# General Explanations of the Administration's Fiscal Year 2015 Revenue Proposals

Department of the Treasury
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# ELIMINATE FOSSIL FUEL PREFERENCES

## Eliminate Oil and Natural Gas Preferences

### REPEAL ENHANCED OIL RECOVERY (EOR) CREDIT

#### Current Law

The general business credit includes a 15-percent credit for eligible costs attributable to EOR projects. If the credit is claimed with respect to eligible costs, the taxpayer's deduction (or basis increase) with respect to those costs is reduced by the amount of the credit. Eligible costs include the cost of constructing a gas treatment plant to prepare Alaska natural gas for pipeline transportation and any of the following costs with respect to a qualified EOR project: (1) the cost of depreciable or amortizable tangible property that is an integral part of the project; (2) intangible drilling and development costs that the taxpayer can elect to deduct; and (3) deductible tertiary injectant costs. A qualified EOR project must be located in the United States and must involve the application of one or more of nine listed tertiary recovery methods that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil which ultimately will be recovered. The allowable credit is phased out over a $6 range for a taxable year if the annual average unregulated wellhead price per barrel of domestic crude oil during the calendar year preceding the calendar year in which the taxable year begins (the reference price) exceeds an inflation adjusted threshold. The credit was completely phased out for taxable years beginning in 2011, because the reference price ($74.71) exceeded the inflation adjusted threshold ($42.91) by more than $6.

#### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The credit, like other oil and gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the credit must ultimately be financed with taxes that result in other distortions, e.g., in reductions in investment in other, potentially more productive, areas of the economy.

#### Proposal

The proposal would repeal the investment tax credit for enhanced oil recovery projects for taxable years beginning after December 31, 2014.

## REPEAL CREDIT FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL WELLS

### Current Law

The general business credit includes a credit for crude oil and natural gas produced from marginal wells. The credit rate is $3.00 per barrel of oil and 50 cents per 1,000 cubic feet of natural gas for taxable years beginning in 2005 and is adjusted for inflation in taxable years beginning after 2005. The credit is available for production from wells that produce oil and natural gas qualifying as marginal production for purposes of the percentage depletion rules or that have average daily production of not more than 25 barrel-of-oil equivalents and produce at least 95 percent water. The credit per well is limited to 1,095 barrels of oil or barrel-of-oil equivalents per year. The credit rate for crude oil is phased out for a taxable year if the annual average unregulated wellhead price per barrel of domestic crude oil during the calendar year preceding the calendar year in which the taxable year begins (the reference price) exceeds the applicable threshold. The phase-out range and the applicable threshold at which phase-out begins are $3.00 and $15.00 for taxable years beginning in 2005 and are adjusted for inflation in taxable years beginning after 2005. The credit rate for natural gas is similarly phased out for a taxable year if the annual average wellhead price for domestic natural gas exceeds the applicable threshold. The phase-out range and the applicable threshold at which phase-out begins are 33 cents and $1.67 for taxable years beginning in 2005 and are adjusted for inflation in taxable years beginning after 2005. The credit has been completely phased out for all taxable years since its enactment. Unlike other components of the general business credit, which can be carried back only one year, the marginal well credit can be carried back up to five years.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The credit, like other oil and gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the credit must ultimately be financed with taxes that cause other economic distortions, e.g. underinvestment in other, potentially more productive, areas of the economy.

### Proposal

The proposal would repeal the production tax credit for oil and natural gas from marginal wells for production in taxable years beginning after December 31, 2014.

## REPEAL EXPENSING OF INTANGIBLE DRILLING COSTS

### Current Law

In general, costs that benefit future periods must be capitalized and recovered over such periods for income tax purposes, rather than being expensed in the period the costs are incurred. In addition, the uniform capitalization rules require certain direct and indirect costs allocable to property to be included in inventory or capitalized as part of the basis of such property. In general, the uniform capitalization rules apply to real and tangible personal property produced by the taxpayer or acquired for resale.

Special rules apply to intangible drilling costs (IDCs). IDCs include all expenditures made by an operator (i.e., a person who holds a working or operating interest in any tract or parcel of land either as a fee owner or under a lease or any other form of contract granting working or operating rights) for wages, fuel, repairs, hauling, supplies, and other expenses incident to and necessary for the drilling of wells and the preparation of wells for the production of oil and natural gas. In addition, IDCs include the cost to operators of any drilling or development work (excluding amounts payable only out of production or gross or net proceeds from production, if the amounts are depletable income to the recipient, and amounts properly allocable to the cost of depreciable property) done by contractors under any form of contract (including a turnkey contract). IDCs include amounts paid for labor, fuel, repairs, hauling, and supplies which are used in the drilling, shooting, and cleaning of wells; in such clearing of ground, draining, road making, surveying, and geological works as are necessary in preparation for the drilling of wells; and in the construction of such derricks, tanks, pipelines, and other physical structures as are necessary for the drilling of wells and the preparation of wells for the production of oil and natural gas. Generally, IDCs do not include expenses for items which have a salvage value (such as pipes and casings) or items which are part of the acquisition price of an interest in the property.

Under the special rules applicable to IDCs, an operator who pays or incurs IDCs in the development of an oil or natural gas property located in the United States may elect either to expense or capitalize those costs. The uniform capitalization rules do not apply to otherwise deductible IDCs.

If a taxpayer elects to expense IDCs, the amount of the IDCs is deductible as an expense in the taxable year the cost is paid or incurred. Generally, IDCs that a taxpayer elects to capitalize may be recovered through depletion or depreciation, as appropriate; or in the case of a nonproductive well ("dry hole"), the operator may elect to deduct the costs. In the case of an integrated oil company (i.e., a company that engages, either directly or through a related enterprise, in substantial retailing or refining activities) that has elected to expense IDCs, 30 percent of the IDCs on productive wells must be capitalized and amortized over a 60-month period.

A taxpayer that has elected to deduct IDCs may, nevertheless, elect to capitalize and amortize certain IDCs over a 60-month period beginning with the month the expenditure was paid or incurred. This rule applies on an expenditure-by-expenditure basis; that is, for any particular taxable year, a taxpayer may deduct some portion of its IDCs and capitalize the rest under this

provision. This allows the taxpayer to reduce or eliminate IDC adjustments or preferences under the alternative minimum tax.

The election to deduct IDCs applies only to those IDCs associated with domestic properties. For this purpose, the United States includes certain wells drilled offshore.

**Reasons for Change**

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The expensing of IDCs, like other oil and gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the subsidy for oil and natural gas must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy. Capitalization of IDCs would place the oil and gas industry on a cost recovery system similar to that of other industries and reduce economic distortions.

**Proposal**

The proposal would repeal expensing of IDCs and 60-month amortization of capitalized IDCs. IDCs would be capitalized as depreciable or depletable property, depending on the nature of the cost incurred, in accordance with the generally applicable rules.

The proposal would be effective for costs paid or incurred after December 31, 2014.

## REPEAL DEDUCTION FOR TERTIARY INJECTANTS

### Current Law

Taxpayers are allowed to deduct the cost of qualified tertiary injectant expenses for the taxable year. Qualified tertiary injectant expenses are amounts paid or incurred for any tertiary injectants (other than recoverable hydrocarbon injectants) that are used as a part of a tertiary recovery method to increase the recovery of crude oil. The deduction is treated as an amortization deduction in determining the amount subject to recapture upon disposition of the property.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The deduction for tertiary injectants, like other oil and natural gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the tax subsidy for oil and gas must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy. Capitalization of tertiary injectants would place the oil and natural gas industry on a cost recovery system similar to that of other industries and reduce economic distortions.

### Proposal

The proposal would repeal the deduction for qualified tertiary injectant expenses for amounts paid or incurred after December 31, 2014.

## REPEAL EXCEPTION TO PASSIVE LOSS LIMITATION FOR WORKING INTERESTS IN OIL AND NATURAL GAS PROPERTIES

### Current Law

The passive loss rules limit deductions and credits from passive trade or business activities. Deductions attributable to passive activities, to the extent they exceed income from passive activities, generally may not be deducted against other income, such as wages, portfolio income, or business income that is not derived from a passive activity. A similar rule applies to credits. Suspended deductions and credits are carried forward and treated as deductions and credits from passive activities in the next year. The suspended losses and credits from a passive activity are allowed in full when the taxpayer completely disposes of the activity.

Passive activities are defined to include trade or business activities in which the taxpayer does not materially participate. An exception is provided, however, for any working interest in an oil or natural gas property that the taxpayer holds directly or through an entity that does not limit the liability of the taxpayer with respect to the interest.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The special tax treatment of working interests in oil and gas properties, like other oil and natural gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the working interest exception for oil and natural gas must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy. Eliminating the working interest exception would subject oil and natural gas properties to the same limitations as other activities and reduce economic distortions.

### Proposal

The proposal would repeal the exception from the passive loss rules for working interests in oil and natural gas properties for taxable years beginning after December 31, 2014.

## REPEAL PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS WELLS

### Current Law

The capital costs of oil and natural gas wells are recovered through the depletion deduction. Under the cost depletion method, the basis recovery for a taxable year is proportional to the exhaustion of the property during the year. This method does not permit cost recovery deductions that exceed basis or that are allowable on an accelerated basis.

A taxpayer may also qualify for percentage depletion with respect to oil and natural gas properties. The amount of the deduction is a statutory percentage of the gross income from the property. For oil and natural gas properties, the percentage ranges from 15 to 25 percent and the deduction may not exceed 100 percent of the taxable income from the property (determined before the deductions for depletion and domestic manufacturing). In addition, the percentage depletion deduction for oil and natural gas properties may not exceed 65 percent of the taxpayer's overall taxable income (determined before the deduction for depletion and with certain other adjustments).

Other limitations and special rules apply to the percentage depletion deduction for oil and natural gas properties. In general, only independent producers and royalty owners (in contrast to integrated oil companies) qualify for the percentage depletion deduction. In addition, oil and natural gas producers may claim percentage depletion only with respect to up to 1,000 barrels of average daily production of domestic crude oil or an equivalent amount of domestic natural gas (applied on a combined basis in the case of taxpayers that produce both). This quantity limitation is allocated, at the taxpayer's election, between oil production and natural gas production and then further allocated within each class among the taxpayer's properties. Special rules apply to oil and natural gas production from marginal wells (generally, wells for which the average daily production is less than 15 barrels of oil or barrel-of-oil equivalents or that produce only heavy oil). Only marginal well production can qualify for percentage depletion at a rate of more than 15 percent. The rate is increased in a taxable year that begins in a calendar year following a calendar year during which the annual average unregulated wellhead price per barrel of domestic crude oil is less than $20. The increase is one percentage point for each whole dollar of difference between the two amounts. In addition, marginal wells are exempt from the 100-percent-of-net-income limitation described above in taxable years beginning during the period 1998-2007 and in taxable years beginning during the period 2009-2011. Unless the taxpayer elects otherwise, marginal well production is given priority over other production in applying the 1,000-barrel limitation on percentage depletion.

A qualifying taxpayer determines the depletion deduction for each oil and natural gas property under both the percentage depletion method and the cost depletion method and deducts the larger of the two amounts. Because percentage depletion is computed without regard to the taxpayer's basis in the depletable property, a taxpayer may continue to claim percentage depletion after all the expenditures incurred to acquire and develop the property have been recovered.

**Reasons for Change**

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. Percentage depletion effectively provides a lower rate of tax with respect to a favored source of income. The lower rate of tax, like other oil and natural gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the tax subsidy for oil and natural gas must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy.

