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COVID Bills Had \$650 Billion in Extraneous Policies

April 19, 2021

Congress has authorized around \$6 trillion of fiscal support in response to the COVID pandemic, with a projected net cost of well over [\\$5 trillion](#). This combination of spending, tax breaks, and loans has helped to maintain household and business income, combat the pandemic itself, and support a strong economic recovery.

Unfortunately, too many politicians viewed the need to pass emergency COVID relief as an opportunity to fund unrelated measures. Excluding omnibus appropriations, we estimate nearly **\$650 billion** of extraneous measures were part of or attached to COVID relief bills. Net of offsets, the cost was over **\$500 billion**. This does not include policies that appear to be excessive or poorly targeted to fight the pandemic and recession; it merely reflects unrelated policies.

Whether a policy is extraneous is of course, to some degree, in the eye of the beholder. The pandemic and subsequent recession affected all aspects of society and the economy, so almost any policy would have at least some tangential relationship to the crisis. However, not every policy included in COVID relief was enacted primarily to address the crisis. Many were long-standing priorities developed long before the pandemic and not designed to address it. Based on this definition, we identified:

- \$155 billion to weaken the Tax Cuts and Jobs Act's base broadening
- \$146 billion of additional tax breaks and extenders
- \$143 billion of tax credit expansions
- \$81 billion to support a private pension bailout
- \$56 billion of Affordable Care Act expansions
- \$30 billion of extraneous agency appropriations
- \$38 billion of additional extraneous spending measures

Of the roughly \$650 billion in extraneous measures, almost \$170 billion came from the CARES Act, another \$170 billion came from the Response and Relief Act, and over \$315 billion came from the American Rescue Plan. Net of offsets, these extraneous measures represent nearly a tenth of all COVID relief passed by Congress.

To say a measure is *extraneous* is not to say it isn't *worthwhile*. Many extraneous policies are beneficial, and a significant amount of genuine COVID relief was wasteful or poorly targeted. But in normal times, a policy worth enacting is a policy worth paying for. Lawmakers should not have claimed policies as pandemic-related just to avoid identifying pay-fors. Nor should Congress have used the pandemic



emergency as an opportunity for back-door discretionary increases that should occur in the appropriations process.



Sources of Extraneous Policies

While there is no definitive way to determine whether a measure is extraneous or not, it is clear that many tax cuts and spending provisions passed under the banner of COVID relief simply did not belong. While many of these policies did or will help people or businesses hurt by the COVID pandemic and economic crisis, this was not their primary intent.

To determine what policies were extraneous, we went line-by-line through the major COVID relief bills and identified policies that we believe were designed to solve a problem or concern not directly related to the current crisis – especially long-standing policy priorities developed long before the pandemic, which will expand or be supported long after the pandemic ends. [We warned](#) against many of these measures a year ago.¹ Some will disagree with our exact definition and choices, but it is hard to dispute our overall conclusion.

We identified \$650 billion of extraneous measures included in COVID relief bills, costing over \$500 billion net of offsets in those bills. Thought of another way, almost one-tenth of all net spending and tax cuts classified as COVID relief was extraneous. This includes 9 percent of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, 15 percent of the end-of-year Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (Response & Relief Act), and 11 percent of the American Rescue Plan.

Table 1: Extraneous Provisions by Category and by Legislation (10-year Deficit Impact)

Provision	CARES Act	Response and Relief Act	American Rescue Plan	Total
Weakened TCJA Base Broadening	\$155 billion	-	-	\$155 billion
Other Tax Breaks and Extenders	\$10 billion	\$136 billion	#	\$146 billion
Refundable Tax Credit Expansions	-	-	\$143 billion	\$143 billion
Pension Bailout Funding	-	-	\$81 billion	\$81 billion
Affordable Care Act Expansions	-	-	\$56 billion	\$56 billion
Extraneous Agency Appropriations*	\$3 billion*	\$3 billion*	\$23 billion*	~\$30 billion*
Other Extraneous Measures	-	\$28 billion	\$11 billion	\$38 billion
Subtotal, Extraneous Measures	\$168 billion	\$166 billion	\$315 billion	\$650 billion
Offsets	-	-\$33 billion	-\$116 billion	-\$150 billion
Total Cost of Extraneous Measures	\$168 billion	\$133 billion	\$199 billion	\$500 billion

Source: Congressional Budget Office, Joint Committee on Taxation, bill text, and CRFB calculations.

