General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals

Department of the Treasury
February 2015

TAX GAIN FROM THE SALE OF A PARTNERSHIP INTEREST ON LOOK-THROUGH BASIS

Current Law

In general, the sale or exchange of a partnership interest is treated as the sale or exchange of a capital asset. Capital gains of a nonresident alien individual or foreign corporation generally are subject to Federal income tax only if the gains are or are treated as income that is effectively connected with the conduct of a trade or business in the United States (Effectively Connected Income (ECI)). Section 875(1) provides that a nonresident alien individual or foreign corporation shall be considered as being engaged in a trade or business within the United States if the partnership of which such individual or corporation is a member is so engaged. Revenue Ruling 91-32 holds that gain or loss of a nonresident alien individual or foreign corporation from the sale or exchange of a partnership interest is effectively connected with the conduct of a trade or business in the United States to the extent of the partner's distributive share of unrealized gain or loss of the partnership that is attributable to property used or held for use in the partnership's trade or business within the United States (ECI property). A partnership may elect under section 754 to adjust the basis of its assets upon the transfer of an interest in the partnership to reflect the transferee partner's basis in the partnership interest.

Reasons for Change

Nonresident alien individuals and foreign corporations may take a position contrary to the holding of Revenue Ruling 91-32, arguing that gain from the sale of a partnership interest is not subject to Federal income taxation because no Code provision explicitly provides that gain from the sale or exchange of a partnership interest by a nonresident alien individual or foreign corporation is treated as ECI. If the partnership has in effect an election under section 754, the partnership's basis in its assets also is increased, thereby preventing that gain from being taxed in the future.

Proposal

The proposal would provide that gain or loss from the sale or exchange of a partnership interest is effectively connected with the conduct of a trade or business in the United States to the extent attributable to the transferor partner's distributive share of the partnership's unrealized gain or loss that is attributable to ECI property. The Secretary would be granted authority to specify the extent to which a distribution from the partnership is treated as a sale or exchange of an interest in the partnership and to coordinate the new provision with the nonrecognition provisions of the Code.

In addition, the transferee of a partnership interest would be required to withhold 10 percent of the amount realized on the sale or exchange of a partnership interest unless the transferor certified that the transferor was not a nonresident alien individual or foreign corporation. If a transferor provided a certificate from the IRS that established that the transferor's Federal income tax liability with respect to the transfer was less than 10 percent of the amount realized, the transferee would withhold such lesser amount. If the transferee failed to withhold the correct amount, the partnership would be liable for the amount of underwithholding, and would satisfy the withholding obligation by withholding on future distributions that otherwise would have gone to the transferee partner.

The proposal would be effective for sales or exchanges after December 31, 2015.

Capital gains treatment for royalties

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.

Use of the domestic manufacturing deduction against income derived from the production of coal and other hard mineral fossil fuels

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.

Exemption from the corporate income tax for fossil fuel publicly traded partnerships

Publicly traded partnerships are generally subject to the corporate income tax. Partnerships that derive at least 90 percent of their gross income from depletable natural resources, real estate, or commodities are exempt from the corporate income tax. Instead they are taxed as partnerships. They pass through all income, gains, losses, deductions, and credits to their partners, with the partners then being liable for income tax (or benefitting from the losses) on their distributive shares.

Reasons for Change

The President agreed at the G-20 Summit in Pittsburgh to phase out subsidies for fossil fuels. The oil, gas, and coal tax preferences the Administration proposes to repeal distort markets by encouraging more investment in the fossil fuel sector 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 reducing greenhouse gas emissions. Moreover, the subsidies for oil, natural gas, and coal must ultimately be financed with taxes that cause further economic distortions including underinvestment in other, potentially more productive, areas of the economy.

Proposal

The proposal would repeal: (1) the enhanced oil recovery credit for eligible costs attributable to a qualified enhanced oil recovery project; (2) the credit for oil and gas produced from marginal wells; (3) the expensing of intangible drilling costs; (4) the deduction for costs paid or incurred for any tertiary injectant used as part of a tertiary recovery method; (5) the exception to passive loss limitations provided to working interests in oil and natural gas properties; (6) the use of percentage depletion with respect to oil and gas wells; (7) the ability to claim the domestic production manufacturing deduction against income derived from the production of oil and gas; (8) two-year amortization of independent producers' geological and geophysical expenditures, instead allowing amortization over the seven-year period used by integrated oil and gas producers; (9) expensing of exploration and development costs; (10) percentage depletion for hard mineral fossil fuels; (11) capital gains treatment for royalties; (12) the ability to claim the domestic manufacturing deduction against income derived from the production of coal and other hard mineral fossil fuels; and (13) the exemption from the corporate income tax for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels.

Proposal parts (1) – (12) would be effective for production or for costs incurred after December 31, 2015, and, in the case of royalties, for amounts realized after taxable years beginning December 31, 2015. Proposal part (13), taxing fossil fuel publicly traded partnerships as C corporations, would be effective after December 31, 2020.

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.

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 the 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, 2015.

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. In addition to partnership income, gain, deductions, and credits, the term partnership item includes other items such as tax preference items, non-deductible expenditures, and partnership liabilities. The rules also require a partner to report all partnership items consistently with the partnership return, unless the partner notifies the IRS of any inconsistency. If a partner provides the IRS with notice of inconsistency, the IRS may audit the partner even if the IRS does not audit the partnership. However, if the partner does not provide the IRS with a notice of inconsistency, the IRS may immediately assess the partner under the math error procedures.

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 or her own separate tax liability and participate in partnership-level administrative proceedings. The TEFRA partnership rules also require the IRS to give notice within certain time limits of the beginning of partnership-level administrative proceedings and any resulting administrative adjustment to the Tax Matters Partner (TMP), as well as to all partners whose names and addresses are furnished to the IRS. Meeting these time limits is a challenge if the partnership does not designate a TMP. 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 procedures, 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 current year partners who hold their partnership interest during the year in which the adjustment takes effect. The adjustments generally will not affect prior-year returns of any partners (except in the case of changes to any partner's distributive shares).

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[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 problems, 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 repeal the existing TEFRA and ELP procedures and instead mandate new simplified partnership procedures (SPP) for any partnership that has 100 or more direct partners in the aggregate during the taxable year to which the adjustment relates (i.e., partnerships that file 100 or more Schedules K-1 for the taxable year) or that has at least one partner that is another partnership, estate, trust, S corporation, nominee, or similar person ("pass-through partner") at any time during the taxable year to which the adjustment relates. A partnership subject to the SPP regime because it has at least one pass-through partner can elect out of the SPP regime if the partnership can demonstrate that the total number of direct and indirect partners is less than 100 in the aggregate during the taxable year to which the adjustment relates, in which case each partner would be subject to separate deficiency proceedings.

