adjust their spending in response to changes in resources available to them. CBO used its estimate of how the changes in federal revenues and spending are allocated to households to inform its estimate of changes in aggregate demand.[11]

To estimate longer-term effects of the bill on real GDP, CBO used a Solow-type growth model to translate changes in labor supply, the capital stock, and TFP into changes in potential output.[12] CBO and JCT used a broader suite of models and approaches to estimate the effects of the provisions of H.R. 1 on the incentives to work and invest and on TFP growth. That suite included models for estimating the effects of the following on the supply of labor: individual income tax rates, SNAP, Medicaid, higher education policy, and immigration policy. The suite also included models for estimating the effects of several factors on business investment: tax provisions; oil and gas provisions; and changes in permitting requirements, Medicaid, the supply of labor, and public borrowing.

CBO's model for estimating the effect of public borrowing on private investment depends on three relationships. First, it depends on how the policy's effect on the deficit would affect overall spending. For example, on average, policies that increase the resources available to lower-income households boost overall spending more per dollar of deficit than policies that affect higher income households. Second, the model depends on the change in interest rates that would result from the change in overall spending. Third, the model depends on the response of investment to the change in interest rates. In addition, the suite included models

10. How the economic changes stemming from the bill would affect spending and revenues was calculated using methods similar to those reflected in the agency's budgetary feedback model. For a detailed discussion of that model, see Nathaniel Frentz and others, *A Simplified Model of How Macroeconomic Changes Affect the Federal Budget,* Working Paper 2020-01 (Congressional Budget Office, January 2020), www.cbo.gov/publication/55884.

11. Congressional Budget Office, *Distributional Effects of H.R. 1, the One Big Beautiful Bill Act* (June 12, 2025), www.cbo.gov/publication/61387.

12. Congressional Budget Office, "CBO's Policy Growth Model" (April 2021), www.cbo.gov/publication/57017.

for estimating the effects of the following factors on TFP growth: oil and gas production, physical infrastructure investment, research and development, higher education policy, permitting requirements, spectrum auctions, and immigration policy.

Interest Rates

To estimate the effects of H.R. 1 on interest rates, CBO accounted for how monetary policy authorities would respond to the economic effects of H.R. 1 and how those economic effects would influence interest rates in the short term. The effects of H.R. 1 on interest rates in the long term would depend on the sensitivity of interest rates to changes in federal debt.[13]

Inflation

To estimate the effects of H.R. 1 on inflation, CBO accounted for how the bill would affect actual and potential GDP. When a policy increases GDP relative to potential GDP, it places upward pressure on prices. The sensitivity of prices (and thus inflation) to the gap between actual and potential GDP would depend on the state of the economy when the policy was implemented.

Uncertainty

CBO's estimates of the macroeconomic effects of H.R. 1 are uncertain, in part because the underlying cost estimates of the bill before accounting for changes in the economy are uncertain. If, for example, provisions are implemented differently from the assumptions in CBO's and JCT's estimates, then that would affect the budgetary effects of H.R. 1, which would affect CBO's assessment of the bill's macroeconomic effects.[14] There is also uncertainty surrounding how people and businesses would respond to the provisions of H.R. 1. If people and businesses respond differently than CBO projects, then the economic implications of the bill would be different.

Notes

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be 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. The estimates for the revenue provisions of the legislation were provided by JCT.

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13. For a discussion of that sensitivity, see Andre R. Neveu and Jeffrey Schafer, *Revisiting the Relationship Between Debt and Long-Term Interest Rates,* Working Paper 2024-05 (Congressional Budget Office, December 2024), www.cbo.gov/publication/60314.

14. For a discussion of sources of uncertainty in cost estimates, see Congressional Budget Office, *CBO Explains Common Sources of Uncertainty in Cost Estimates for Legislation* (February 2025), www.cbo.gov/publication/60984.

Unless this estimate indicates otherwise, all years referred to are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers in the text may not add up to totals because of rounding.

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This cost estimate is the result of work by analysts across CBO as well as the staff of the Joint Committee on Taxation.

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