Note: Numbers may not sum due to rounding.

Less than \$500 million

* It is difficult to precisely identify which appropriations are COVID-related. These represent our best judgement.

Rounded to nearest \$10 billion.

From a fiscal perspective, the \$500 billion upfront cost of these measures could lead to substantially larger long-term costs. For example, if policymakers extend all the [expiring tax cuts](#) without offsets and continue new discretionary spending in future appropriations bills on top of existing appropriations, it would cost an additional \$2 trillion or more over the next decade.

¹ Our analysis does not incorporate discretionary spending in the omnibus appropriations bill attached to last year's Response & Relief Act (Divisions A-L).



Detailing Extraneous Policies

For this analysis, we itemized every extraneous spending increase and tax cut enacted in major COVID-relief bills (see Appendix). This involved judgement and some level of subjectivity — some might view measures we included as sufficiently related to the pandemic, while others might see measures we didn't include as unrelated to the crisis. Under our definition, we identify the following:

- **Weakened TCJA Base Broadening (\$155 billion).** To limit its total cost, the 2017 Tax Cut and Jobs Act (TCJA) included numerous base broadening measures, many of which are politically unpopular. The CARES Act effectively delayed two measures concerning business losses — one to allow corporations to offset income with prior losses and another to allow individuals to count more business losses against non-business income. The CARES Act also weakened the TCJA interest deductibility cap. While there was some case for these policies during a recession, the measures potentially undermined the TCJA base broadeners before they could take hold and in [our view](#) were generally extraneous.
- **Other Tax Breaks and Extenders (\$146 billion).** A number of additional tax breaks were enacted or extended as part of COVID relief legislation. For example, the Response and Relief Act incorporated over [\\$135 billion](#) of temporary and permanent tax breaks supporting everything from renewable energy to racetracks to beer distillers to paid family leave. Policymakers also restored and expanded the deductibility of business meals and created a new “temporary” charitable deduction for those enjoying a larger standard deduction under the TCJA. These provisions have little or no relation to the COVID pandemic or economic crisis (many were not even classified as COVID relief). Nonetheless, they were all included in COVID response legislation without offsets, and therefore added to the debt.
- **Refundable Tax Credit Expansions (\$143 billion).** The American Rescue Plan included substantial one-year expansions of the Child Tax Credit (CTC), Earned Income Tax Credit (EITC), and Child and Dependent Care Tax Credit (CDCTC). While these policies all have merit, they are clearly written as permanent alterations to the tax code, rather than temporary responses to the pandemic. The CTC expansion was [proposed](#) as permanent policy by a large majority of House and Senate Democrats in early 2019, while the EITC and CDCTC expansions were part of President Biden's presidential [campaign platform](#) long before the onset of the pandemic. Indeed, [calls to make these credits permanent](#) began just days after passage.
- **Pension Bailout Funding (\$81 billion).** The American Rescue Plan includes an expensive bailout of multi-employer pension plans known as the Butch Lewis Emergency Pension Plan Relief Act. This bill has been a [longstanding Congressional priority](#) for several years, and will support (often mismanaged) pensions that were struggling prior to the pandemic, many of which benefited significantly from recent stock gains.