Cost depletion computed by reference to the taxpayer's basis in the property is the equivalent of economic depreciation. Limiting oil and gas producers to cost depletion would place them on a cost recovery system similar to that of other industries and reduce economic distortions.

**Proposal**

The proposal would repeal percentage depletion with respect to oil and natural gas wells. Taxpayers would be permitted to claim cost depletion on their adjusted basis, if any, in oil and natural gas wells.

The proposal would be effective for taxable years beginning after December 31, 2014.

## REPEAL DOMESTIC MANUFACTURING DEDUCTION FOR OIL AND NATURAL GAS PRODUCTION

### Current Law

A deduction is allowed with respect to income attributable to domestic production activities (the manufacturing deduction). For taxable years beginning after 2009, the manufacturing deduction is generally equal to nine percent of the lesser of qualified production activities income for the taxable year or taxable income for the taxable year, limited to 50 percent of the W-2 wages of the taxpayer for the taxable year. The deduction for income from oil and natural gas production activities is computed at a six-percent rate.

Qualified production activities income is generally calculated as a taxpayer's domestic production gross receipts (i.e., the gross receipts derived from any lease, rental, license, sale, exchange, or other disposition of qualifying production property manufactured, produced, grown, or extracted by the taxpayer in whole or significant part within the United States; any qualified film produced by the taxpayer; or electricity, natural gas, or potable water produced by the taxpayer in the United States) minus the cost of goods sold and other expenses, losses, or deductions attributable to such receipts.

The manufacturing deduction generally is available to all taxpayers that generate qualified production activities income, which under current law includes income from the sale, exchange or disposition of oil, natural gas or primary products thereof produced in the United States.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a $21^{st}$-century energy economy. The manufacturing deduction for oil and natural gas effectively provides a lower rate of tax with respect to a favored source of income. The lower rate of tax, like other oil and natural gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the tax subsidy for oil and natural gas must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy.

### Proposal

The proposal would retain the overall manufacturing deduction, but exclude from the definition of domestic production gross receipts all gross receipts derived from the sale, exchange or other disposition of oil, natural gas or a primary product thereof for taxable years beginning after December 31, 2014. There is a parallel proposal to repeal the domestic manufacturing deduction for coal and other hard mineral fossil fuels.

## INCREASE GEOLOGICAL AND GEOPHYSICAL AMORTIZATION PERIOD FOR INDEPENDENT PRODUCERS TO SEVEN YEARS

### Current Law

Geological and geophysical expenditures are costs incurred for the purpose of obtaining and accumulating data that will serve as the basis for the acquisition and retention of mineral properties. The amortization period for geological and geophysical expenditures incurred in connection with oil and natural gas exploration in the United States is two years for independent producers and seven years for integrated oil and natural gas producers.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The accelerated amortization of geological and geophysical expenditures incurred by independent producers, like other oil and natural gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting carbon pollution. Moreover, the tax subsidy for oil and natural gas must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy.

Increasing the amortization period for geological and geophysical expenditures incurred by independent oil and natural gas producers from two years to seven years would provide a more accurate reflection of their income and more consistent tax treatment for all oil and natural gas producers.

### Proposal

The proposal would increase the amortization period from two years to seven years for geological and geophysical expenditures incurred by independent producers in connection with all oil and natural gas exploration in the United States. Seven-year amortization would apply even if the property is abandoned and any remaining basis of the abandoned property would be recovered over the remainder of the seven-year period.

The proposal would be effective for amounts paid or incurred after December 31, 2014.

## Eliminate Coal Preferences

### REPEAL EXPENSING OF EXPLORATION AND DEVELOPMENT COSTS

#### Current Law

In general, costs that benefit future periods must be capitalized and recovered over such periods for income tax purposes, rather than being expensed in the period the costs are incurred. In addition, the uniform capitalization rules require certain direct and indirect costs allocable to property to be included in inventory or capitalized as part of the basis of such property. In general, the uniform capitalization rules apply to real and tangible personal property produced by the taxpayer or acquired for resale.

Special rules apply in the case of mining exploration and development expenditures. A taxpayer may elect to expense the exploration costs incurred for the purpose of ascertaining the existence, location, extent, or quality of an ore or mineral deposit, including a deposit of coal or other hard-mineral fossil fuel. Exploration costs that are expensed are recaptured when the mine reaches the producing stage either by a reduction in depletion deductions or, at the election of the taxpayer, by an inclusion in income in the year in which the mine reaches the producing stage.

After the existence of a commercially marketable deposit has been disclosed, costs incurred for the development of a mine to exploit the deposit are deductible in the year paid or incurred unless the taxpayer elects to deduct the costs on a ratable basis as the minerals or ores produced from the deposit are sold.

In the case of a corporation that elects to deduct exploration costs in the year paid or incurred, 30 percent of the otherwise deductible costs must be capitalized and amortized over a 60-month period. In addition, a taxpayer that has elected to deduct exploration costs may, nevertheless, elect to capitalize and amortize those costs over a 10-year period. This rule applies on an expenditure-by-expenditure basis; that is, for any particular taxable year, a taxpayer may deduct some portion of its exploration costs and capitalize the rest under this provision. This allows the taxpayer to reduce or eliminate adjustments or preferences for exploration costs under the alternative minimum tax. Similar rules limiting corporate deductions and providing for 60-month and 10-year amortization apply with respect to mine development costs.

The election to deduct exploration costs and the rule making development costs deductible in the year paid or incurred apply only with respect to domestic ore and mineral deposits.

#### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21$^{st}$-century energy economy. The expensing of exploration and development costs relating to coal and other hard-mineral fossil fuels, like other fossil-fuel preferences the Administration proposes to repeal, distorts markets by encouraging more investment in fossil-fuel production than would occur under a neutral system. This market distortion is inconsistent with the Administration's policy of supporting a clean energy economy

and cutting carbon pollution. Moreover, the tax subsidy for coal and other hard-mineral fossil fuels must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy. Capitalization of exploration and development costs relating to coal and other hard-mineral fossil fuels would place taxpayers in that industry on a cost recovery system similar to that employed by other industries and reduce economic distortions.

**Proposal**

The proposal would repeal expensing, 60-month amortization, and 10-year amortization of exploration and development costs with respect to coal and other hard-mineral fossil fuels. The costs would be capitalized as depreciable or depletable property, depending on the nature of the cost incurred, in accordance with the generally applicable rules. The other hard-mineral fossil fuels for which expensing, 60-month amortization, and 10-year amortization would not be allowed include lignite and oil shale to which a 15-percent depletion rate applies.

The proposal would be effective for costs paid or incurred after December 31, 2014.

## REPEAL PERCENTAGE DEPLETION FOR HARD MINERAL FOSSIL FUELS

### Current Law

The capital costs of coal mines and other hard-mineral fossil-fuel properties are recovered through the depletion deduction. Under the cost depletion method, the basis recovery for a taxable year is proportional to the exhaustion of the property during the year. This method does not permit cost recovery deductions that exceed basis or that are allowable on an accelerated basis.

A taxpayer may also qualify for percentage depletion with respect to coal and other hard-mineral fossil-fuel properties. The amount of the deduction is a statutory percentage of the gross income from the property. The percentage is 10 percent for coal and lignite and 15 percent for oil shale (other than oil shale to which a 7½-percent depletion rate applies because it is used for certain nonfuel purposes). The deduction may not exceed 50 percent of the taxable income from the property (determined before the deductions for depletion and domestic manufacturing).

A qualifying taxpayer determines the depletion deduction for each property under both the percentage depletion method and the cost depletion method and deducts the larger of the two amounts. Because percentage depletion is computed without regard to the taxpayer's basis in the depletable property, a taxpayer may continue to claim percentage depletion after all the expenditures incurred to acquire and develop the property have been recovered.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. Percentage depletion effectively provides a lower rate of tax with respect to a favored source of income. The lower rate of tax, like other fossil-fuel preferences the Administration proposes to repeal, distorts markets by encouraging more investment in fossil-fuel production than would occur under a neutral system. This market distortion is inconsistent with the Administration's policy of supporting a clean energy economy and cutting carbon pollution. Moreover, the tax subsidy for coal and other hard-mineral fossil fuels must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy.

Cost depletion computed by reference to the taxpayer's basis in the property is the equivalent of economic depreciation. Limiting fossil-fuel producers to cost depletion would place them on a cost recovery system similar to that of other industries and reduce economic distortions.

### Proposal

The proposal would repeal percentage depletion with respect to coal and other hard-mineral fossil fuels. The other hard-mineral fossil fuels for which no percentage depletion would be allowed include lignite and oil shale to which a 15-percent depletion rate applies. Taxpayers

would be permitted to claim cost depletion on their adjusted basis, if any, in coal and other hard-mineral fossil-fuel properties.

The proposal would be effective for taxable years beginning after December 31, 2014.

## REPEAL CAPITAL GAINS TREATMENT FOR ROYALTIES

### Current Law

Royalties received on the disposition of coal or lignite generally qualify for treatment as long-term capital gain, and the royalty owner does not qualify for percentage depletion with respect to the coal or lignite. This treatment does not apply unless the taxpayer has been the owner of the mineral in place for at least one year before it is mined. The treatment also does not apply to income realized as a co-adventurer, partner, or principal in the mining of the mineral or to certain related-party transactions.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21$^{st}$-century energy economy. The capital gain treatment of coal and lignite royalties, like other fossil-fuel preferences the Administration proposes to repeal, distorts markets by encouraging more investment in fossil-fuel production than would occur under a neutral system. This market distortion is inconsistent with the Administration's policy of supporting a clean energy economy and cutting carbon pollution. Moreover, the tax subsidy for coal and lignite must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy.

### Proposal

The proposal would repeal capital gains treatment of coal and lignite royalties and would tax those royalties as ordinary income.

The proposal would be effective for amounts realized in taxable years beginning after December 31, 2014.

## REPEAL DOMESTIC MANUFACTURING DEDUCTION FOR THE PRODUCTION OF COAL AND OTHER HARD MINERAL FOSSIL FUELS

### Current Law

A deduction is allowed with respect to income attributable to domestic production activities (the manufacturing deduction). For taxable years beginning after 2009, the manufacturing deduction is generally equal to nine percent of the lesser of qualified production activities income for the taxable year or taxable income for the taxable year, limited to 50 percent of the W-2 wages of the taxpayer for the taxable year.

Qualified production activities income is generally calculated as a taxpayer's domestic production gross receipts (i.e., the gross receipts derived from any lease, rental, license, sale, exchange, or other disposition of qualifying production property manufactured, produced, grown, or extracted by the taxpayer in whole or significant part within the United States; any qualified film produced by the taxpayer; or electricity, natural gas, or potable water produced by the taxpayer in the United States) minus the cost of goods sold and other expenses, losses, or deductions attributable to such receipts.

The manufacturing deduction generally is available to all taxpayers that generate qualified production activities income, which under current law includes income from the sale, exchange or disposition of coal, other hard-mineral fossil fuels, or primary products thereof produced in the United States.

### Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels so that the United States can transition to a 21st-century energy economy. The manufacturing deduction for coal and other hard mineral fossil fuels effectively provides a lower rate of tax with respect to a favored source of income. The lower rate of tax, like other fossil-fuel preferences the Administration proposes to repeal, distorts markets by encouraging more investment in fossil-fuel production than would occur under a neutral system. This market distortion is inconsistent with the Administration's policy of supporting a clean energy economy and cutting carbon pollution. Moreover, the tax subsidy for coal and other hard-mineral fossil fuels must ultimately be financed with taxes that cause other economic distortions, e.g., underinvestment in other, potentially more productive, areas of the economy.