Under the SPP regime, the IRS would audit the partnership (the "source partnership") and make adjustments at the partnership level that flow through to the partners who held their partnership interest during the year to which the adjustment relates. Any additional tax due as a result of the adjustments would be assessed in accordance with the direct partners' ownership interest in the partnership for the year to which the adjustments relate. Direct partners that are pass-through partners would be responsible for paying the tax on behalf of their owners. The pass-through partners would have 180 days to challenge the assessment based on the tax attributes of their direct and indirect partners for the year to which the adjustments relate.

Unlike under the TEFRA partnership rules, under the SPP regime only the partnership could request a refund and the partners would not have the right to participate in partnership-level administrative proceedings. In addition, the IRS would not need to give notice to partners of the beginning of an administrative proceeding or of a final adjustment. Instead, a notice of partnership adjustments would be sent to the source partnership, and only the partnership, through an authorized person, could participate in partnership proceedings. Only a U.S. individual could be designated by the partnership to act on its behalf and such individual would be readily identifiable on the source partnership's return. If the partnership failed to designate an eligible authorized person to act on its behalf, the IRS would designate a person to act on behalf of the partnership.

Under the SPP regime, partners would be required to report partnership items consistent with the partnership, unless the partner notified the IRS of the inconsistent treatment. Similar to the rules under TEFRA, if a partner failed to notify the IRS of inconsistent treatment, the IRS could immediately assess the partner under its math error authority. The SPP regime, however, would require the IRS to audit the partnership in order to assess a partner who has filed a notice of inconsistent filing. This differs from the TEFRA rules which currently allow the IRS to issue a separate notice of deficiency to the partner who has filed a notice of inconsistent treatment.

The proposal would allow the Secretary to promulgate regulations necessary and appropriate to carry out the purposes of the proposal, including rules to (1) designate a person to act on behalf of the partnership, including when the partnership fails to do so, (2) ensure that taxpayers do not transfer partnership interests with a principal purpose of utilizing the SPP regime to alter the taxpayers' aggregate tax liability, (3) address foreign pass-through partners including, where appropriate, treating a foreign pass-through partner that is a partnership as subject to the SPP regime, and (4) provide rules for pass-through partners to challenge an assessment.

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.

REPEAL TECHNICAL TERMINATIONS OF PARTNERSHIPS

Current Law

Under section 707(b)(1)(B) of the 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 after December 31, 2015.

TABLES OF REVENUE ESTIMATES

Table 1: ADJUSTMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT (BBEDCA) BASELINE

(fiscal years, in millions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Adjustments to the BBEDCA Baseline:													
Permanently extend increased refundability of the child tax credit 1/ …………	0	0	0	-546	-10,919	-10,985	-11,099	-11,123	-11,085	-11,267	-11,296	-22,450	-78,320
Permanently extend Earned Income Tax Credit (EITC) for larger families and married couples:													
Permanently extend EITC marriage penalty relief 1/ …………………………	*0*	*0*	*0*	*-93*	*-1,439*	*-1,419*	*-1,469*	*-1,501*	*-1,505*	*-1,524*	*-1,561*	*-2,951*	*-10,511*
Permanently extend EITC for larger families 1/ ………………………………	*0*	*0*	*0*	*-105*	*-1,997*	*-2,015*	*-2,077*	*-2,130*	*-2,164*	*-2,207*	*-2,261*	*-4,117*	*-14,956*
Subtotal, permanently extend EITC for larger families and married couples …………………………	0	0	0	-198	-3,436	-3,434	-3,546	-3,631	-3,669	-3,731	-3,822	-7,068	-25,467
Permanently extend the American Opportunity Tax Credit (AOTC) 1/ ……….	0	0	0	-533	-7,418	-9,776	-9,446	-9,277	-8,995	-8,599	-8,433	-17,727	-62,477
Total, Adjustments to the BBEDCA Baseline ……………………………	**0**	**0**	**0**	**-1,277**	**-21,773**	**-24,195**	**-24,091**	**-24,031**	**-23,749**	**-23,597**	**-23,551**	**-47,245**	**-166,264**
Total receipt effect …………………………………………	0	0	0	-565	-5,444	-5,271	-4,896	-4,704	-4,419	-4,015	-3,815	-11,280	-33,129
Total outlay effect …………………………………………	0	0	0	712	16,329	18,924	19,195	19,327	19,330	19,582	19,736	35,965	133,135

Department of the Treasury

Notes:

1/ This proposal affects both receipts and outlays. Both effects are shown above. The outlay effects included in these estimates are listed below.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Permanently extend increased refundability of the child tax credit …………	0	0	0	547	10,921	10,987	11,100	11,124	11,086	11,268	11,298	22,455	78,331
Permanently extend EITC marriage penalty relief ……………………………	0	0	0	67	1,334	1,311	1,355	1,380	1,379	1,394	1,427	2,712	9,647
Permanently extend EITC for larger families …………………………………	0	0	0	98	1,970	1,984	2,044	2,093	2,124	2,165	2,217	4,052	14,695
Permanently extend the AOTC …………………………………………………	0	0	0	0	2,104	4,642	4,696	4,730	4,741	4,755	4,794	6,746	30,462
Total outlay effect …………………………………………………………	0	0	0	712	16,329	18,924	19,195	19,327	19,330	19,582	19,736	35,965	133,135