- **Affordable Care Act Expansions (\$56 billion).** The American Rescue Plan expanded the Affordable Care Act (ACA) in several ways, two of which have little to do with the current pandemic. It increased payments to states that expand ACA coverage, which will permanently increase Medicaid costs, but do little during the pandemic. It also made premium subsidies more generous across the board, which was part of President Biden's [pre-pandemic health care plan](#) and is likely to be [made permanent](#) later this year.
- **Extraneous Agency Appropriations (~\$30 billion).** All three major COVID bills – the American Rescue Plan in particular – included funding to agencies that would normally be allocated during the appropriations process. While most of these additional appropriations are allegedly "to prevent, prepare for, and respond to coronavirus," we have identified almost \$30 billion of funding for mandatory or one-time discretionary programs where this claim appears dubious. For example, money appropriated to prevent and treat HIV/AIDS, additional funding for AmeriCorps, certain funding for dairy processors and agricultural research, cybersecurity, USAID operations, and more. These funds are clearly unrelated to COVID, and their inclusion in COVID response legislation undermines the budget process by removing authority from appropriators and increasing pressure for further spending later on.

It is particularly difficult to identify which of these appropriations will ultimately be spent on COVID-related activities and which will not – so the actual number could be lower or higher. We believe our tally of \$30 billion is conservative.

- **Other Extraneous Measures (\$38 billion).** In addition to the measures above, we identified roughly \$38 billion of additional policies which do not appear specifically related to the pandemic. These included various Medicare and Medicaid health extenders, federal student aid adjustments, a five-year expansion of Medicaid coverage for pregnant and postpartum women, and 120 percent forgiveness of agricultural loans to socially disadvantaged farmers, among other provisions.
- **Offsets (-\$150 billion).** Some of this extraneous spending was offset with pay-fors that are likewise unrelated to COVID.² We apply savings from these "extraneous offsets" to cover the extraneous spending provisions in COVID relief legislation to arrive at our net impact number. Some of the larger offsets include extending the TCJA cap on pass-through business losses, prohibiting the allocation of interest on a worldwide basis for U.S. multinationals, limiting Medicaid drug costs, banning surprise medical billing, and increasing third-party reporting to reduce the tax gap. Legislation also included more dubious offsets like [pension smoothing](#), which reduce deficits in the near-term but increase them over time. While the inclusion of most of these offsets was welcome, they

² Reductions to previous COVID authorizations, such as the rescinding of CARES Act funding for Federal Reserve lending facilities under Title X of the Response and Relief Act, count against the initial cost rather than as an offset.



covered less than one-fifth of the cost of extraneous spending and tax provisions in the COVID relief bills.

Further details regarding each of these policies are available in the appendix of this paper.

If you believe we have misidentified a provision as extraneous or have failed to include an extraneous item on our list, let us know using our [Contact Us](#) form on our website.



Conclusion

The COVID pandemic has been a true national emergency, and policymakers were right to enact substantial COVID relief. Borrowing to finance this relief was largely worthwhile, but it was not free. Wasting supposed COVID relief funds on extraneous measures without offsets was not a good use of scarce dollars. While measures unrelated to the pandemic might very well have been *worthwhile*, they should not have been passed on a debt-financed basis under the guise of emergency spending. Dollars described as COVID relief but spent on other purposes undermine credibility of the relief effort and make it harder to spend on future emergencies. They also unnecessarily add to an already unsustainable debt and may create pressure [for further deficit-spending](#).

We estimate extraneous measures will cost \$650 billion over a decade, or \$500 billion net of offsets. If extended without further offsets, they could result in an additional \$2 trillion or more of costs. These extraneous measures also undermine the budget process itself by removing authority and responsibility from the appropriators and committees. Normal discretionary appropriations should be enacted through the appropriations process, not reclassified as mandatory spending and enacted in a massive emergency bill.

Fortunately, most COVID relief enacted so far was germane to the crisis and has been incredibly helpful – albeit not well targeted – in protecting incomes and supporting what most forecasters believe will be a strong economic recovery. Once the pandemic passes and the economy is fully recovered, lawmakers must work to put the debt on a more sustainable path. The extraneous COVID relief measures and pressure to extend them will make that task more challenging.