### Proposal

The proposal would retain the overall manufacturing deduction, but exclude from the definition of domestic production gross receipts all gross receipts derived from the sale, exchange or other disposition of coal, other hard-mineral fossil fuels, or a primary product thereof. The hard mineral fossil fuels to which the exclusion would apply include lignite and oil shale to which a 15-percent depletion rate applies. There is a parallel proposal to repeal the domestic manufacturing deduction for oil and natural gas companies. The proposal would be effective for taxable years beginning after December 31, 2014.

## EXPAND THE DEFINITION OF SUBSTANTIAL BUILT-IN LOSS FOR PURPOSES OF PARTNERSHIP LOSS TRANSFERS

### Current Law

Under section 743(b), a partnership does not adjust the basis of partnership property following the transfer of a partnership interest unless the partnership has made an election under section 754 to make basis adjustments or the partnership has a substantial built-in loss. If an election is in effect or the partnership has a substantial built-in loss, adjustments are made with respect to the transferee partner to account for the difference between the transferee partner's proportionate share of the adjusted basis of the partnership property and the transferee's basis in its partnership interest. These adjustments are intended to adjust the basis of partnership property to approximate the result of a direct purchase of the property by the transferee partner.

Prior to 2004, section 743(b) applied only if the partnership made an election under section 754. To prevent the duplication of losses, Congress amended section 743 to mandate section 743(b) adjustments if the partnership had a substantial built-in loss in its assets. Section 743(d) defines a substantial built-in loss by reference to the partnership's adjusted basis – that is, there is a substantial built-in loss if the partnership's adjusted basis in its assets exceeds by more than $250,000 the fair market value of such property.

### Reasons for Change

Although the 2004 amendments to section 743 prevent the duplication of losses where the partnership has a substantial built-in loss in its assets, it does not prevent the duplication of losses where the transferee partner would be allocated a net loss in excess of $250,000 if the partnership sold all of its assets in a fully taxable transaction for fair market value, but the partnership itself does not have a substantial built-in loss in its assets.

### Proposal

The proposal would amend section 743(d) to also measure a substantial built-in loss by reference to whether the transferee would be allocated a net loss in excess of $250,000 upon a hypothetical disposition by the partnership of all of the partnership's assets, immediately after the transfer of the partnership interest, in a full taxable transaction for cash equal to the fair market value of the assets.

The proposal would apply to sales or exchanges after the date of enactment.

## EXTEND PARTNERSHIP BASIS LIMITATION RULES TO NONDEDUCTIBLE EXPENDITURES

### Current Law

Section 704(d) provides that a partner's distributive share of loss is allowed only to the extent of the partner's adjusted basis in its partnership interest at the end of the partnership year in which such loss occurred. Any excess is allowed as a deduction at the end of the partnership year in which the partner has sufficient basis in its partnership interest to take the deductions. Section 704(d) does not apply to partnership expenditures not deductible in computing partnership taxable income and not properly chargeable to capital account.

### Reasons for Change

Even though a partner's distributive share of nondeductible expenditures reduces the partner's basis in its partnership interest, such items are not subject to section 704(d), and the partner may deduct or credit them currently even if the partner's basis in its partnership interest is zero.

### Proposal

The proposal would amend section 704(d) to allow a partner's distributive share of expenditures not deductible in computing the partnership's taxable income and not properly chargeable to capital account only to the extent of the partner's adjusted basis in its partnership interest at the end of the partnership year in which such expenditure occurred.

The proposal would apply to a partnership's taxable year beginning on or after the date of enactment.

# BUDGET PROPOSALS

The Administration's proposals, which begin the process of reducing the deficit and reforming the Internal Revenue Code, will strengthen the economy and provide support to middle-income families. These proposals provide support for job creation and incentives for investment in infrastructure, help make work pay by expanding the Earned Income Tax Credit for workers without qualifying children, and help families save for retirement and pay for college and child care. They also reduce the deficit and make the tax system fairer by eliminating a number of tax loopholes and reducing tax benefits for higher-income taxpayers. The Administration's proposals that affect receipts are described below.

# LOOPHOLE CLOSERS

## TAX CARRIED (PROFITS) INTERESTS AS ORDINARY INCOME

### Current Law

A partnership is not subject to Federal income tax. Instead, an item of income or loss of the partnership retains its character and flows through to the partners, who must include such item on their tax returns. Generally, certain partners receive partnership interests in exchange for contributions of cash and/or property, while certain partners (not necessarily other partners) receive partnership interests, typically interests in future profits ("profits interests" or "carried interests"), in exchange for services. Accordingly, if and to the extent a partnership recognizes long-term capital gain, the partners, including partners who provide services, will reflect their shares of such gain on their tax returns as long-term capital gain. If the partner is an individual, such gain would be taxed at the reduced rates for long-term capital gains. Gain recognized on the sale of a partnership interest, whether it was received in exchange for property, cash, or services, is generally treated as capital gain.

Under current law, income attributable to a profits interest of a general partner is generally subject to self-employment tax, except to the extent the partnership generates types of income that are excluded from self-employment taxes, e.g., capital gains, certain interest, and dividends.

### Reasons for Change

Although profits interests are structured as partnership interests, the income allocable to such interests is received in connection with the performance of services. A service provider's share of the income of a partnership attributable to a carried interest should be taxed as ordinary income and subject to self-employment tax because such income is derived from the performance of services. By allowing service partners to receive capital gains treatment on labor income without limit, the current system creates an unfair and inefficient tax preference. The recent explosion of activity among large private equity firms and hedge funds has increased the breadth and cost of this tax preference, with some of the highest-income Americans benefiting from the preferential treatment.

### Proposal

The proposal would tax as ordinary income a partner's share of income on an "investment services partnership interest" (ISPI) in an investment partnership, regardless of the character of the income at the partnership level. Accordingly, such income would not be eligible for the reduced rates that apply to long-term capital gains. In addition, the proposal would require the partner to pay self-employment taxes on such income. In order to prevent income derived from labor services from avoiding taxation at ordinary income rates, this proposal assumes that the gain recognized on the sale of an ISPI would generally be taxed as ordinary income, not as capital gain. To ensure more consistent treatment with the sales of other types of businesses, the Administration remains committed to working with Congress to develop mechanisms to assure

the proper amount of income recharacterization where the business has goodwill or other assets unrelated to the services of the ISPI holder.

An ISPI is a carried interest in an investment partnership that is held by a person who provides services to the partnership. A partnership is an investment partnership if substantially all of its assets are investment-type assets (certain securities, real estate, interests in partnerships, commodities, cash or cash equivalents, or derivative contracts with respect to those assets), but only if over half of the partnership's contributed capital is from partners in whose hands the interests constitute property not held in connection with a trade or business. To the extent (1) the partner who holds an ISPI contributes "invested capital" (which is generally money or other property) to the partnership, and (2) such partner's invested capital is a qualified capital interest (which generally requires that (a) the partnership allocations to the invested capital be in a same manner as allocations to other capital interests held by partners who do not hold an ISPI and (b) the allocations to these non-ISPI holders are significant), income attributable to the invested capital would not be recharacterized. Similarly, the portion of any gain recognized on the sale of an ISPI that is attributable to the invested capital would be treated as capital gain. However, "invested capital" will not include contributed capital that is attributable to the proceeds of any loan or other advance made or guaranteed by any partner or the partnership.

Also, any person who performs services for an entity and holds a "disqualified interest" in the entity is subject to tax at rates applicable to ordinary income on any income or gain received with respect to the interest. A "disqualified interest" is defined as convertible or contingent debt, an option, or any derivative instrument with respect to the entity (but does not include a partnership interest, stock in certain taxable corporations, or stock in an S corporation). This is an anti-abuse rule designed to prevent the avoidance of the proposal through the use of compensatory arrangements other than partnership interests. Other anti-abuse rules may be necessary.

The proposal is not intended to adversely affect qualification of a real estate investment trust owning a carried interest in a real estate partnership.

The proposal would be effective for taxable years ending after December 31, 2014.

**STREAMLINE AUDIT AND ADJUSTMENT PROCEDURES FOR LARGE PARTNERSHIPS**

**Current Law**

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) established unified audit rules applicable to all but certain small partnerships.

These rules require the tax treatment of all "partnership items" to be determined at the partnership, rather than the partner, level. The rules also require a partner to report all partnership items consistently with the partnership return, unless the partner notifies the Internal Revenue Service (IRS) of any inconsistency. The IRS may challenge the reporting position of a partnership by conducting a single administrative proceeding to resolve the issue with respect to all partners. Nevertheless, the IRS must still assess any resulting adjustment against each of the taxpayers who were partners in the year in which the misstatement of tax liability arose. In addition, any partner can request an administrative adjustment or a refund for his own separate tax liability and participate in partnership-level administrative proceedings. The TEFRA partnership rules also require the IRS to give notice of the beginning of partnership-level administrative proceedings and any resulting administrative adjustment to all partners whose names and addresses are furnished to the IRS. For partnerships with more than 100 partners, however, the IRS generally is not required to give notice to any partner whose profits interest is less than one percent.

Because "[the TEFRA] audit and adjustment procedures for large partnerships are inefficient and more complex than those for other large entities,"[1] the Taxpayer Relief Act of 1997 established streamlined audit and adjustment procedure, as well as a simplified reporting system, for electing large partnerships (ELPs), which are generally defined as partnerships that have 100 or more partners during the preceding taxable year and elect to be treated as an ELP.

Under the streamlined ELP audit and adjustment procedures, the IRS generally makes adjustments at the partnership level that flow through to the partners for the year in which the adjustment takes effect. Thus, the current-year partners' share of current-year partnership items of income, gains, losses, deductions, or credits are adjusted to reflect partnership adjustments that take effect in that year. The adjustments generally will not affect prior-year returns of any partners (except in the case of changes to any partner's distributive shares). Unlike the TEFRA partnership rules, only the partnership can request a refund and the partners of an ELP do not have the right to participate in partnership-level administrative proceedings. Under the ELP audit rules, the IRS need not give notice to individual partners of the beginning of an administrative proceeding or of a final adjustment. Instead, a notice of partnership adjustments is generally sent to the partnership, and only the partner designated by the partnership may act on behalf of the partnership. In addition, the ELP regime allows for simplified reporting to the IRS.

[1] House Conference Report No. 105-220.

## Reasons for Change

The present TEFRA partnership audit and adjustment procedures for large partnerships remain inefficient and more complex than those applicable to other large entities. Although the ELP regime was enacted to mitigate the problem, few large partnerships have elected into the ELP regime. In addition, there has been substantial growth in the number and complexity of large partnerships, magnifying the difficulty of auditing large partnerships under the TEFRA partnership procedures.

## Proposal

The proposal would mandate the streamlined ELP audit and adjustment procedures, but not the simplified reporting, for any partnership that has 1,000 or more partners at any time during the taxable year, a "Required Large Partnership" (RLP).

An RLP, like an ELP, would not include any partnership if substantially all the partners are: (1) individuals performing substantial services in connection with the partnership's activities, or personal service corporations the owner-employees of which perform those services; (2) retired partners who had performed those services; or (3) spouses of partners who had performed those services.

An RLP will continue to be treated as an RLP unless it can demonstrate that the number of partners fell below the 1,000 partner threshold for the 60-month period ending with the last day of its most recently ended taxable year. An RLP, however, may elect to continue to be an RLP. In addition, a partnership that has 100 or more partners at any time during the taxable year may elect to be an RLP. If a partnership makes an election provided for in the prior two sentences, the election cannot be revoked for any year without the consent of the Secretary.