Table 2: RESERVE FOR BUSINESS TAX REFORM THAT IS REVENUE NEUTRAL IN THE LONG RUN 1/

(fiscal years, in millions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Reform the U.S. international tax system:													
Restrict deductions for excessive interest of members of financial reporting groups	0	2,566	4,533	4,987	5,485	6,034	6,637	7,301	8,031	8,834	9,718	23,605	64,126
Provide tax incentives for locating jobs and business activity in the United States and remove tax deductions for shipping jobs overseas	0	-13	-22	-23	-24	-25	-25	-27	-28	-29	-31	-107	-247
Repeal delay in the implementation of worldwide interest allocation	0	-1,352	-2,308	-2,400	-2,496	-2,596	-1,055	0	0	0	0	-11,152	-12,207
Extend the exception under subpart F for active financing income	0	-4,081	-7,006	-7,356	-7,724	-8,110	-8,516	-8,942	-9,389	-9,858	-10,351	-34,277	-81,333
Extend the look-through treatment of payments between related controlled foreign corporations (CFC)	0	-488	-838	-880	-924	-971	-1,019	-1,070	-1,124	-1,180	-1,239	-4,101	-9,733
Impose a 19-percent minimum tax on foreign income	0	11,881	19,710	19,873	20,246	20,633	21,200	21,799	22,675	23,478	24,481	92,343	205,976
Impose a 14-percent one-time tax on previously untaxed foreign income 2/					Revenue reported in Table 3								
Limit shifting of income through intangible property transfers	0	88	167	201	237	275	315	361	413	473	542	968	3,072
Disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates	0	346	616	667	708	744	784	829	863	897	934	3,081	7,388
Modify tax rules for dual capacity taxpayers	0	533	914	956	999	1,043	1,089	1,119	1,168	1,220	1,274	4,445	10,315
Tax gain from the sale of a partnership interest on look-through basis	0	183	253	266	279	293	308	323	339	356	374	1,274	2,974
Modify sections 338(h)(16) and 902 to limit credits when non-double taxation exists:													
Extend section 338(h)(16) to certain asset acquisitions	*0*	*42*	*70*	*70*	*70*	*70*	*70*	*70*	*70*	*70*	*70*	*322*	*672*
Remove foreign taxes from a section 902 corporation's foreign tax pool when earnings are eliminated	*0*	*13*	*25*	*32*	*35*	*35*	*35*	*35*	*35*	*36*	*36*	*140*	*317*
Subtotal, modify sections 338(h)(16) and 902 to limit credits when non-double taxation exists	0	55	95	102	105	105	105	105	105	106	106	462	989
Close loopholes under subpart F:													
Create a new category of subpart F income for transactions involving digital goods or services	*0*	*437*	*750*	*787*	*827*	*868*	*912*	*957*	*1,005*	*1,055*	*1,108*	*3,669*	*8,706*
Expand foreign base company sales income to include manufacturing service arrangements	*0*	*922*	*1,583*	*1,663*	*1,744*	*1,832*	*1,924*	*2,020*	*2,121*	*2,227*	*2,339*	*7,744*	*18,375*
Amend CFC attribution rules	*0*	*30*	*83*	*141*	*205*	*275*	*351*	*435*	*525*	*624*	*731*	*734*	*3,400*
Eliminate the 30-day grace period before subpart F inclusions	*0*	*60*	*103*	*108*	*114*	*119*	*125*	*131*	*138*	*145*	*152*	*504*	*1,195*
Subtotal, close loopholes under subpart F	0	1,449	2,519	2,699	2,890	3,094	3,312	3,543	3,789	4,051	4,330	12,651	31,676
Restrict the use of hybrid arrangements that create stateless income:													
Restrict the use of hybrid arrangements that create stateless income	*0*	*45*	*80*	*88*	*97*	*107*	*117*	*129*	*142*	*156*	*172*	*417*	*1,133*
Limit the application of exceptions under subpart F for certain transactions that use reverse hybrids to create stateless income	*0*	*71*	*121*	*127*	*133*	*139*	*147*	*154*	*162*	*170*	*178*	*591*	*1,402*
Subtotal, restrict the use of hybrid arrangements that create stateless income	0	116	201	215	230	246	264	283	304	326	350	1,008	2,535
Limit the ability of domestic entities to expatriate	0	113	311	530	769	1,031	1,317	1,630	1,970	2,340	2,743	2,754	12,754
Subtotal, reform the U.S. international tax system	**0**	**11,396**	**19,145**	**19,837**	**20,780**	**21,796**	**24,716**	**27,254**	**29,116**	**31,014**	**33,231**	**92,954**	**238,285**
Simplification and tax relief for small business:													
Expand and permanently extend increased expensing for small business	-7,200	-10,941	-8,935	-7,300	-6,254	-5,502	-5,108	-4,968	-4,896	-4,929	-5,012	-38,932	-63,845
Expand simplified accounting for small business and establish a uniform definition of small business for accounting methods	0	-5,812	-3,809	-1,443	-762	-507	-492	-493	-488	-479	-472	-12,333	-14,757
Eliminate capital gains taxation on investments in small business stock	0	0	0	0	0	-206	-710	-1,277	-1,811	-2,342	-2,869	-206	-9,215
Increase the limitations for deductible new business expenditures and consolidate provisions for start-up and organizational expenditures	0	-359	-446	-440	-434	-431	-428	-426	-423	-419	-415	-2,110	-4,221
Expand and simplify the tax credit provided to qualified small employers for non-elective contributions to employee health insurance 3/	-24	-305	-328	-218	-174	-148	-102	-113	-76	-60	-26	-1,173	-1,550
Subtotal, simplification and tax relief for small business	**-7,224**	**-17,417**	**-13,518**	**-9,401**	**-7,624**	**-6,794**	**-6,840**	**-7,277**	**-7,694**	**-8,229**	**-8,794**	**-54,754**	**-93,588**
Incentives for manufacturing, research, and clean energy:													
Enhance and make permanent research incentives	-3,552	-7,529	-9,290	-10,356	-11,389	-12,396	-13,387	-14,370	-15,352	-16,336	-17,327	-50,960	-127,732