Whether a policy is extraneous or not is to some degree subjective and in some cases unknowable. We use our best judgement in this analysis. While our conclusion is difficult to dispute, the exact findings could change based on new information. If you believe we have misidentified a provision as extraneous or have failed to include an extraneous item on our list, let us know using our [Contact Us](#) form on our website.



Appendix

Table 2: Extraneous Provisions by Category (10-year deficit impact, in millions)

Provision	Total	Bill
Weakened Tax Cuts and Jobs Act Base Broadening	\$154,730	
Temporarily allow high-income business owners to use business losses to reduce their non-business income	\$133,453	CARES
Temporary increase in amount of interest businesses can deduct, from 30 percent to 50 percent of taxable income	\$13,390	CARES
Allow net operating losses (NOLs) from 2018-2020 to be carried back five years and fully offset income temporarily.	\$7,887	CARES
Other Tax Breaks and Tax Extenders	\$146,032	
7.5 percent of income floor instead of 10 percent for medical expense deduction	\$32,934	R&R
Extension of Work Opportunity Tax Credit through 2025	\$16,167	R&R
Reduced excise taxes on beer, wine, and distilled spirits	\$9,046	R&R
HSA coverage of over-the-counter drugs and feminine hygiene products	\$8,680	CARES
Eliminate 10% floor on claiming disaster property losses	\$8,300	R&R
Extend Energy Investment Tax Credit through 2023	\$7,020	R&R
100% deduction for business meals through 2022	\$6,296	R&R
Larger Lifetime Learning Credit in place of the deduction for qualified tuition and related expenses	\$5,915	R&R
Increase low-income housing tax credit rate	\$5,791	R&R
Extend New Markets Tax Credit through 2025	\$5,683	R&R
Extend controlled foreign corporations (CFC) look-through rule through 2025	\$4,260	R&R
Extend and expand credit for buying residential energy-efficient property through 2023	\$3,814	R&R
Tax credit for employers offering paid family and medical leave through 2025	\$3,804	R&R
Extend and expand charitable deduction for non-itemizers and increase the maximum deduction in a single year through 2021	\$3,508	R&R
Tax-free student loan payments by employer through 2025 ³	\$3,432	R&R

³ We only include the Response and Relief Act provision because the original CARES Act provision was temporary, whereas this one is through 2025.



Reduce interest rates used for life insurance contracts	\$3,287	R&R
Depreciation of residential rental property over 30 years	\$3,256	R&R
Allow mortgage debt on primary residence to be forgiven tax-free through 2025	\$2,834	R&R
Extension of renewable electricity production credit through 2021	\$1,695	R&R
Create new above-the-line charitable deduction for 2020	\$1,551	CARES
Make railroad track maintenance credit permanent	\$1,542	R&R
Other tax provisions extended through 2021	\$1,537	R&R
Other tax provisions extended through 2025	\$1,450	R&R
Extend certain empowerment zone tax incentives through 2025	\$1,374	R&R
Other temporary tax provisions	\$1,373	R&R
Make some exclusions from federal taxable income for volunteer firefighters and EMS responders permanent	\$739	R&R
Make energy efficient commercial buildings deduction permanent	\$700	R&R
Modification of treatment of student loan forgiveness	\$44	ARP
Refundable Tax Credit Expansions	\$143,311	
Expand Child Tax Credit from \$2,000 to \$3,000 (\$3,600 for children under age 6) and make it fully refundable for one year	\$109,529	ARP
Expand Earned Income Tax Credit (EITC) to childless adults for one year, triple the credit, and include those aged 19-24 and over 65. Permanently allow recipients to have more investment income and expand the EITC in territories	\$25,818	ARP
Expand Child Care and Dependent Care Tax Credit to \$4,000 (\$8,000 for 2 or more children) for one year	\$7,964	ARP
Pensions Bailout	\$81,235	
Multiemployer pensions bailout for qualifying plans	\$81,235	ARP
Affordable Care Act Expansions	\$56,137	
Expand premium assistance for consumers (expand ACA subsidies) ⁴	\$40,448	ARP

⁴ Does not include the spending and revenue effects of the *Application of the Premium Tax Credit for Individuals Receiving Unemployment Compensation in 2021 Act* because we consider this sufficiently temporary and germane to the crisis.