For purposes of determining whether a partnership has 1,000 or more partners, any person that owns an interest directly or indirectly in the partnership through one or more pass-thru partners (as defined in section 6231(a)(9)) is treated as a partner. The proposal would require any partnership, estate, trust, S corporation, nominee, or other similar person ("pass-through person") that owns a direct interest in another pass-through person ("lower-tier pass-through person") to provide to the lower-tier pass-through person the information necessary for the lower-tier pass-through person to determine the number of owners that the pass-through person has. A pass-through person and a lower-tier pass-through person may agree that the pass-through person need not provide the above information to the lower-tier pass-through person if the parties determine the information is not necessary to determine that the lower-tier partnership has 1,000 or more partners.

The partnership would be required to certify that it had at least 1,000 partners at some time during the taxable year by filing an RLP return. The treatment provided by the certification would be binding on the partnership, all partners of the partnership, and on the IRS. Thus, if a partnership incorrectly filed an RLP return, the RLP procedures would continue to apply for that taxable year. Conversely, if a partnership incorrectly failed to file an RLP return, the TEFRA partnership audit procedures would continue to apply to the partnership for that taxable year.

The proposal, however, would provide that if a partnership incorrectly failed to file an RLP return, the period of limitations on assessment would not expire before the date that is three years after the date that the Secretary determined that an RLP return should have been filed. This would allow the IRS sufficient time to carry out the TEFRA partnership procedures. In addition, the partnership would be treated as an RLP for the partnership's taxable year ending on or after the date the Secretary determines and notifies the partnership that an RLP return should have been filed. For example, if on June 1, 2016, the Secretary determines and notifies a calendar-year partnership that it incorrectly failed to file an RLP return for its 2014 taxable year, the partnership would be treated as an RLP for its taxable year ending December 31, 2016.

If a partnership incorrectly failed to file the proper return, a penalty will be imposed on the partnership equal to the product of $5,000 multiplied by the number of direct and indirect partners of the partnership. The partnership would be liable for any penalty imposed by this provision. No penalty will be imposed if the partnership establishes that there was reasonable cause for, and the partnership acted in good faith with respect to, incorrectly failing to file the proper return.

The proposal would also make simplifying changes to the existing ELP regime. The proposal would eliminate the requirement that an ELP provide information returns to its partners within 2½ months following the close of its taxable year and, instead, require the information returns be provided by the time required for non-ELP partnerships. Additionally, the definition of an ELP would be amended to provide that the number of persons who were partners in the partnership must equal or exceed 100 at any time during the partnership taxable year, as opposed to in the preceding partnership taxable year.

The proposal would allow the Secretary to promulgate regulations to further define these rules, including rules to ensure that taxpayers do not transfer partnership interests with a principal purpose of utilizing the RLP regime to alter the taxpayers' aggregate tax liability, and rules to address foreign pass-through partners including, where appropriate, treating a foreign pass-through partner that is a partnership as an RLP.

The proposal would apply to a partnership's taxable year ending on or after the date that is two years from the date of enactment.

## RATIONALIZE TAX RETURN FILING DUE DATES SO THEY ARE STAGGERED

### Current Law

Individuals are generally required to file their income tax returns by April 15 of the year following the close of the taxable year. An individual may request a six-month extension of time to file his or her income tax return.

Calendar year corporations (i.e., corporations with a tax year ending on December 31), including S corporations, are required to file their income tax returns by March 15 of the year following the close of the taxable year. Fiscal year corporations (i.e., corporations with a tax year ending on a date other than December 31), including S corporations, are required to file their income tax returns by the 15th day of the third month following the close of the taxable year. Corporations may request an automatic six-month extension of time to file their income tax returns. In addition, corporations classified as S corporations are required to provide shareholders with a copy of the Schedule K-1 by the due date (including extensions) of the S corporation's income tax return.

Calendar year partnerships are required to file the Form 1065 with the Internal Revenue Service (IRS) and furnish a copy of the Schedule K-1 to each partner by April 15 of the year following the close of the taxable year. For fiscal year partnerships, the due date is the 15th day of the fourth month following the close of the taxable year. Partnerships may request an automatic five-month extension of time to file the Form 1065 and furnish copies of the Schedule K-1 to partners.

Most information returns, including Forms 1099, 1098, and 1096, are required to be filed with the IRS by February 28 of the year following the year for which the information is being reported. Form W-2 is required to be filed with the Social Security Administration (SSA) by the last day of February. A copy of the information filed with the IRS is generally required to be furnished to payees by January 31 of the year following the year for which the information is being reported. In the case of payments reported on the Form 1099-B, statements to payees are required to be furnished by February 15, rather than January 31. The due date for filing information returns with the IRS or SSA is generally extended until March 31 if the returns are filed electronically.

### Reasons for Change

Third-party information is used by taxpayers to assist them in preparing their income tax returns. However, many taxpayers do not receive Schedules K-1 before their income tax returns are due. As a result, taxpayers may not have accurate information when they file their income tax returns. Accelerating the taxpayer's receipt of third-party information will reduce burden on taxpayers by providing them with accurate information when preparing their original returns and potentially reduce the number of amended returns filed by taxpayers.

The IRS also uses third-party information to determine a taxpayer's compliance with federal tax obligations. Accelerating the IRS's receipt of third-party information will facilitate detection of non-compliance earlier in the filing season.

## Proposal

The proposal would rationalize income tax return due dates so that taxpayers receive Schedules K-1 before the due date for filing their income tax returns. Under the proposal, calendar year S corporation filing deadlines would remain the same, and partnership filing deadlines would be made to conform to the current deadlines imposed on S corporations. Accordingly, all calendar year partnership and all calendar year S corporation returns (Forms 1065 and 1120-S) and Schedules K-1 furnished to partners and shareholders would be due March 15. In addition, returns of calendar year corporations other than S corporations would be due April 15 instead of March 15.

The proposal would also accelerate the due date for filing information returns and eliminate the extended due date for electronically filed returns. Under the proposal, information returns would be required to be filed with the IRS (or SSA, in the case of Form W-2) by January 31, except that Form 1099-B would be required to be filed with the IRS by February 15. The due dates for the payee statements would remain the same.

The proposal would be effective for returns required to be filed after December 31, 2014.

**REPEAL TECHNICAL TERMINATIONS OF PARTNERSHIPS**

## Current Law

Under section 707(b)(1)(B) of the Internal Revenue Code, if within a 12-month period, there is a sale or exchange of 50 percent or more of the total interest in partnership capital and profits, the partnership is treated as having terminated for U.S. federal income tax purposes.

## Reasons for Change

A termination of this kind is commonly referred to as a "technical termination" because the termination occurs solely for U.S. federal income tax purposes, even though the entity continues to exist for local law purposes and the business of the partnership continues. Even though the business of the partnership continues in the same legal form, several unanticipated consequences occur as a result of a technical termination, including, among other things, the restart of section 168 depreciation lives, the close of the partnership's taxable year, and the loss of all partnership level elections. Accordingly, this rule currently serves as a trap for the unwary taxpayer or as an affirmative planning tool for the savvy taxpayer.

## Proposal

The proposal would repeal section 708(b)(1)(B) effective for transfers on or after December 31, 2014.

# TABLES OF REVENUE ESTIMATES

**Table 1: Revenue Estimates of Adjustments to the Balanced Budget and Emergency Deficit Control Act (BBEDCA) Baseline**

| | Fiscal Years | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
| | (in millions of dollars) | | | | | | | | | | | | |
| **Adjustments to the BBEDCA Baseline** | | | | | | | | | | | | | |
| Permanently extend increased refundability of the Child Tax Credit 1/ | 0 | 0 | 0 | 0 | -535 | -10,688 | -10,660 | -10,705 | -10,732 | -10,769 | -10,810 | -11,223 | -64,899 |
| Permanently extend Earned Income Tax Credit (EITC) marriage penalty relief 1/ | 0 | 0 | 0 | 0 | -109 | -1,450 | -1,466 | -1,488 | -1,514 | -1,544 | -1,568 | -1,559 | -9,139 |
| Permanently extend the EITC for larger families 1/ | 0 | 0 | 0 | 0 | -102 | -1,932 | -1,961 | -1,997 | -2,035 | -2,075 | -2,115 | -2,034 | -12,217 |
| Permanently extend the American Opportunity Tax Credit (AOTC) 1/ | 0 | 0 | 0 | 0 | -659 | -9,795 | -11,939 | -11,752 | -11,489 | -10,947 | -10,726 | -10,454 | -67,307 |
| **Total, Adjustments to the BBEDCA Baseline** | **0** | **0** | **0** | **0** | **-1,405** | **-23,865** | **-26,026** | **-25,942** | **-25,770** | **-25,335** | **-25,219** | **-25,270** | **-153,562** |
| Total receipt effect | 0 | 0 | 0 | 0 | -752 | -7,919 | -7,427 | -7,282 | -7,050 | -6,554 | -6,374 | -8,671 | -43,358 |
| Total outlay effect | 0 | 0 | 0 | 0 | 653 | 15,946 | 18,599 | 18,660 | 18,720 | 18,781 | 18,845 | 16,599 | 110,204 |

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Notes:

1/ This provision affects both receipts and outlays. The combined effects are shown here and the outlay effects included in these estimates are detailed in the table below.

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Permanently extend increased refundability of the Child Tax Credit | 0 | 0 | 0 | 0 | 535 | 10,688 | 10,660 | 10,705 | 10,732 | 10,769 | 10,810 | 11,223 | 64,899 |
| Permanently extend EITC marriage penalty relief | 0 | 0 | 0 | 0 | 23 | 93 | 97 | 103 | 111 | 117 | 122 | 116 | 666 |
| Permanently extend the EITC for larger families | 0 | 0 | 0 | 0 | 95 | 1,905 | 1,932 | 1,965 | 2,000 | 2,037 | 2,075 | 2,000 | 12,009 |
| Permanently extend the AOTC | 0 | 0 | 0 | 0 | 0 | 3 260 | 5 910 | 5 887 | 5 877 | 5 858 | 5 838 | 3 260 | 32 630 |
| *Total outlay effect* ........ | *0* | *0* | *0* | *0* | *653* | *15,946* | *18,599* | *18,660* | *18,720* | *18,781* | *18,845* | *16,599* | *110,204* |

