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February 21, 2025

Under House Budget Plan, Debt Limit Would Likely Be Reached by Fall 2026 Despite Increase

By Richard Kogan

If all of the policies assumed in the budget plan the House Budget Committee (HBC) approved on February 14 were enacted, the statutory limit on the Treasury's debt would likely be reached in November 2026, only 21 months from now, although certain accounting devices would give the Treasury Department a few months of leeway. While the budget plan would raise the statutory debt limit by $4 trillion, it also paves the way for trillions of dollars of tax cuts, the cost of which would only partly be offset by cuts in health coverage, food assistance, student loans, and other areas. The proposed debt limit increase would last longer if not for the tax cuts the budget calls for.

The HBC budget resolution includes "reconciliation" directives that instruct seven committees to reduce the deficit — via program cuts — by at least $1.5 trillion over ten years and allow the Ways and Means Committee to *increase* the deficit by $4.5 trillion, surely via tax cuts.[1] Additional language in the resolution calls for upping the program cuts to $2 trillion. The proposals to achieve the program cuts and deficit-increasing tax cuts would be combined in a reconciliation bill, which Congress would consider under special, fast-track rules that, most importantly, exempt it from the filibuster in the Senate — meaning it could pass both the House and Senate with only Republican votes. In addition to these tax cuts and program cuts, the budget includes a directive to the Ways and Means Committee to increase the statutory debt limit by $4 trillion, so that it would rise from $36.1 trillion to $40.1 trillion.

Under budget rules, a reconciliation bill can only increase the debt limit by a dollar amount; it cannot suspend the debt limit until a future date, as has been the more common practice over the past dozen years.[2] The $4.5 trillion in intended tax cuts means that the increase in the debt limit that is needed is far larger than otherwise would be the case. Tax cuts have contributed significantly to rising debt in recent decades; indeed, the Trump tax cuts in 2017 and, before that, the Bush tax cuts of 2001 and 2003 are a major reason that debt has grown faster than the economy over the last

[1] Sharon Parrott, "House Republican Budget Would Mean Higher Costs, Less Help for Families, More Tax Windfalls for Wealthy," CBPP, February 12, 2025, https://www.cbpp.org/press/statements/house-republican-budget-would-mean-higher-costs-less-help-for-families-more-tax.

[2] Since 2013, eight of the ten amendments to the debt limit have been suspensions.

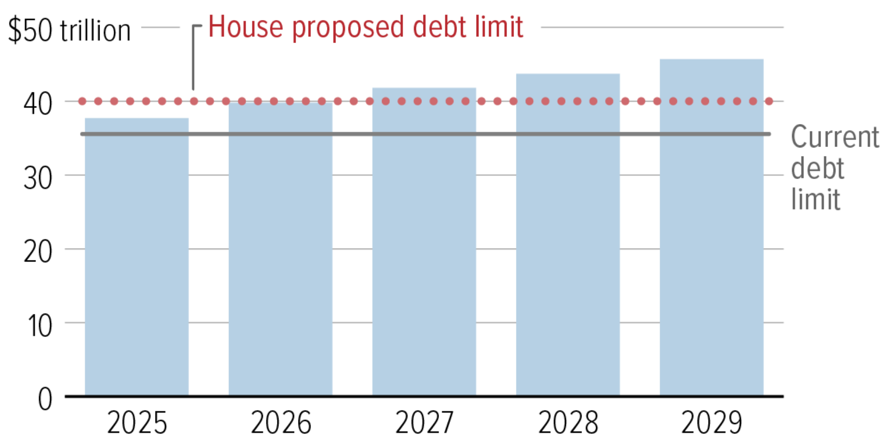
quarter century.[3] (The aging of the population is another significant contributor.) Without those two rounds of tax cuts, revenue today would be substantially higher and the deficit and debt significantly lower.

The HBC budget plan shows the amount of debt subject to the debt limit rising over time, from the current $36.1 trillion to $37.7 trillion by the end of fiscal year (FY) 2025, $39.8 trillion by the end of FY 2026, and $41.8 trillion by the end of FY 2027. (See Table 1.) By the tenth year, debt subject to the limit would reach $55.8 trillion. And these estimates reflect not only the budget's proposed program cuts and tax cuts but also an "economic bonus" — an added $2.6 trillion in lower debt over the decade stemming from faster economic growth — that the committee awarded its plan, which few outside experts believe is plausible.

FIGURE 1

Debt Would Use Up Proposed $4 Trillion Increase by Fall 2026 Under House Budget Plan

Estimated debt subject to limit at end of fiscal year, in trillions of dollars



Note: Chart shows House Budget Committee's stated debt level, including a $2.6 trillion economic bonus, which few outside experts believe is plausible.

Source: February 2025 House Budget Resolution

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As Table 1 shows, without the economic bonus, the HBC budget plan produces higher debt in every year than the Congressional Budget Office (CBO) projects under current law. Even using the plan's gimmicky "estimates," the budget's proposed debt limit of $40.1 trillion would be reached very soon after FY 2027 begins on October 1, 2026. (See Figure 1.) We estimate that it would likely be reached at some point in November 2026, though the date could be shortly before or after this estimate based on economic growth and interest rates, among other factors.

[3] Richard Kogan *et al.,* "More Revenue Is Required to Meet the Nation's Commitments, Needs, and Challenges," CBPP, June 17, 2024, https://www.cbpp.org/research/federal-budget/more-revenue-is-required-to-meet-the-nations-commitments-needs-and.

However, November 2026 is not a hard deadline, because the Treasury Department can use certain accounting maneuvers, known as "extraordinary measures," that allow it to borrow in ways that don't technically count against the limit once it is reached. Indeed, Treasury has used extraordinary measures all 12 times the debt limit has been reached since 2011 — most recently, when the existing $36.1 trillion limit was reached on January 1, 2025. The amount of available extraordinary measures depends on external factors related to the assets and cash flows of certain government-related trust funds. History suggests that when the debt limit of $40.1 trillion called for in the HBC budget plan is reached, roughly in November 2026, extraordinary measures would allow the Treasury to keep meeting the federal government's financial obligations until sometime in the spring of 2027.

TABLE 1

Under House Budget Plan, Debt Would Exceed Proposed Debt Limit in Fiscal Year 2027, Even Accounting for Its Tenuous Economic Bonus

Estimated debt subject to limit by the end of the fiscal year in trillions of dollars

	2025	2026	2027	2028	2029	2030	2032	2032	2033	2034
Debt limit under current law	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Debt limit under HBC's budget	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1
Stated debt level in HBC's budget	37.7	39.8	41.8	43.7	45.7	47.7	49.6	51.4	53.5	55.8
...with no economic bonus	37.7	39.9	41.9	44.0	46.2	48.4	50.6	52.9	55.5	58.4
Stated debt level in CBO's baseline	37.3	39.3	41.0	42.9	44.9	47.0	49.0	51.2	53.7	56.5

Source: House Budget Committee FY25 Budget Resolution and supporting tables, CBO baseline January 2025.