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Extend and modify certain employment tax credits, including incentives for hiring veterans	-403	-796	-885	-950	-997	-1,033	-1,074	-1,121	-1,167	-1,210	-1,255	-4,661	-10,488
Modify and permanently extend renewable electricity production tax credit and investment tax credit 3/	0	596	-869	-2,323	-2,775	-3,283	-3,695	-4,075	-4,524	-4,991	-5,513	-8,654	-31,452
Modify and permanently extend the deduction for energy-efficient commercial building property	0	-170	-256	-294	-302	-298	-290	-280	-270	-260	-252	-1,320	-2,672
Provide a carbon dioxide investment and sequestration tax credit 3/	0	0	0	-174	-1,094	-1,149	-600	-466	-495	-521	-541	-2,417	-5,040
Provide additional tax credits for investment in qualified property used in a qualifying advanced energy manufacturing project	0	0	-73	-192	-1,111	-772	-94	14	48	40	37	-2,148	-2,103
Provide new Manufacturing Communities Tax Credit	0	-87	-256	-457	-600	-683	-745	-784	-689	-447	-145	-2,083	-4,893
Extend the tax credit for second generation biofuel production	-35	-80	-119	-149	-163	-175	-183	-158	-113	-65	-18	-686	-1,223
Subtotal, incentives for manufacturing, research, and clean energy	**-3,990**	**-8,066**	**-11,748**	**-14,895**	**-18,431**	**-19,789**	**-20,068**	**-21,240**	**-22,562**	**-23,790**	**-25,014**	**-72,929**	**-185,603**
Incentives to promote regional growth:													
Modify and permanently extend the New Markets Tax Credit	-18	-119	-289	-491	-720	-968	-1,226	-1,470	-1,605	-1,620	-1,586	-2,587	-10,094
Reform and expand the Low-Income Housing Tax Credit (LIHTC):													
Allow conversion of private activity bond volume cap into LIHTCs	*0*	*-7*	*-37*	*-117*	*-210*	*-314*	*-403*	*-497*	*-590*	*-694*	*-797*	*-685*	*-3,666*
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 present value and 30 percent present value LIHTCs	*0*	*-1*	*-3*	*-8*	*-14*	*-18*	*-22*	*-25*	*-30*	*-33*	*-37*	*-44*	*-191*
Add preservation of federally assisted affordable housing to allocation criteria					*Negligible revenue effect*								
Remove the qualified Census tract population cap	*0*	*-1*	*-2*	*-5*	*-9*	*-13*	*-16*	*-19*	*-21*	*-24*	*-26*	*-30*	*-136*
Implement requirement that LIHTC-supported housing protect victims of domestic abuse					*Negligible revenue effect*								
Subtotal, reform and expand LIHTC	0	-9	-42	-130	-233	-345	-441	-541	-641	-751	-860	-759	-3,993
Subtotal, incentives to promote regional growth	**-18**	**-128**	**-331**	**-621**	**-953**	**-1,313**	**-1,667**	**-2,011**	**-2,246**	**-2,371**	**-2,446**	**-3,346**	**-14,087**
Incentives for investment in infrastructure:													
Provide America Fast Forward Bonds (AFFB) and expand eligible uses:													
Provide AFFB and expand eligible uses 3/	*0*	*0*	*-1*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	*1*	*0*	*1*
Allow eligible use of AFFB to include financing all qualified private activity bond program categories 3/	*0*	*-1*	*-4*	*-11*	*-15*	*-22*	*-28*	*-35*	*-41*	*-48*	*-54*	*-53*	*-259*
Subtotal, provide AFFB and expand eligible uses	0	-1	-5	-11	-14	-22	-28	-35	-41	-48	-53	-53	-258
Allow current refundings of State and local governmental bonds	0	-1	-5	-5	-5	-5	-5	-5	-5	-5	-5	-21	-46
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	-6	-28	-60	-93	-125	-153	-167	-163	-136	-96	-55	-459	-1,076
Provide a new category of qualified private activity bonds for infrastructure projects referred to as "Qualified Public Infrastructure Bonds"	0	-25	-117	-251	-386	-524	-638	-695	-714	-733	-751	-1,303	-4,834
Modify qualified private activity bonds for public education facilities					Negligible revenue effect								
Modify treatment of banks investing in tax-exempt bonds	0	-5	-38	-131	-225	-317	-405	-493	-574	-630	-616	-716	-3,434
Repeal tax-exempt bond financing of professional sports facilities	0	3	11	23	35	47	60	72	85	97	109	119	542
Allow more flexible research arrangements for purposes of private business use limits	0	0	0	0	-1	-1	-1	-3	-3	-3	-4	-2	-16
Modify tax-exempt bonds for Indian tribal governments	0	-4	-12	-12	-12	-12	-12	-12	-12	-12	-12	-52	-112
Exempt foreign pension funds from the application of the Foreign Investment in Real Property Tax Act	0	-120	-206	-216	-227	-238	-250	-263	-276	-290	-304	-1,007	-2,390
Subtotal, incentives for investment in infrastructure	**-6**	**-181**	**-433**	**-699**	**-965**	**-1,232**	**-1,455**	**-1,608**	**-1,689**	**-1,736**	**-1,708**	**-3,510**	**-11,706**
Eliminate fossil fuel tax preferences:													
Eliminate fossil fuel tax 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*

Table 2: RESERVE FOR BUSINESS TAX REFORM THAT IS REVENUE NEUTRAL IN THE LONG RUN 1/ -- continued

(fiscal years, in millions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Repeal expensing of intangible drilling costs	*0*	*2,267*	*3,182*	*2,351*	*1,867*	*1,566*	*1,243*	*848*	*695*	*723*	*753*	*11,233*	*15,495*
Repeal deduction for tertiary injectants	*0*	*7*	*10*	*10*	*10*	*10*	*10*	*10*	*10*	*10*	*10*	*47*	*97*
Repeal exception to passive loss limitation for working interests in oil and natural gas properties	*0*	*9*	*17*	*19*	*20*	*20*	*20*	*20*	*20*	*20*	*20*	*85*	*185*
Repeal percentage depletion for oil and natural gas wells	*0*	*1,118*	*1,790*	*1,669*	*1,585*	*1,498*	*1,375*	*1,246*	*1,122*	*994*	*856*	*7,660*	*13,253*
Repeal domestic manufacturing deduction for oil and natural gas production	*0*	*647*	*1,115*	*1,139*	*1,173*	*1,208*	*1,242*	*1,280*	*1,321*	*1,366*	*1,413*	*5,282*	*11,904*
Increase geological and geophysical amortization period for independent producers to seven years	*0*	*91*	*341*	*537*	*532*	*440*	*337*	*226*	*147*	*125*	*100*	*1,941*	*2,876*
Subtotal, eliminate oil and natural gas preferences	0	4,139	6,455	5,725	5,187	4,742	4,227	3,630	3,315	3,238	3,152	26,248	43,810
Eliminate coal preferences:													
Repeal expensing of exploration and development costs	*0*	*40*	*68*	*70*	*74*	*77*	*77*	*75*	*73*	*71*	*69*	*329*	*694*
Repeal percentage depletion for hard mineral fossil fuels	*0*	*183*	*299*	*288*	*278*	*266*	*254*	*241*	*228*	*214*	*199*	*1,314*	*2,450*
Repeal capital gains treatment for royalties	*0*	*27*	*54*	*53*	*54*	*55*	*58*	*61*	*61*	*62*	*62*	*243*	*547*
Repeal domestic manufacturing deduction for the production of coal and other hard mineral fossil fuels	*0*	*45*	*48*	*50*	*53*	*54*	*57*	*59*	*62*	*65*	*68*	*250*	*561*
Subtotal, eliminate coal preferences	0	295	469	461	459	452	446	436	424	412	398	2,136	4,252
Treat publicly-traded partnerships for fossil fuels as C corporations	*0*	*0*	*0*	*0*	*0*	*0*	*303*	*322*	*341*	*358*	*375*	*0*	*1,699*
Subtotal, eliminate fossil fuel tax preferences	**0**	**4,434**	**6,924**	**6,186**	**5,646**	**5,194**	**4,976**	**4,388**	**4,080**	**4,008**	**3,925**	**28,384**	**49,761**
Reform the treatment of financial and insurance industry products:													
Require that derivative contracts be marked to market with resulting gain or loss treated as ordinary	0	2,926	4,769	4,138	2,731	1,733	1,186	731	531	535	516	16,297	19,796
Modify rules that apply to sales of life insurance contracts	0	23	43	46	48	50	54	56	58	61	63	210	502
Modify proration rules for life insurance company general and separate accounts	0	385	676	722	762	792	816	836	843	849	862	3,337	7,543
Expand pro rata interest expense disallowance for corporate-owned life insurance	0	65	159	252	364	492	641	809	980	1,160	1,357	1,332	6,279
Conform net operating loss rules of life insurance companies to those of other corporations	0	15	27	29	30	32	34	36	37	39	40	133	319
Subtotal, reform the treatment of financial and insurance industry products	**0**	**3,414**	**5,674**	**5,187**	**3,935**	**3,099**	**2,731**	**2,468**	**2,449**	**2,644**	**2,838**	**21,309**	**34,439**
Other revenue changes and loophole closers:													
Repeal last-in, first-out method of accounting for inventories	0	5,505	7,866	7,812	8,012	7,908	8,070	7,752	7,644	7,931	7,592	37,103	76,092
Repeal lower-of-cost-or-market inventory accounting method	0	743	1,491	1,501	1,511	889	266	278	291	304	317	6,135	7,591
Modify like-kind exchange rules for real property and collectibles	0	659	2,005	2,026	2,048	2,070	2,094	2,119	2,145	2,174	2,202	8,808	19,542
Modify depreciation rules for purchases of general aviation passenger aircraft	0	108	338	499	531	596	593	395	198	139	141	2,072	3,538
Expand the definition of substantial built-in loss for purposes of partnership loss transfers	0	6	7	7	7	7	8	8	10	10	10	34	80
Extend partnership basis limitation rules to nondeductible expenditures	0	69	97	102	105	108	110	112	114	116	118	481	1,051
Limit the importation of losses under related party loss limitation rules	0	63	87	92	95	97	99	100	102	104	106	434	945
Deny deduction for punitive damages	0	30	43	44	45	46	47	48	49	51	52	208	455
Conform corporate ownership standards	0	1	17	32	33	34	35	36	38	40	42	117	308
Tax corporate distributions as dividends:													
Prevent elimination of earnings and profits through distributions of certain stock with basis attributable to dividend equivalent redemptions						*Negligible revenue effect*							
Prevent use of leveraged distributions from related foreign corporations to avoid dividend treatment	*0*	*13*	*23*	*23*	*24*	*25*	*26*	*27*	*28*	*30*	*31*	*108*	*250*
Treat purchases of hook stock by a subsidiary as giving rise to deemed distributions	*0*	*3*	*5*	*5*	*6*	*6*	*6*	*6*	*7*	*7*	*7*	*25*	*58*
Repeal gain limitation for dividends received in reorganization exchanges	*0*	*32*	*54*	*58*	*60*	*63*	*66*	*70*	*73*	*76*	*80*	*267*	*632*
Subtotal, tax corporate distributions as dividends	0	48	82	86	90	94	98	103	108	113	118	400	940