**Table 2: Revenue Estimates of Reserve for Long-Run Revenue-Neutral Business Tax Reform Proposals 1/ 2/**

| | Fiscal Years | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
| | (in millions of dollars) | | | | | | | | | | | | |
| **Incentives for manufacturing, research, clean energy, and insourcing and creating jobs** | | | | | | | | | | | | | |
| Provide tax incentives for locating jobs and business activity in the United States and remove tax deductions for shipping jobs overseas | 0 | -14 | -18 | -19 | -21 | -21 | -22 | -23 | -24 | -24 | -26 | -93 | -212 |
| Enhance and make permanent the Research and Experimentation Tax Credit | -3,259 | -6,524 | -7,731 | -8,671 | -9,591 | -10,483 | -11,309 | -12,148 | -13,019 | -13,894 | -14,776 | -43,000 | -108,146 |
| Extend and modify certain employment tax credits, including incentives for hiring veterans | -382 | -747 | -821 | -885 | -928 | -964 | -994 | -1,029 | -1,072 | -1,115 | -1,159 | -4,345 | -9,714 |
| Modify and permanently extend the Renewable Electricity Production Tax Credit 3/ | 0 | -141 | -499 | -848 | -1,193 | -1,584 | -2,002 | -2,458 | -2,963 | -3,509 | -4,089 | -4,265 | -19,286 |
| Modify and permanently extend the deduction for energy-efficient commercial building property | -61 | -190 | -371 | -515 | -607 | -675 | -720 | -738 | -745 | -751 | -756 | -2,358 | -6,068 |
| **Subtotal, incentives for manufacturing, research, clean energy, and insourcing and creating jobs** | **-3,702** | **-7,616** | **-9,440** | **-10,938** | **-12,340** | **-13,727** | **-15,047** | **-16,396** | **-17,823** | **-19,293** | **-20,806** | **-54,061** | **-143,426** |
| **Tax relief for small business** | | | | | | | | | | | | | |
| Extend increased expensing for small business | -6,712 | -9,321 | -7,197 | -6,246 | -5,563 | -4,981 | -4,703 | -4,586 | -4,622 | -4,735 | -4,874 | -33,308 | -56,828 |
| Eliminate capital gains taxation on investments in small business stock | 0 | 0 | 0 | 0 | 0 | -227 | -719 | -1,245 | -1,762 | -2,310 | -2,939 | -227 | -9,202 |
| Increase the limitations for deductible new business expenditures and consolidate provisions for start-up and organizational expenditures | 0 | -360 | -449 | -446 | -440 | -434 | -431 | -428 | -427 | -424 | -419 | -2,129 | -4,258 |
| Expand and simplify the tax credit provided to qualified small employers for non-elective contributions to employee health insurance 3/ | -219 | -313 | -322 | -219 | -133 | -95 | -66 | -52 | -50 | -48 | -28 | -1 082 | -1 326 |
| **Subtotal, tax relief for small business ...** | **-6,931** | **-9,994** | **-7,968** | **-6,911** | **-6,136** | **-5,737** | **-5,919** | **-6,311** | **-6,861** | **-7,517** | **-8,260** | **-36,746** | **-71,614** |
| **Incentives to promote regional growth** | | | | | | | | | | | | | |
| Modify and permanently extend the New Markets Tax Credit | -17 | -77 | -191 | -351 | -548 | -772 | -1,013 | -1,245 | -1,429 | -1,529 | -1,558 | -1,939 | -8,713 |
| Restructure assistance to New York City, provide tax incentives for transportation infrastructure | 0 | -200 | -200 | -200 | -200 | -200 | -200 | -200 | -200 | -200 | -200 | -1,000 | -2,000 |
| *Reform and expand the Low-Income Housing Tax Credit (LIHTC):* | | | | | | | | | | | | | |
| Allow conversion of private activity bond volume cap into LIHTCs | 0 | 0 | -20 | -40 | -70 | -90 | -110 | -120 | -130 | -140 | -140 | -220 | -860 |
| Encourage mixed income occupancy by allowing LIHTC-supported projects to elect a criterion employing a restriction on average income | | | | | *Negligible revenue effect* | | | | | | | | |
| Change formulas for 70 percent PV and 30 percent PV LIHTCs | 0 | -3 | -5 | -7 | -7 | -7 | -7 | -7 | -7 | -7 | -7 | -29 | -64 |
| Add preservation of federally assisted affordable housing to allocation criteria | | | | | *Negligible revenue effect* | | | | | | | | |
| Make the LIHTC beneficial to real estate investment trusts | 0 | -25 | -41 | -49 | -50 | -50 | -51 | -51 | -51 | -49 | -49 | -215 | -466 |
| Implement requirement that LIHTC-supported housing protect victims of domestic abuse | | | | | *Negligible revenue effect* | | | | | | | | |
| *Subtotal, reform and expand LIHTC* ........................................ | *0* | *-28* | *-66* | *-96* | *-127* | *-147* | *-168* | *-178* | *-188* | *-196* | *-196* | *-464* | *-1,390* |
| **Subtotal, incentives to promote regional growth** | **-17** | **-305** | **-457** | **-647** | **-875** | **-1,119** | **-1,381** | **-1,623** | **-1,817** | **-1,925** | **-1,954** | **-3,403** | **-12,103** |
| **Reform U.S. international tax system** | | | | | | | | | | | | | |
| Defer deduction of interest expense related to deferred income of foreign subsidiaries | 0 | 2,976 | 5,028 | 5,219 | 5,444 | 5,651 | 5,864 | 4,051 | 2,850 | 2,962 | 3,093 | 24,318 | 43,138 |
| Determine the Foreign Tax Credit on a pooling basis ... | 0 | 3,963 | 6,697 | 6,952 | 7,251 | 7,527 | 7,810 | 8,115 | 8,436 | 8,766 | 9,155 | 32,390 | 74,672 |
| Tax currently excess returns associated with transfers of intangibles offshore | 0 | 1,578 | 2,693 | 2,787 | 2,832 | 2,798 | 2,718 | 2,664 | 2,636 | 2,626 | 2,633 | 12,688 | 25,965 |
| Limit shifting of income through intangible property transfers | 0 | 71 | 137 | 172 | 207 | 244 | 283 | 325 | 373 | 427 | 489 | 831 | 2,728 |
| Disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates | 0 | 366 | 632 | 682 | 721 | 755 | 794 | 833 | 882 | 928 | 975 | 3,156 | 7,568 |
| Restrict deductions for excessive interest of members of financial reporting groups | 0 | 1,944 | 3,434 | 3,778 | 4,156 | 4,571 | 5,028 | 5,531 | 6,084 | 6,693 | 7,362 | 17,883 | 48,581 |
| Modify tax rules for dual capacity taxpayers | 0 | 527 | 906 | 953 | 1,002 | 1,049 | 1,096 | 1,147 | 1,179 | 1,233 | 1,290 | 4,437 | 10,382 |
| Tax gain from the sale of a partnership interest on look-through basis | 0 | 139 | 241 | 253 | 265 | 279 | 293 | 307 | 323 | 339 | 356 | 1,177 | 2,795 |
| Prevent use of leveraged distributions from related corporations to avoid dividend treatment ... | 0 | 188 | 318 | 331 | 345 | 358 | 371 | 386 | 401 | 417 | 433 | 1,540 | 3,548 |
| Extend section 338(h)(16) to certain asset acquisitions | 0 | 60 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 460 | 960 |
| Remove foreign taxes from a section 902 corporation's foreign tax pool when earnings are eliminated . | 0 | 13 | 27 | 36 | 46 | 50 | 50 | 50 | 50 | 50 | 51 | 172 | 423 |
| Create a new category of Subpart F income for transactions involving digital goods or services | 0 | 585 | 1,004 | 1,055 | 1,107 | 1,163 | 1,221 | 1,282 | 1,346 | 1,413 | 1,484 | 4,914 | 11,660 |
| Prevent avoidance of foreign base company sales income through manufacturing service arrangements | 0 | 1,235 | 2,120 | 2,226 | 2,337 | 2,454 | 2,576 | 2,705 | 2,840 | 2,983 | 3,132 | 10,372 | 24,608 |
| Restrict the use of hybrid arrangements that create stateless income | 0 | 38 | 66 | 73 | 80 | 88 | 97 | 107 | 117 | 129 | 142 | 345 | 937 |
| Limit the application of exceptions under Subpart F for certain transactions that use reverse hybrids to create stateless income | 0 | 67 | 115 | 121 | 127 | 133 | 140 | 147 | 154 | 162 | 170 | 563 | 1,336 |
| Limit the ability of domestic entities to expatriate | 0 | 150 | 415 | 706 | 1,025 | 1,375 | 1,756 | 2,173 | 2,627 | 3,120 | 3,657 | 3,671 | 17,004 |
| **Subtotal, reform U.S. international tax system** | **0** | **13,900** | **23,933** | **25,444** | **27,045** | **28,595** | **30,197** | **29,923** | **30,398** | **32,348** | **34,522** | **118,917** | **276,305** |

| | Fiscal Years | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
| | (in millions of dollars) | | | | | | | | | | | | |
| **Reform treatment of financial and insurance industry institutions and products** | | | | | | | | | | | | | |
| Require that derivative contracts be marked to market with resulting gain or loss treated as ordinary | 0 | 2,583 | 4,674 | 3,900 | 2,600 | 1,655 | 1,132 | 697 | 506 | 528 | 529 | 15,412 | 18,804 |
| Modify rules that apply to sales of life insurance contracts | 0 | 14 | 42 | 46 | 48 | 50 | 54 | 56 | 58 | 62 | 65 | 200 | 495 |
| Modify proration rules for life insurance company general and separate accounts | 0 | 353 | 607 | 652 | 682 | 691 | 688 | 676 | 668 | 657 | 643 | 2,985 | 6,317 |
| Expand pro rata interest expense disallowance for corporate-owned life insurance | 0 | 32 | 91 | 168 | 268 | 392 | 540 | 706 | 900 | 1,109 | 1,340 | 951 | 5,546 |
| **Subtotal, reform treatment of financial and insurance industry institutions and products** | **0** | **2,982** | **5,414** | **4,766** | **3,598** | **2,788** | **2,414** | **2,135** | **2,132** | **2,356** | **2,577** | **19,548** | **31,162** |
| **Eliminate fossil fuel preferences** | | | | | | | | | | | | | |
| *Eliminate oil and natural gas preferences:* | | | | | | | | | | | | | |
| Repeal enhanced oil recovery credit 4/ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repeal credit for oil and natural gas produced from marginal wells 4/ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repeal expensing of intangible drilling costs | 0 | 2,317 | 3,244 | 2,348 | 1,803 | 1,469 | 1,110 | 665 | 463 | 464 | 467 | 11,181 | 14,350 |
| Repeal deduction for tertiary injectants | 0 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 50 | 100 |
| Repeal exception to passive loss limitation for working interests in oil and natural gas properties | 0 | 5 | 7 | 7 | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 32 | 59 |
| Repeal percentage depletion for oil and natural gas wells | 0 | 1,502 | 1,568 | 1,469 | 1,375 | 1,306 | 1,261 | 1,219 | 1,181 | 1,089 | 1,060 | 7,220 | 13,030 |
| Repeal domestic manufacturing deduction for oil and natural gas production | 0 | 963 | 1,614 | 1,585 | 1,522 | 1,453 | 1,421 | 1,410 | 1,408 | 1,416 | 1,426 | 7,137 | 14,218 |
| Increase geological and geophysical amortization period for independent producers to seven years | 0 | 103 | 382 | 596 | 581 | 463 | 337 | 224 | 144 | 123 | 128 | 2,125 | 3,081 |
| *Subtotal, eliminate oil and natural gas preferences* | *0* | *4,900* | *6,825* | *6,015* | *5,298* | *4,707* | *4,145* | *3,534* | *3,211* | *3,107* | *3,096* | *27,745* | *44,838* |
| *Eliminate coal preferences:* | | | | | | | | | | | | | |
| Repeal expensing of exploration and development costs | 0 | 39 | 66 | 69 | 73 | 77 | 77 | 75 | 73 | 70 | 60 | 324 | 679 |
| Repeal percentage depletion for hard mineral fossil fuels | 0 | 167 | 173 | 182 | 195 | 203 | 211 | 218 | 225 | 234 | 244 | 920 | 2,052 |
| Repeal capital gains treatment for royalties | 0 | 20 | 43 | 47 | 49 | 52 | 55 | 58 | 61 | 61 | 62 | 211 | 508 |
| Repeal domestic manufacturing deduction for the production of coal and other hard mineral fossil fuels | 0 | 36 | 63 | 67 | 70 | 73 | 77 | 80 | 83 | 87 | 90 | 309 | 726 |
| *Subtotal, eliminate coal preferences* | *0* | *262* | *345* | *365* | *387* | *405* | *420* | *431* | *442* | *452* | *456* | *1,764* | *3,965* |
| **Subtotal, eliminate fossil fuel preferences** | **0** | **5,162** | **7,170** | **6,380** | **5,685** | **5,112** | **4,565** | **3,965** | **3,653** | **3,559** | **3,552** | **29,509** | **48,803** |
| **Other revenue changes and loophole closers** | | | | | | | | | | | | | |
| Repeal the excise tax credit for distilled spirits with flavor and wine additives | 0 | 85 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 533 | 1,093 |
| Repeal last-in, first-out method of accounting for inventories | 0 | 4,151 | 7,823 | 8,786 | 8,965 | 8,850 | 8,778 | 8,818 | 8,917 | 8,770 | 8,850 | 38,575 | 82,708 |
| Repeal lower-of-cost-or-market inventory accounting method | 0 | 644 | 1,404 | 1,526 | 1,537 | 903 | 270 | 283 | 296 | 309 | 323 | 6,014 | 7,495 |
| Modify depreciation rules for purchases of general aviation passenger aircraft | 0 | 87 | 273 | 411 | 456 | 532 | 549 | 385 | 209 | 155 | 153 | 1,759 | 3,210 |
| Repeal gain limitation for dividends received in reorganization exchanges | 0 | 153 | 263 | 276 | 290 | 305 | 319 | 335 | 352 | 370 | 388 | 1,287 | 3,051 |
| Expand the definition of substantial built-in loss for purposes of partnership loss transfers | 0 | 5 | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 10 | 10 | 33 | 76 |
| Extend partnership basis limitation rules to nondeductible expenditures | 0 | 63 | 90 | 97 | 102 | 105 | 108 | 110 | 112 | 114 | 116 | 457 | 1,017 |
| Limit the importation of losses under related party loss limitation rules | 0 | 56 | 81 | 87 | 92 | 95 | 97 | 99 | 100 | 102 | 104 | 411 | 913 |
| Deny deduction for punitive damages | 0 | 0 | 25 | 36 | 37 | 38 | 38 | 40 | 40 | 41 | 43 | 136 | 338 |
| Modify like-kind exchange rules for real property | 0 | 616 | 1,875 | 1,894 | 1,914 | 1,936 | 1,958 | 1,981 | 2,006 | 2,031 | 2,059 | 8,235 | 18,270 |
| Conform corporate ownership standards | 0 | 24 | 48 | 51 | 54 | 57 | 60 | 63 | 66 | 69 | 72 | 234 | 564 |
| Prevent elimination of earnings and profits through distributions of certain stock | 2 | 22 | 33 | 35 | 37 | 39 | 41 | 43 | 45 | 47 | 49 | 166 | 391 |
| **Subtotal, other revenue changes and loophole closers** | **2** | **5,906** | **12,034** | **13,318** | **13,603** | **12,979** | **12,337** | **12,277** | **12,263** | **12,130** | **12,279** | **57,840** | **119,126** |
| **Total, Reserve for Long-Run Revenue-Neutral Business Tax Reform Proposals** | **-10,648** | **10,035** | **30,686** | **31,412** | **30,580** | **28,891** | **27,166** | **23,970** | **21,945** | **21,658** | **21,910** | **131,604** | **248,253** |
| Total receipt effect | -10,637 | 10,113 | 30,853 | 31,694 | 30,985 | 29,427 | 27,837 | 24,787 | 22,928 | 22,823 | 23,264 | 133,072 | 254,711 |
| Total outlay effect | 11 | 78 | 167 | 282 | 405 | 536 | 671 | 817 | 983 | 1,165 | 1,354 | 1,468 | 6,458 |