Increased FMAP match in exchange for expanding ACA coverage	\$15,689	ARP
Extraneous Agency Appropriations	\$28,688	
Funding for mental health and substance abuse	\$3,873	ARP
Funding for HIV/AIDS, malaria, and tuberculosis	\$3,750	ARP
Funding for the Individuals with Disabilities Education Act	\$3,030	ARP
Funding for the Federal Communications Commission (FCC) Secure and Trusted Reimbursement Program	\$1,900	R&R
Additional assistance and support for socially disadvantaged farmers	\$1,010	ARP
Funding for Head Start	\$1,000	ARP
Funding for the Technology Modernization Fund	\$1,000	ARP
Funding for Community Services Block Grant	\$1,000	CARES
Funding for the Corporation for National and Community Service and the National Service Trust	\$1,000	ARP
Extra nutrition assistance funding to territories through 2027	\$1,000	ARP
Additional investment in AmeriCorps and associated organizations	\$852	ARP
Allow use of Commodity Credit Corporation for commodities and other expenses	\$800	ARP
Floor on the Medicare Area Wage Index for hospitals in all-urban states	\$719	ARP
Funding for cybersecurity and infrastructure security	\$637	ARP
Re-authorization of the Healthy Start Program	\$628	CARES
Funding for the National Science Foundation	\$600	ARP
Funding for Rural Development Grants for rural health care	\$500	ARP
Funding for migration and refugee assistance	\$500	ARP
Funding for humanitarian response	\$475	ARP
Additional funding for Dairy Margin Coverage	\$473	R&R
Funding for child abuse prevention and treatment	\$350	ARP
Support for substance abuse and mental health surveillance ⁵	\$300	CARES
Firefighter grants and staffing for fire and emergency response program funding	\$294	ARP
Funding for Federal Buildings Fund	\$275	CARES

⁵ We only include the \$300 million of funding for existing programs not germane to crisis.



Funding for Head Start ⁶	\$250	CARES
Funding for Department of State operations	\$202	ARP
Funding for the Agricultural Research Service	\$200	R&R
Funding for Department of Labor worker protection activities	\$200	ARP
Funding for the United States Digital Service	\$200	ARP
Funding for the Institute of Museum and Library Services	\$199	ARP
Support for the Corporation for Public Broadcasting	\$175	ARP
Funding for Federal Citizen Services Fund	\$150	ARP
Funding for the National Institute of Standards and Technology	\$150	ARP
Funding for the National Endowment for the Arts	\$135	ARP
Funding for the National Endowment for the Humanities	\$135	ARP
Reduce overtime inspection fees paid by small meat and poultry processors	\$100	ARP
Funding for Emergency Management Performance Grants	\$98	ARP
Funding for HIV/AIDS, malaria, and tuberculosis ⁷	\$90	CARES
Funding for the National Endowment for the Arts	\$75	CARES
Support for the Corporation for Public Broadcasting	\$75	CARES
Funding for the National Endowment for the Humanities	\$75	CARES
Funding for Broadband Data Maps	\$65	R&R
Funding for family planning	\$49	ARP
Funding for USAID operations	\$50	ARP
Funding for the preservation and maintenance of Native American languages	\$20	ARP
Loosen pension requirements for the March of Dimes	\$11	CARES
Funding for cybersecurity and infrastructure security	\$9	CARES
Funding for the National Archives and Records Administration	\$8	CARES
Funding for the Library of Congress' "Little Scholars Center"	\$0.7	CARES
Funding for the Institute of American Indian/Alaska Native Culture & Arts Development	\$0.1	CARES

⁶ Does not include the \$500 million available for supplemental summer programs.