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Repeal Federal Insurance Contributions Act tip credit	0	480	993	1,062	1,137	1,216	1,301	1,389	1,483	1,581	1,687	4,888	12,329
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
Subtotal, other revenue changes and loophole closers	**0**	**7,797**	**13,138**	**13,375**	**13,726**	**13,177**	**12,833**	**12,452**	**12,294**	**12,675**	**12,497**	**61,213**	**123,964**
Total, Reserve for Business Tax Reform that is Revenue Neutral in the Long Run	**-11,238**	**1,249**	**18,851**	**18,969**	**16,114**	**14,138**	**15,226**	**14,426**	**13,748**	**14,215**	**14,529**	**69,321**	**141,465**
Total receipt effect	-11,232	1,631	20,336	22,054	21,618	21,396	23,729	24,648	25,888	28,294	30,555	87,035	220,149
Total outlay effect	6	382	1,485	3,085	5,504	7,258	8,503	10,222	12,140	14,079	16,026	17,714	78,684

Department of the Treasury

Notes:

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

2/ The Administration believes that this proposal should be enacted in the context of comprehensive business tax reform that is revenue neutral in the long run. However, the proposal generates one-time transition revenue in the short run, which the Budget proposes to dedicate to surface transportation reauthorization. Therefore, the effect of the proposal on receipts, shown below, is also included in the Budget proposals presented in Table 3 and is counted in the Budget's receipts and deficit totals.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Impose a 14-percent one-time tax on previously untaxed foreign income	0	34,559	56,407	54,420	52,434	50,448	19,861	0	0	0	0	248,268	268,129

3/ This proposal affects both receipts and outlays. Both effects are shown above. The outlay effects included in these estimates are listed below.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Expand and simplify the tax credit provided to qualified small employers for non-elective contributions to employee health insurance	6	76	68	32	23	21	11	10	8	8	4	220	261
Modify and permanently extend renewable electricity production tax credit and investment tax credit	0	0	20	47	63	71	78	83	90	95	101	201	648
Provide a carbon dioxide investment and sequestration tax credit	0	0	0	0	729	728	170	28	48	65	76	1,457	1,844
Provide AFFB and expand eligible uses	0	253	1,154	2,483	3,874	5,319	6,811	8,345	9,909	11,492	13,090	13,083	62,730
Allow eligible uses of AFFB to include financing all qualified private activity bond program categories	0	53	243	523	815	1,119	1,433	1,756	2,085	2,419	2,755	2,753	13,201
Total outlay effect	6	382	1,485	3,085	5,504	7,258	8,503	10,222	12,140	14,079	16,026	17,714	78,684