Department of the Treasury

Notes:

1/ Presentation in this table does not reflect the order in which these proposals were estimated.

2/ Because the Administration believes that these proposals should be enacted in the context of comprehensive business tax reform, the amounts are not reflected in the budget receipt estimates and are not counted toward meeting the Administration's deficit reduction goals. The Administration's proposals that are reflected in the budget estimates of receipts are presented in Table 12-4 in the Analytical Perspectives of the FY 2015 Budget. These include an allowance, also presented below, for temporary receipts that would be generated by the transition to a reformed business tax system.

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transition to a reformed business tax system | 0 | 37,500 | 37,500 | 37,500 | 37,500 | 0 | 0 | 0 | 0 | 0 | 0 | 150,000 | 150,000 |

3/ This provision affects both receipts and outlays. The combined effects are shown here and the outlay effects included in these estimates are detailed in the table below.

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Modify and permanently extend the Renewable Electricity Production Tax Credit | 0 | 28 | 120 | 241 | 382 | 523 | 661 | 811 | 978 | 1,158 | 1,349 | 1,294 | 6,251 |
| Expand and simplify the tax credit provided to qualified small employers for non-elective contributions to employee health insurance | 11 | 50 | 47 | 41 | 23 | 13 | 10 | 6 | 5 | 7 | 5 | 174 | 207 |
| *Total outlay effect* | *11* | *78* | *167* | *282* | *405* | *536* | *671* | *817* | *983* | *1,165* | *1,354* | *1,468* | *6,458* |

4/ This provision is estimated to have zero receipt effect under the Administration's current economic projections.

**Table 3: Revenue Estimates of FY 2015 Budget Proposals 1/ 2/**

| | Fiscal Years | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
| | (in millions of dollars) | | | | | | | | | | | | |
| **Incentives for job creation, clean energy, and manufacturing** | | | | | | | | | | | | | |
| Provide additional tax credits for investment in qualified property used in a qualifying advanced energy manufacturing project | 0 | 0 | -86 | -398 | -660 | -641 | -285 | -8 | 61 | 66 | 55 | -1,785 | -1,896 |
| Designate Promise Zones 3/ | 0 | -366 | -693 | -641 | -609 | -594 | -588 | -582 | -583 | -598 | -622 | -2,903 | -5,876 |
| Provide new Manufacturing Communities Tax Credit | 0 | -20 | -104 | -275 | -454 | -589 | -676 | -737 | -749 | -646 | -414 | -1,442 | -4,664 |
| Provide a tax credit for the production of advanced technology vehicles | 0 | -705 | -675 | -753 | -875 | -984 | -850 | -537 | -21 | 281 | 294 | -3,992 | -4,825 |
| Provide a tax credit for medium- and heavy-duty alternative-fuel commercial vehicles | 0 | -54 | -86 | -71 | -64 | -65 | -47 | -14 | 0 | 0 | 0 | -340 | -401 |
| Modify tax-exempt bonds for Indian tribal governments | 0 | -4 | -12 | -12 | -12 | -12 | -12 | -12 | -12 | -12 | -12 | -52 | -112 |
| Extend the tax credit for cellulosic biofuels | -30 | -70 | -121 | -157 | -178 | -204 | -236 | -237 | -210 | -171 | -114 | -730 | -1,698 |
| Modify and extend the tax credit for the construction of energy-efficient new homes | -78 | -127 | -137 | -163 | -182 | -199 | -215 | -231 | -246 | -261 | -287 | -808 | -2,048 |
| Reduce excise taxes on liquefied natural gas to bring into parity with diesel | 0 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -10 | -20 |
| **Subtotal, incentives for job creation, clean energy, and manufacturing** | **-108** | **-1,348** | **-1,916** | **-2,472** | **-3,036** | **-3,290** | **-2,911** | **-2,360** | **-1,762** | **-1,343** | **-1,102** | **-12,062** | **-21,540** |
| **Incentives for investment in infrastructure** | | | | | | | | | | | | | |
| Provide America Fast Forward Bonds (AFFB) and expand eligible uses 3/ | 0 | 0 | -1 | 0 | 0 | 0 | 1 | -1 | -1 | 0 | 1 | -1 | -1 |
| Allow eligible uses of AFFB to include financing all qualified private activity bond program categories 3/ | 0 | -1 | -4 | -10 | -14 | -21 | -27 | -32 | -39 | -46 | -52 | -50 | -246 |
| Allow current refundings of State and local governmental bonds | 0 | -3 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -23 | -48 |
| Repeal the $150 million non-hospital bond limitation on qualified section 501(c)(3) bonds | 0 | 0 | -1 | -3 | -5 | -7 | -9 | -11 | -13 | -16 | -17 | -16 | -82 |
| Increase national limitation amount for qualified highway or surface freight transfer facility bonds | 0 | 0 | -3 | -16 | -34 | -52 | -72 | -92 | -113 | -133 | -154 | -105 | -669 |
| Eliminate the volume cap for private activity bonds for water infrastructure | 0 | 0 | -3 | -5 | -9 | -14 | -20 | -27 | -33 | -41 | -49 | -31 | -201 |
| Increase the 25-percent limit on land acquisition restriction on private activity bonds | 0 | 0 | -2 | -4 | -8 | -11 | -15 | -19 | -23 | -27 | -32 | -25 | -141 |
| Allow more flexible research arrangements for purposes of private business use limits | 0 | 0 | 0 | 0 | -1 | -1 | -1 | -1 | -3 | -3 | -3 | -2 | -13 |
| Repeal the government ownership requirement for certain types of exempt facility bonds | 0 | -14 | -66 | -140 | -216 | -290 | -364 | -437 | -509 | -579 | -644 | -726 | -3,259 |
| Exempt foreign pension funds from the application of the Foreign Investment in Real Property Tax Act | 0 | -114 | -196 | -205 | -216 | -227 | -238 | -250 | -262 | -275 | -289 | -958 | -2 272 |
| **Subtotal, incentives for investment in infrastructure** | **0** | **-132** | **-281** | **-388** | **-508** | **-628** | **-750** | **-875** | **-1,001** | **-1,125** | **-1,244** | **-1,937** | **-6,932** |
| **Tax cuts for families and individuals** | | | | | | | | | | | | | |
| Expand the EITC for workers without qualifying children 3/ | 0 | -490 | -6,308 | -6,335 | -6,362 | -6,444 | -6,536 | -6,653 | -6,760 | -6,874 | -6,978 | -25,939 | -59,740 |
| Provide for automatic enrollment in IRAs, including a small employer tax credit, and double the tax credit for small employer plan start-up costs 3/ | 0 | 0 | -817 | -1,276 | -1,309 | -1,410 | -1,552 | -1,728 | -1,902 | -2,137 | -2,376 | -4,812 | -14,507 |
| Expand the Child and Dependent Care Tax Credit 3/ | 0 | -287 | -1,064 | -1,060 | -1,056 | -1,045 | -1,039 | -1,030 | -1,021 | -1,011 | -997 | -4,512 | -9,610 |
| Extend exclusion from income for cancellation of certain home mortgage debt | -2,687 | -3,497 | -3,343 | -825 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -7,665 | -7,665 |
| Provide exclusion from income for student loan forgiveness for students in certain income-based or income-contingent repayment programs who have completed payment obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2 | -3 | 0 | -5 |
| Provide exclusion from income for student loan forgiveness and for certain scholarship amounts for participants in the Indian Health Service Health Professions Programs | 0 | -6 | -14 | -14 | -15 | -16 | -18 | -19 | -20 | -21 | -22 | -65 | -165 |
| Make Pell Grants excludable from income and from tax credit calculations 3/ | 0 | -23 | -768 | -1 184 | -1 116 | -1 068 | -1 019 | -977 | -938 | -904 | -867 | -4 159 | -8 864 |
| **Subtotal, tax cuts for families and individuals** | **-2,687** | **-4,303** | **-12,314** | **-10,694** | **-9,858** | **-9,983** | **-10,164** | **-10,407** | **-10,641** | **-10,949** | **-11,243** | **-47,152** | **-100,556** |
| **Upper-income tax provisions** | | | | | | | | | | | | | |
| Reduce the value of certain tax expenditures | 0 | 26,587 | 43,356 | 47,943 | 53,259 | 58,632 | 63,750 | 68,720 | 73,649 | 78,581 | 83,589 | 229,777 | 598,066 |
| Implement the Buffet Rule by imposing a new "Fair Share Tax" | 0 | 10,536 | -1,241 | 1,609 | 4,383 | 5,598 | 5,874 | 6,173 | 6,427 | 6,645 | 7,022 | 20,885 | 53,026 |
| **Subtotal, upper-income tax provisions** | **0** | **37,123** | **42,115** | **49,552** | **57,642** | **64,230** | **69,624** | **74,893** | **80,076** | **85,226** | **90,611** | **250,662** | **651,092** |
| **Modify estate and gift tax provisions** | | | | | | | | | | | | | |
| Restore the estate, gift, and generation-skipping transfer (GST) tax parameters in effect in 2009 | 0 | 0 | 0 | 0 | 0 | 15,930 | 17,309 | 18,846 | 20,412 | 22,250 | 23,535 | 15,930 | 118,282 |
| Require consistency in value for transfer and income tax purposes | 0 | 0 | 215 | 228 | 242 | 257 | 272 | 290 | 310 | 333 | 354 | 942 | 2,501 |
| Require a minimum term for grantor retained annuity trusts | 0 | 0 | 244 | 325 | 411 | 504 | 602 | 711 | 843 | 1,004 | 1,067 | 1,484 | 5,711 |
| Limit duration of GST tax exemption | | | | | *Negligible revenue effect* | | | | | | | | |
| Coordinate certain income and transfer tax rules applicable to grantor trusts | 0 | 0 | 59 | 77 | 97 | 125 | 157 | 201 | 256 | 326 | 346 | 358 | 1,644 |
| Extend the lien on estate tax deferrals where estate consists largely of interest in closely held business | 0 | 0 | 19 | 20 | 21 | 22 | 23 | 24 | 26 | 28 | 30 | 82 | 213 |
| Modify GST tax treatment of Health and Education Exclusion Trusts | 0 | 0 | -30 | -29 | -27 | -26 | -24 | -23 | -21 | -20 | -18 | -112 | -218 |
| Simplify gift tax exclusion for annual gifts | 0 | 0 | 70 | 138 | 205 | 268 | 328 | 358 | 435 | 517 | 605 | 681 | 2,924 |
| Expand applicability of definition of executor | | | | | *Negligible revenue effect* | | | | | | | | |
| **Subtotal, modify estate and gift tax provisions** | **0** | **0** | **577** | **759** | **949** | **17,080** | **18,667** | **20,407** | **22,261** | **24,438** | **25,919** | **19,365** | **131,057** |