⁷ Does not include the \$258 million set aside for disaster assistance.



Other Extraneous Measures	\$38,497	
Medicare health extenders, including extending two Medicare demonstration programs, funding for low-income programs, and increased physician fees in lower labor cost areas	\$11,361	R&R
Change eligibility criteria for federal student aid, allow prisoners to receive Pell grants, simplify FAFSA process, and forgive capital financing loans to HCBU universities	\$7,014	R&R
Expanded Medicaid coverage for pregnant and postpartum women	\$6,883	ARP
Medicaid health extenders, including delaying Medicaid DSH cuts through 2023, and extending two Medicaid demonstration programs, among other changes	\$6,405	R&R
120 percent forgiveness of agricultural loans to socially disadvantaged black farmers	\$3,980	ARP
Modifications to existing laws and policies pertaining to the energy sector	\$722	R&R
Expand health benefit coverage for retired coal miners	\$668	R&R
Other health extenders, including extension of Temporary Assistance for Needy Families (TANF), as well as other human services and miscellaneous provisions	\$581	R&R
Ratify and confirm the water rights compact between the State of Montana and certain tribes	\$503	R&R
Funding for the Bureau of Reclamation to build water distribution facilities	\$157	R&R
Extend funding for public health measures related to diabetes through 2023	\$97	R&R
Engage Army Corps of Engineers in water management activities	\$73	R&R
Certain immigration extensions	\$33	R&R
Establishment of Horseracing Integrity and Safety Authority	\$20	R&R
Subtotal, Gross Cost of Extraneous Measures	\$648,630	
Offsets	-\$149,005	
Extension of limitation on excess business losses for pass-through entities for one additional year through 2026	-\$31,008	ARP
Modifications to single-employer pension plans (interest rate smoothing and extended amortization for unfunded liabilities)	-\$22,841	ARP



Repeal worldwide interest expense rule	-\$22,331	ARP
Remove Medicaid rebate cap starting in 2024	-\$17,313	ARP
Create patient protections from surprise medical billing	-\$17,019	R&R
Reduce Medicare payments for prescription drugs supplied in doctor's offices, outpatient hospital locations, and hospice providers	-\$14,402	R&R
Lower 1099K thresholds for third party network transactions	-\$8,403	ARP
Expand limits on executive remuneration	-\$7,805	ARP
One-year extension of certain customs user fees through 2030	-\$5,678	ARP
Technical corrections to United States-Mexico-Canada trade agreement	-\$1,747	R&R
Modifications to funding requirements for community newspaper pension plans	-\$311	ARP
One-year extension of Black Lung Disability Trust Fund excise tax	-\$147	R&R
Total, Net Cost of Extraneous Measures	\$499,625	

Sources: Congressional Budget Office, Joint Committee on Taxation, bill text, and CRFB calculations.

CARES = Coronavirus Aid, Relief, and Economic Security Act; R&R = Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and other sections of the Consolidated Appropriations Act, 2021 outside of Divisions A-L (the 12 appropriations bills); ARP = the American Rescue Plan.

The ten-year deficit impact of CARES Act provisions is measured over the 2020-2030 budget window. The ten-year deficit impact of R&R provisions is measured over the 2021-2030 budget window. The ten-year deficit impact of ARP provisions is measured over the 2021-2031 budget window. While these windows are technically not additive, very little fiscal impact takes place in 2031 and thus our conclusion would not change substantially over a consistent window.

The Response and Relief Act presents a particularly difficult challenge when it comes to separating COVID provisions from non-COVID provisions, because the entire bill was combined with appropriations legislation, which would often contain non-appropriations provisions even if COVID relief were not included. Nevertheless, we identified extraneous provisions contained in the non-appropriations sections of the legislation in Divisions O-FF.