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

Table 3: BUDGET PROPOSALS 1/ 2/
(fiscal years, in millions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Tax reform for families and individuals:													
Reform child care tax incentives 3/	0	-4,024	-4,191	-4,429	-4,639	-4,841	-5,052	-5,292	-5,532	-5,615	-6,257	-22,124	-49,872
Simplify and better target tax benefits for education:													
Expand and modify the AOTC and repeal Lifetime Learning Credits 3/	*0*	*25*	*-869*	*-2,651*	*-2,661*	*-3,114*	*-3,454*	*-4,103*	*-4,387*	*-4,995*	*-5,084*	*-9,270*	*-31,293*
Make Pell Grants excludable from income 3/	*0*	*-30*	*-1,041*	*-2,182*	*-2,105*	*-2,050*	*-2,052*	*-2,031*	*-2,035*	*-2,032*	*-1,997*	*-7,408*	*-17,555*
Modify reporting of tuition expenses and scholarships on Form 1098-T 3/	*0*	*5*	*51*	*63*	*65*	*67*	*70*	*72*	*73*	*75*	*77*	*251*	*618*
Repeal the student loan interest deduction and provide exclusion for certain debt relief and scholarships 3/	*0*	*-5*	*-13*	*-14*	*-14*	*-15*	*73*	*169*	*259*	*345*	*463*	*-61*	*1,248*
Repeal Coverdells and reduce the Federal tax benefits of qualified tuition programs	*0*	*0*	*11*	*31*	*55*	*85*	*121*	*163*	*212*	*270*	*336*	*182*	*1,284*
Subtotal, simplify and better target tax benefits for education	0	-5	-1,861	-4,753	-4,660	-5,027	-5,242	-5,730	-5,878	-6,337	-6,205	-16,306	-45,698
Provide for automatic enrollment in IRAs, including a small employer tax credit, increase the tax credit for small employer plan start-up costs, and provide an additional tax credit for small employer plans newly offering auto-enrollment 3/	0	0	-993	-1,589	-1,700	-1,754	-1,831	-2,005	-2,176	-2,410	-2,661	-6,036	-17,119
Expand penalty-free withdrawals for long-term unemployed	0	-162	-235	-240	-245	-250	-255	-260	-265	-270	-276	-1,132	-2,458
Require retirement plans to allow long-term part-time workers to participate	0	-39	-55	-54	-53	-52	-50	-47	-44	-40	-34	-253	-468
Facilitate annuity portability					Negligible revenue effect								
Simplify minimum required distribution rules	0	-5	-5	-3	4	14	30	51	74	105	142	5	407
Allow all inherited plan and IRA balances to be rolled over within 60 days					Negligible revenue effect								
Expand the EITC for workers without qualifying children 3/	0	-460	-6,256	-6,297	-6,350	-6,481	-6,612	-6,716	-6,804	-6,921	-7,047	-25,844	-59,944
Simplify the rules for claiming the EITC for workers without qualifying children 3/	0	-44	-593	-599	-588	-605	-620	-631	-642	-653	-678	-2,429	-5,653
Provide a second-earner tax credit 3/	0	-2,067	-9,007	-9,104	-9,383	-9,502	-9,727	-9,872	-9,936	-10,127	-10,306	-39,063	-89,031
Extend exclusion from income for cancellation of certain home mortgage debt	-2,542	-3,265	-2,978	-724	0	0	0	0	0	0	0	-6,967	-6,967
Subtotal, tax reform for families and individuals	**-2,542**	**-10,071**	**-26,174**	**-27,792**	**-27,614**	**-28,498**	**-29,359**	**-30,502**	**-31,203**	**-32,268**	**-33,322**	**-120,149**	**-276,803**
Reforms to capital gains taxation, upper-income tax benefits, and the taxation of financial institutions:													
Reduce the value of certain tax expenditures	0	28,028	46,032	50,592	54,995	59,478	63,843	68,379	72,914	77,231	81,734	239,125	603,226
Reform the taxation of capital income	3,634	9,048	20,705	18,041	21,448	21,892	21,538	22,276	23,178	24,292	25,466	91,134	207,884
Implement the Buffett Rule by imposing a new "Fair Share Tax"	0	6,671	-93	1,178	2,810	3,695	3,872	4,008	4,177	4,351	4,507	14,261	35,176
Impose a financial fee	0	5,644	11,084	10,978	11,208	11,470	11,734	12,003	12,280	12,562	12,851	50,384	111,814
Subtotal, reforms to capital gains taxation, upper-income tax benefits, and the taxation of financial institutions	**3,634**	**49,391**	**77,728**	**80,789**	**90,461**	**96,535**	**100,987**	**106,666**	**112,549**	**118,436**	**124,558**	**394,904**	**958,100**
Loophole closers:													
Require current inclusion in income of accrued market discount and limit the accrual amount for distressed debt	0	4	12	20	27	34	41	49	58	68	78	97	391
Require that the cost basis of stock that is a covered security must be determined using an average cost basis method	0	0	69	209	353	507	597	620	645	673	702	1,138	4,375
Tax carried (profits) interests as ordinary income	0	1,294	2,417	2,421	2,316	2,204	2,094	1,692	1,271	1,036	953	10,652	17,698
Require non-spouse beneficiaries of deceased IRA owners and retirement plan participants to take inherited distributions over no more than five years	0	87	237	400	567	737	786	748	694	640	583	2,028	5,479
Limit the total accrual of tax-favored retirement benefits	0	1,418	1,987	2,213	2,287	2,438	2,634	2,785	3,183	3,396	3,702	10,343	26,043
Conform Self-Employment Contribution Act taxes for professional service businesses	0	4,465	6,268	6,622	6,977	7,372	7,837	8,371	8,837	9,248	8,554	31,704	74,551
Limit Roth conversions to pre-tax dollars	0	0	14	23	24	38	49	50	51	67	79	99	395
Eliminate deduction for dividends on stock of publicly-traded corporations held in employee stock ownership plans	0	589	830	851	865	879	892	907	922	936	951	4,014	8,622
Repeal exclusion of net unrealized appreciation in employer securities	0	145	245	249	254	260	265	270	275	281	287	1,153	2,531