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Fiscal Years (in millions of dollars) | | | | | | | | | | |
| **Reform treatment of financial industry institutions and products** | | | | | | | | | | | | | |
| Impose a financial crisis responsibility fee | 0 | 0 | 3,058 | 6,142 | 6,271 | 6,395 | 6,507 | 6,673 | 6,830 | 6,993 | 7,155 | 21,866 | 56,024 |
| Require current inclusion in income of accrued market discount and limit the accrual amount for distressed debt | 0 | 14 | 38 | 47 | 46 | 44 | 41 | 36 | 32 | 28 | 24 | 189 | 350 |
| Require that the cost basis of stock that is a covered security must be determined using an average cost basis method | 0 | 0 | 53 | 162 | 279 | 406 | 481 | 501 | 522 | 544 | 567 | 900 | 3 515 |
| **Subtotal, reform treatment of financial industry institutions and products** | **0** | **14** | **3,149** | **6,351** | **6,596** | **6,845** | **7,029** | **7,210** | **7,384** | **7,565** | **7,746** | **22,955** | **59,889** |
| **Loophole closers** | | | | | | | | | | | | | |
| Tax carried (profits) interests as ordinary income | 0 | 2,153 | 1,951 | 1,762 | 1,474 | 1,403 | 1,443 | 1,219 | 972 | 765 | 655 | 8,743 | 13,797 |
| Require non-spouse beneficiaries of deceased IRA owners and retirement plan participants to take inherited distributions over no more than five years | 0 | 91 | 235 | 388 | 543 | 702 | 735 | 693 | 642 | 591 | 539 | 1,959 | 5,159 |
| Limit the total accrual of tax-favored retirement benefits | 0 | 1,482 | 2,157 | 2,334 | 2,512 | 2,697 | 2,940 | 3,233 | 3,479 | 3,638 | 3,905 | 11,182 | 28,377 |
| Conform SECA taxes for professional service businesses | 0 | 2,151 | 3,009 | 3,227 | 3,461 | 3,691 | 3,936 | 4,207 | 4,470 | 4,691 | 4,836 | 15,539 | 37,679 |
| **Subtotal, loophole closers** | **0** | **5,877** | **7,352** | **7,711** | **7,990** | **8,493** | **9,054** | **9,352** | **9,563** | **9,685** | **9,935** | **37,423** | **85,012** |
| **Other revenue raisers** | | | | | | | | | | | | | |
| Increase Oil Spill Liability Trust Fund financing rate by one cent and update the law to include other sources of crudes | 0 | 60 | 82 | 88 | 92 | 94 | 99 | 102 | 108 | 111 | 115 | 416 | 951 |
| *Reinstate Superfund taxes:* | | | | | | | | | | | | | |
| Reinstate and extend Superfund excise taxes | 0 | 633 | 852 | 863 | 870 | 879 | 888 | 895 | 903 | 911 | 917 | 4,097 | 8,611 |
| Reinstate Superfund environmental income tax | 0 | 969 | 1 333 | 1 422 | 1 467 | 1 501 | 1 515 | 1 549 | 1 592 | 1 634 | 1 677 | 6 692 | 14 659 |
| *Subtotal, reinstate Superfund taxes* | *0* | *1,602* | *2,185* | *2,285* | *2,337* | *2,380* | *2,403* | *2,444* | *2,495* | *2,545* | *2,594* | *10,789* | *23,270* |
| Increase tobacco taxes and index for inflation | 0 | 7,797 | 9,936 | 9,350 | 8,738 | 8,203 | 7,721 | 7,267 | 6,840 | 6,438 | 5,927 | 44,024 | 78,217 |
| Make unemployment insurance surtax permanent | 0 | 1,051 | 1,461 | 1,493 | 1,524 | 1,551 | 1,575 | 1,599 | 1,623 | 1,649 | 1,674 | 7,080 | 15,200 |
| Provide short-term tax relief to employers and expand FUTA base | 0 | -2,662 | -3,119 | 9,344 | 10,817 | 6,988 | 7,295 | 8,080 | 7,155 | 8,036 | 7,048 | 21,368 | 58,982 |
| *Enhance and modify the conservation easement deduction:* | | | | | | | | | | | | | |
| Enhance and make permanent incentives for the donation of conservation easements | 0 | 0 | -5 | -8 | -12 | -16 | -28 | -51 | -67 | -70 | -74 | -41 | -331 |
| Eliminate the deduction for contributions of conservation easements on golf courses | 0 | 37 | 53 | 55 | 59 | 61 | 64 | 68 | 71 | 74 | 77 | 265 | 619 |
| Restrict deductions and harmonize the rules for contributions of conservation easements for historic preservation | 0 | 8 | 11 | 16 | 22 | 26 | 27 | 28 | 31 | 32 | 33 | 83 | 234 |
| *Subtotal, enhance and modify the conservation easement deduction* | *0* | *45* | *59* | *63* | *69* | *71* | *63* | *45* | *35* | *36* | *36* | *307* | *522* |
| Eliminate deduction for dividends on stock of publicly-traded corporations held in employee stock ownership plans | 0 | 618 | 767 | 777 | 788 | 798 | 808 | 818 | 827 | 837 | 845 | 3,748 | 7,883 |
| **Subtotal, other revenue raisers** | **0** | **8,511** | **11,371** | **23,400** | **24,365** | **20,085** | **19,964** | **20,355** | **19,083** | **19,652** | **18,239** | **87,732** | **185,025** |
| **Reduce the tax gap and make reforms** | | | | | | | | | | | | | |
| *Expand information reporting:* | | | | | | | | | | | | | |
| Require information reporting for private separate accounts of life insurance companies | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 8 |
| Require a certified TIN from contractors and allow certain withholding | 0 | 26 | 61 | 103 | 141 | 147 | 154 | 161 | 168 | 176 | 184 | 478 | 1,321 |
| Modify reporting of tuition expenses and scholarships on Form 1098-T 3/ | 0 | 5 | 65 | 65 | 65 | 65 | 66 | 67 | 68 | 70 | 70 | 265 | 606 |
| Provide for reciprocal reporting of information in connection with the implementation of FATCA | | | | | *No revenue effect* | | | | | | | | |
| *Subtotal, expand information reporting* | *0* | *31* | *126* | *169* | *207* | *213* | *221* | *229* | *237* | *247* | *255* | *746* | *1,935* |
| *Improve compliance by businesses:* | | | | | | | | | | | | | |
| Require greater electronic filing of returns | | | | | *No revenue effect* | | | | | | | | |
| Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes | 0 | 4 | 5 | 6 | 6 | 6 | 7 | 7 | 7 | 8 | 8 | 27 | 64 |
| Increase certainty with respect to worker classification | 4 | 79 | 386 | 759 | 914 | 1,000 | 1,091 | 1,187 | 1,289 | 1,396 | 1,509 | 3,138 | 9,610 |
| Increase information sharing to administer excise taxes | 0 | 4 | 9 | 13 | 14 | 15 | 17 | 18 | 19 | 19 | 20 | 55 | 148 |
| *Subtotal, improve compliance by businesses* | *4* | *87* | *400* | *778* | *934* | *1,021* | *1,115* | *1,212* | *1,315* | *1,423* | *1,537* | *3,220* | *9,822* |
| *Strengthen tax administration:* | | | | | | | | | | | | | |
| Impose liability on shareholders to collect unpaid income taxes of applicable corporations | 309 | 325 | 450 | 474 | 497 | 521 | 544 | 568 | 593 | 619 | 647 | 2,267 | 5,238 |
| Increase levy authority for payments to Medicare providers with delinquent tax debt | 0 | 50 | 71 | 74 | 76 | 76 | 77 | 78 | 80 | 80 | 81 | 347 | 743 |
| Implement a program integrity statutory cap adjustment for tax administration | 0 | 370 | 1,265 | 2,584 | 3,978 | 5,426 | 6,620 | 7,431 | 7,850 | 8,137 | 8,343 | 13,623 | 52,004 |
| Streamline audit and adjustment procedures for large partnerships | 0 | 144 | 192 | 191 | 188 | 183 | 177 | 177 | 180 | 182 | 184 | 898 | 1,798 |
| Revise offer-in-compromise application rules | 0 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 7 | 17 |
| Expand IRS access to information in the National Directory of New Hires for tax administration purposes | | | | | *No revenue effect* | | | | | | | | |
| Make repeated willful failure to file a tax return a felony | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 10 |
| Facilitate tax compliance with local jurisdictions | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 6 | 16 |
| Extend statute of limitations where State adjustment affects Federal tax liability | 0 | 0 | 0 | 0 | 1 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 25 |
| Improve investigative disclosure statute | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 10 |
| Require taxpayers who prepare their returns electronically but file their returns on paper to print their returns with a scannable code | | | | | *No revenue effect* | | | | | | | | |