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Disallow the deduction for charitable contributions that are a prerequisite for purchasing tickets to college sporting events	0	126	201	218	233	249	266	283	302	323	345	1,027	2,546
Subtotal, loophole closers	**0**	**8,128**	**12,280**	**13,226**	**13,903**	**14,718**	**15,461**	**15,775**	**16,238**	**16,668**	**16,234**	**62,255**	**142,631**
Incentives for job creation, clean energy, and manufacturing:													
Designate Promise Zones 3/	0	-604	-1,130	-1,010	-938	-890	-852	-813	-791	-792	-807	-4,572	-8,627
Provide a tax credit for the production of advanced technology vehicles	0	-581	-475	-512	-567	-507	-418	-299	6	197	209	-2,642	-2,947
Provide a tax credit for medium- and heavy-duty alternative-fuel commercial vehicles	0	-46	-76	-77	-80	-61	-26	-5	0	0	0	-340	-371
Modify and extend the tax credit for the construction of energy-efficient new homes	-60	-132	-164	-195	-227	-252	-270	-286	-302	-329	-341	-970	-2,498
Reduce excise taxes on liquefied natural gas to bring into parity with diesel	0	-4	-5	-6	-6	-6	-7	-7	-9	-9	-10	-27	-69
Enhance and modify the conservation easement deduction:													
Permanently enhance incentives and reform the deduction for donations of conservation easements	*-59*	*-153*	*-102*	*-20*	*3*	*3*	*2*	*3*	*3*	*3*	*4*	*-269*	*-254*
Pilot an allocable credit for conservation contributions and report to Congress	*-5*	*-19*	*-25*	*-25*	*-25*	*-25*	*-25*	*-25*	*-25*	*-25*	*-25*	*-119*	*-244*
Eliminate the deduction for contributions of conservation easements on golf courses	*5*	*21*	*38*	*50*	*56*	*60*	*62*	*66*	*69*	*73*	*76*	*225*	*571*
Restrict deductions and harmonize the rules for contributions of conservation easements for historic preservation	*2*	*7*	*13*	*17*	*20*	*21*	*22*	*23*	*24*	*25*	*27*	*78*	*199*
Subtotal, enhance and modify the conservation easement deduction	-57	-144	-76	22	54	59	61	67	71	76	82	-85	272
Subtotal, incentives for job creation, clean energy, and manufacturing	**-117**	**-1,511**	**-1,926**	**-1,778**	**-1,764**	**-1,657**	**-1,512**	**-1,343**	**-1,025**	**-857**	**-867**	**-8,636**	**-14,240**
Modify estate and gift tax provisions:													
Restore the estate, gift, and generation-skipping transfer (GST) tax parameters in effect in 2009	0	0	14,611	15,938	17,310	18,723	20,444	22,230	24,261	26,612	29,182	66,582	189,311
Require consistency in value for transfer and income tax purposes	0	0	267	279	303	337	356	383	407	438	467	1,186	3,237
Modify transfer tax rules for grantor retained annuity trusts and other grantor trusts	0	0	1,054	1,198	1,359	1,574	1,892	2,294	2,637	3,073	3,273	5,185	18,354
Limit duration of GST tax exemption					Negligible revenue effect								
Extend the lien on estate tax deferrals where estate consists largely of interest in closely held business	0	0	23	23	24	25	27	29	31	32	34	95	248
Modify GST tax treatment of Health and Education Exclusion Trusts	0	0	-32	-31	-29	-28	-25	-24	-22	-21	-19	-120	-231
Simplify gift tax exclusion for annual gifts	0	0	78	155	217	320	389	428	517	618	724	770	3,446
Expand applicability of definition of executor					Negligible revenue effect								
Subtotal, modify estate and gift tax provisions	**0**	**0**	**16,001**	**17,562**	**19,184**	**20,951**	**23,083**	**25,340**	**27,831**	**30,752**	**33,661**	**73,698**	**214,365**
Other revenue raisers:													
Increase and modify Oil Spill Liability Trust Fund financing	0	105	150	155	160	165	168	176	177	181	191	735	1,628
Reinstate Superfund taxes:													
Reinstate and extend Superfund excise taxes	*0*	*589*	*791*	*798*	*805*	*811*	*819*	*826*	*833*	*839*	*855*	*3,794*	*7,966*
Reinstate Superfund environmental income tax	*0*	*996*	*1,257*	*1,282*	*1,305*	*1,315*	*1,341*	*1,379*	*1,426*	*1,468*	*1,508*	*6,155*	*13,277*
Subtotal, reinstate Superfund taxes	0	1,585	2,048	2,080	2,110	2,126	2,160	2,205	2,259	2,307	2,363	9,949	21,243
Increase tobacco taxes and index for inflation	0	8,434	10,826	10,663	10,633	10,301	9,860	9,403	8,850	8,342	7,830	50,857	95,142
Make unemployment insurance surtax permanent	0	1,108	1,527	1,552	1,575	1,596	1,620	1,643	1,669	1,695	1,701	7,358	15,686
Expand Federal Unemployment Tax Act base	0	0	3,634	3,618	3,457	3,600	3,901	6,485	6,313	6,647	7,100	14,309	44,755
Subtotal, other revenue raisers	**0**	**11,232**	**18,185**	**18,068**	**17,935**	**17,788**	**17,709**	**19,912**	**19,268**	**19,172**	**19,185**	**83,208**	**178,454**
Reduce the tax gap and make reforms:													
Expand information reporting:													
Improve information reporting for certain businesses and contractors:													
Require a certified TIN from contractors and allow certain withholding	*0*	*16*	*39*	*64*	*88*	*92*	*96*	*100*	*105*	*109*	*114*	*299*	*823*
Require information reporting for private separate accounts of life insurance companies	*0*	*0*	*0*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*3*	*8*
Subtotal, improve information reporting for certain businesses and contractors	0	16	39	65	89	93	97	101	106	110	115	302	831

Table 3: BUDGET PROPOSALS 1/ 2/ -- continued

(fiscal years, in millions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Provide an exception to the limitation on disclosing tax return information to expand TIN matching beyond forms where payments are subject to backup withholding					Negligible revenue effect								
Provide for reciprocal reporting of information in connection with the implementation of the Foreign Account Tax Compliance Act					No revenue effect								
Improve mortgage interest deduction reporting	0	104	160	171	182	192	203	213	222	231	240	809	1,918
Require Form W-2 reporting for employer contributions to defined contribution plans					Negligible revenue effect								
Subtotal, expand information reporting	0	120	199	236	271	285	300	314	328	341	355	1,111	2,749
Improve compliance by businesses:													
Increase certainty with respect to worker classification	0	85	420	818	978	1,063	1,155	1,250	1,356	1,465	1,580	3,364	10,170
Increase information sharing to administer excise taxes	0	4	9	13	14	16	17	18	18	19	19	56	147
Provide authority to readily share information about beneficial ownership information of U.S. companies with law enforcement	0	0	1	2	9	6	4	3	3	3	3	18	34
Subtotal, improve compliance by businesses	0	89	430	833	1,001	1,085	1,176	1,271	1,377	1,487	1,602	3,438	10,351
Strengthen tax administration:													
Impose liability on shareholders to collect unpaid income taxes of applicable corporations	0	442	463	484	505	528	550	574	600	626	652	2,422	5,424
Increase levy authority for payments to Medicare providers with delinquent tax debt	0	34	50	50	51	52	54	54	56	56	57	237	514
Implement a program integrity statutory cap adjustment for tax administration	0	432	1,451	2,926	4,476	6,095	7,481	8,475	9,077	9,503	9,819	15,380	59,735
Streamline audit and adjustment procedures for large partnerships	0	190	252	249	242	236	238	243	248	253	256	1,169	2,407
Revise offer-in-compromise application rules	0	1	1	2	2	2	2	2	2	2	2	8	18
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	2	2	2	2	2	2	2	7	17
Extend statute of limitations for assessment of overstated basis and State adjustments	0	0	0	0	77	90	103	118	135	155	178	167	856
Improve investigative disclosure statute	0	0	0	0	1	1	1	1	2	2	2	2	10
Allow the IRS to absorb credit and debit card processing fees for certain tax payments	0	2	2	2	2	2	2	2	2	2	2	10	20
Provide the IRS with greater flexibility to address correctible errors 3/	0	30	62	64	65	65	67	68	71	72	75	286	639
Enhance electronic filing of returns	0	0	0	0	1	1	1	1	2	2	2	2	10
Improve the whistleblower program					Negligible revenue effect								
Index all civil tax penalties for inflation					Negligible revenue effect								
Extend IRS authority to require truncated Social Security Numbers on Form W-2					Negligible revenue effect								
Combat tax-related identity theft					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								
Rationalize tax return filing due dates so they are staggered 3/	0	-180	173	181	190	196	199	207	215	221	228	560	1,630
Increase oversight and due diligence of paid tax return preparers:													
Extend paid preparer EITC due diligence requirements to the child tax credit					*Negligible revenue effect*								
Explicitly provide that the Department of the Treasury and IRS have the authority to regulate all paid tax return preparers 3/	*0*	*14*	*32*	*34*	*38*	*41*	*45*	*49*	*53*	*58*	*63*	*159*	*427*
Increase the penalty applicable to paid tax return preparers who engage in willful or reckless conduct	*0*	*0*	*0*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*1*	*3*	*8*
Subtotal, increase oversight and due diligence of paid tax return preparers	0	14	32	35	39	42	46	50	54	59	64	162	435
Enhance administrability of the appraiser penalty					Negligible revenue effect								