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Fiscal Years (in millions of dollars) | | | | | | | | | | |
| Allow the IRS to absorb credit and debit card processing fees for certain tax payments | 0 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 9 | 19 |
| Provide the RS with greater flexibility to address correctible errors 3/ | 0 | 7 | 15 | 16 | 17 | 17 | 19 | 19 | 20 | 21 | 22 | 72 | 173 |
| Make e-filing mandatory for exempt organizations | | | | | *No revenue effect* | | | | | | | | |
| Authorize the Department of the Treasury to require additional information to be included in electronically filed Form 5500 Annual Reports and electronic filing of certain other employee benefit plan reports | | | | | *No revenue effect* | | | | | | | | |
| Impose a penalty on failure to comply with electronic filing requirements | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 10 |
| Provide whistleblowers with protection from retaliation | | | | | *Negligible revenue effect* | | | | | | | | |
| Provide stronger protection from improper disclosure of taxpayer information in whistleblower actions | | | | | *No revenue effect* | | | | | | | | |
| Index all penalties for inflation | 0 | 45 | 60 | 61 | 62 | 63 | 65 | 66 | 68 | 70 | 71 | 291 | 631 |
| Extend paid preparer EITC due diligence requirements to the Child Tax Credit | | | | | *Negligible revenue effect* | | | | | | | | |
| Extend IRS authority to require a truncated Social Security Number on Form W-2 | | | | | *Negligible revenue effect* | | | | | | | | |
| Add tax crimes to the Aggravated Identity Theft Statute | | | | | *Negligible revenue effect* | | | | | | | | |
| Impose a civil penalty on tax identity theft crimes | | | | | *Negligible revenue effect* | | | | | | | | |
| Allow States to send notices of intent to offset Federal tax refunds to collect State tax obligations by regular first-class mail instead of certified mail | | | | | *No revenue effect* | | | | | | | | |
| Explicitly provide that the Department of the Treasury and IRS have authority to regulate all paid return preparers 4/ | | | | | *Negligible revenue effect* | | | | | | | | |
| Rationalize tax return filing due dates so they are staggered 3/ | 0 | 210 | 220 | 230 | 242 | 252 | 263 | 273 | 285 | 297 | 309 | 1,154 | 2,581 |
| Increase the penalty applicable to paid tax preparers who engage in willful or reckless conduct | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 8 |
| Enhance administrability of the appraiser penalty | | | | | *Negligible revenue effect* | | | | | | | | |
| *Subtotal, strengthen tax administration* | 309 | 1,154 | 2,277 | 3,635 | 5,070 | 6,552 | 7,779 | 8,626 | 9,093 | 9,423 | 9,674 | 18,688 | 63,283 |
| **Subtotal, reduce the tax gap and make reforms** | **313** | **1,272** | **2,803** | **4,582** | **6,211** | **7,786** | **9,115** | **10,067** | **10,645** | **11,093** | **11,466** | **22,654** | **75,040** |
| **Simplify the tax system** | | | | | | | | | | | | | |
| Simplify the rules for claiming the EITC for workers without qualifying children 3/ | 0 | -44 | -587 | -599 | -612 | -598 | -609 | -621 | -632 | -598 | -609 | -2,440 | -5,509 |
| Modify adoption credit to allow tribal determination of special needs | 0 | 0 | 0 | 0 | 0 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -6 |
| Simplify minimum required distribution rules | 0 | -5 | -5 | -3 | 5 | 19 | 38 | 60 | 88 | 122 | 165 | 11 | 484 |
| Allow all inherited plan and RA balances to be rolled over within 60 days | | | | | *Negligible revenue effect* | | | | | | | | |
| Repeal non-qualified preferred stock designation | 0 | 31 | 52 | 51 | 50 | 47 | 44 | 39 | 34 | 30 | 27 | 231 | 405 |
| Repeal preferential dividend rule for publicly traded and publicly offered REITs | | | | | *Negligible revenue effect* | | | | | | | | |
| Reform excise tax based on investment income of private foundations | 0 | 0 | -4 | -4 | -5 | -5 | -5 | -5 | -6 | -6 | -7 | -18 | -47 |
| Remove bonding requirements for certain taxpayers subject to Federal excise taxes on distilled spirits, wine, and beer | | | | | *Negligible revenue effect* | | | | | | | | |
| Simplify arbitrage investment restrictions | 0 | -2 | -10 | -18 | -28 | -38 | -46 | -58 | -68 | -76 | -87 | -96 | -431 |
| Simplify single-family housing mortgage bond targeting requirements | 0 | -1 | -3 | -5 | -7 | -10 | -12 | -17 | -20 | -22 | -24 | -26 | -121 |
| Streamline private business limits on governmental bonds | 0 | -1 | -3 | -5 | -7 | -9 | -11 | -13 | -15 | -17 | -19 | -25 | -100 |
| Exclude self-constructed assets of small taxpayers from the uniform capitalization rules | 0 | -47 | -50 | -68 | -71 | -90 | -95 | -98 | -103 | -107 | -112 | -326 | -841 |
| Repeal technical terminations of partnerships | 0 | 16 | 20 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 102 | 225 |
| Repeal anti-churning rules of section 197 | 0 | -25 | -106 | -209 | -278 | -313 | -328 | -331 | -331 | -331 | -331 | -931 | -2,583 |
| Repeal special estimated tax payment provision for certain insurance companies | | | | | *Negligible revenue effect* | | | | | | | | |
| Repeal the telephone excise tax | 0 | -419 | -357 | -302 | -253 | -213 | -178 | -148 | -122 | -102 | -83 | -1,544 | -2,177 |
| Increase the standard mileage rate for automobile use by volunteers | 0 | -16 | -47 | -45 | -44 | -44 | -44 | -45 | -46 | -48 | -49 | -196 | -428 |
| **Subtotal, simplify the tax system** | **0** | **-513** | **-1,100** | **-1,186** | **-1,228** | **-1,232** | **-1,224** | **-1,214** | **-1,197** | **-1,131** | **-1,104** | **-5,259** | **-11,129** |
| **User fee** | | | | | | | | | | | | | |
| Reform inland waterways funding | 0 | 82 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 114 | 534 | 1 100 |
| **Subtotal, user fee** | **0** | **82** | **113** | **113** | **113** | **113** | **113** | **113** | **113** | **113** | **114** | **534** | **1,100** |
| **Other initiatives** | | | | | | | | | | | | | |
| Allow offset of Federal income tax refunds to collect delinquent state income taxes for out-of-state residents | | | | | *No revenue effect* | | | | | | | | |
| Authorize the limited sharing of business tax return information to improve the accuracy of important measures of the economy | | | | | *No revenue effect* | | | | | | | | |
| Eliminate certain reviews conducted by the U.S. Treasury Inspector General for Tax Administration | | | | | *No revenue effect* | | | | | | | | |
| Modify indexing to prevent deflationary adjustments | | | | | *No revenue effect* | | | | | | | | |
| **Subtotal, other initiatives** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total, FY 2015 Budget Proposals** | **-2,482** | **46,583** | **51,869** | **77,728** | **89,236** | **109,499** | **118,517** | **127,541** | **134,524** | **143,224** | **149,337** | **374,915** | **1,048,058** |
| Total receipt effect | -2,482 | 47,127 | 59,973 | 87,668 | 100,609 | 122,465 | 133,219 | 144,091 | 152,977 | 163,581 | 171,656 | 417,842 | 1,183,366 |
| Total outlay effect | 0 | 544 | 8,104 | 9,940 | 11,373 | 12,966 | 14,702 | 16,550 | 18,453 | 20,357 | 22,319 | 42,927 | 135,308 |

Department of the Treasury

| | Fiscal Years | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
| | (in millions of dollars) | | | | | | | | | | | | |

Notes:

1/ Presentation in this table does not reflect the order in which these proposals were estimated.

2/ Table 12-4 in the Analytical Perspectives of the FY 2015 Budget includes the effects of a number of proposals that are not reflected here. These proposals would: levy a fee on the production of hardrock minerals to restore abandoned mines, return fees on the production of coal to pre-2006 levels to restore abandoned mines, provide authority to readily share beneficial ownership of U.S. companies with law enforcement, enhance Unemployment Insurance integrity, increase fees for Migratory Bird Hunting and Conservation Stamps, establish a mandatory surcharge for air traffic services, reauthorize special assessment on domestic nuclear utilities, permanently extend and reallocate the travel promotion surcharge, extend the Generalized System of Preferences, transition to a reformed business tax system, and enact comprehensive immigration reform.

3/ This provision affects both receipts and outlays. The combined effects are shown here and the outlay effects included in these estimates are detailed in the table below.

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2015-2019 | 2015-2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Designate Promise Zones | 0 | 11 | 23 | 23 | 25 | 26 | 28 | 30 | 31 | 33 | 36 | 108 | 266 |
| Provide America Fast Forward Bonds (AAFB) and expand eligible uses | 0 | 216 | 966 | 2,051 | 3,221 | 4,505 | 5,878 | 7,325 | 8,826 | 10,360 | 11,914 | 10,959 | 55,262 |
| Allow eligible uses of AFFB to include financing all qualified private activity bond program categories | 0 | 50 | 227 | 489 | 765 | 1,054 | 1,356 | 1,668 | 1,990 | 2,319 | 2,651 | 2,585 | 12,569 |
| Expand the EITC for workers without qualifying children | 0 | 272 | 5,436 | 5,457 | 5,476 | 5,545 | 5,623 | 5,722 | 5,811 | 5,900 | 5,981 | 22,186 | 51,223 |
| Provide for automatic enrollment in IRAs, including a small employer tax credit, and double the tax credit for small employer plan start-up costs | 0 | 0 | 96 | 148 | 150 | 152 | 153 | 156 | 160 | 164 | 168 | 546 | 1,347 |
| Expand the Child and Dependent Care Tax Credit | 0 | 0 | 347 | 342 | 348 | 352 | 362 | 368 | 374 | 382 | 392 | 1,389 | 3,267 |
| Make Pell Grants excludable from income and from tax credit calculations | 0 | 0 | 547 | 959 | 906 | 862 | 824 | 793 | 764 | 735 | 704 | 3,274 | 7,094 |
| Modify reporting of tuition expenses and scholarships on Form 1098-T | 0 | 0 | -20 | -20 | -20 | -20 | -20 | -20 | -20 | -21 | -21 | -80 | -182 |
| Provide the IRS with greater flexibility to address correctible errors | 0 | -3 | -6 | -7 | -7 | -7 | -8 | -8 | -8 | -9 | -9 | -30 | -72 |
| Rationalize tax return filing due dates so they are staggered | 0 | -28 | -28 | -28 | -29 | -29 | -30 | -30 | -31 | -32 | -33 | -142 | -298 |
| Simplify the rules for claiming the EITC for workers without qualifying children | 0 | 26 | 516 | 526 | 538 | 526 | 536 | 546 | 556 | 526 | 536 | 2,132 | 4,832 |
| *Total outlay effect* | *0* | *544* | *8,104* | *9,940* | *11,373* | *12,966* | *14,702* | *16,550* | *18,453* | *20,357* | *22,319* | *42,927* | *135,308* |

4/ This estimate and the corresponding baseline revenue were prepared prior to the decision of the Court of Appeals in Loving v. Commissioner. The baseline thus assumed that the IRS's position in Loving v. Commissioner was correct. Consequently, the proposal generates only negligible revenue.