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Subtotal, strengthen tax administration	0	966	2,487	3,994	5,654	7,313	8,747	9,798	10,468	10,957	11,341	20,414	71,725
Subtotal, reduce the tax gap and make reforms	**0**	**1,175**	**3,116**	**5,063**	**6,926**	**8,683**	**10,223**	**11,383**	**12,173**	**12,785**	**13,298**	**24,963**	**84,825**
Simplify the tax system:													
Modify adoption credit to allow tribal determination of special needs	0	0	0	0	0	0	-1	-1	-1	-1	-1	0	-5
Repeal non-qualified preferred stock designation	0	26	44	43	41	38	35	30	26	23	20	192	326
Repeal preferential dividend rule for publicly traded and publically offered real estate investment trusts	Negligible revenue effect												
Reform excise tax based on investment income of private foundations	0	0	-6	-5	-5	-6	-6	-6	-6	-6	-7	-22	-53
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	0	-2	-10	-18	-28	-38	-46	-58	-68	-76	-58	-344
Simplify single-family housing mortgage bond targeting requirements	0	0	-1	-3	-5	-7	-10	-12	-17	-20	-22	-16	-97
Streamline private business limits on governmental bonds	0	0	-1	-3	-5	-7	-9	-11	-13	-15	-17	-16	-81
Repeal technical terminations of partnerships	0	10	16	18	20	22	24	26	28	29	31	86	224
Repeal anti-churning rules of section 197	0	-24	-99	-198	-281	-338	-370	-378	-378	-378	-378	-940	-2,822
Repeal special estimated tax payment provision for certain insurance companies	Negligible revenue effect												
Repeal the telephone excise tax	0	-296	-349	-308	-266	-225	-208	-161	-128	-80	-31	-1,444	-2,052
Increase the standard mileage rate for automobile use by volunteers	0	-15	-47	-48	-49	-50	-51	-52	-53	-55	-56	-209	-476
Consolidate contribution limitations for charitable deductions and extend the carryforward period for excess charitable contribution deduction amounts	0	-88	-49	-5	-6	-6	-6	-482	-1,168	-1,801	-2,379	-154	-5,990
Exclude from gross income subsidies from public utilities for purchase of water runoff management	Negligible revenue effect												
Provide relief for certain accidental dual citizens	0	-60	-103	-55	-23	-24	-25	-26	-28	-29	-30	-265	-403
Subtotal, simplify the tax system	**0**	**-447**	**-597**	**-574**	**-597**	**-631**	**-665**	**-1,119**	**-1,796**	**-2,401**	**-2,946**	**-2,846**	**-11,773**
User fee:													
Reform inland waterways funding	0	113	113	113	113	113	113	113	113	113	113	565	1,130
Subtotal, user fee	**0**	**113**	**113**	**113**	**113**	**113**	**113**	**113**	**113**	**113**	**113**	**565**	**1,130**
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**
Impose a 14-percent one-time tax on previously untaxed foreign income 4/	**0**	**34,559**	**56,407**	**54,420**	**52,434**	**50,448**	**19,861**	**0**	**0**	**0**	**0**	**248,268**	**268,129**
Total, Budget Proposals	**975**	**92,569**	**155,133**	**159,097**	**170,981**	**178,450**	**155,901**	**146,225**	**154,148**	**162,400**	**169,914**	**756,230**	**1,544,818**
Total receipt effect	975	93,765	164,803	171,875	183,824	191,512	169,495	160,271	168,647	177,281	185,031	805,779	1,666,504
Total outlay effect	0	1,196	9,670	12,778	12,843	13,062	13,594	14,046	14,499	14,881	15,117	49,549	121,686

Department of the Treasury

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 2016 Budget includes the effects of a number of proposals that are not reflected here. These proposals would: reform the unemployment insurance (UI) extended benefits program, modernize the UI program, levy a fee on the production of hardrock minerals to restore abandoned mines, return fees on production of coal to pre-2006 levels to restore abandoned mines, enhance UI program integrity, reauthorize special domestic nuclear utilities, extend Generalized System of Preferences, extend African Growth Opportunity Act, extend the Children's Health Insurance Program through 2019, create State option to provide 12-month continuous Medicaid eligibility for adults, extend reserve depletion date for Social Security's Disability Insurance program, and enact comprehensive immigration reform.

3/ This proposal affects both receipts and outlays. Both effects are shown above. The outlay effects included in these estimates are listed below.

Reform child care tax incentives	0	932	969	1,014	1,066	1,107	1,139	1,190	1,231	1,227	1,265	5,088	11,140

Table 3: BUDGET PROPOSALS 1/ 2/ -- continued

(fiscal years, in millions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-20	2016-25
Expand and modify the AOTC and repeal Lifetime Learning Credits	0	0	1,125	2,934	2,948	3,047	3,376	3,686	3,998	4,291	4,392	10,054	29,797
Make Pell Grants excludable from income	0	0	743	1,905	1,844	1,801	1,825	1,817	1,826	1,833	1,802	6,293	15,396
Modify reporting of tuition expenses and scholarships on Form 1098-T	0	0	-6	-17	-18	-19	-21	-22	-22	-23	-24	-60	-172
Repeal the student loan interest deduction and provide exclusion for certain debt relief and scholarships	0	0	0	0	0	0	-3	-10	-17	-26	-35	0	-91
Provide for automatic enrollment in IRAs, including a small employer tax credit, increase the tax credit for small employer plan start-up costs, and provide an additional tax credit for small employer plans newly offering auto-enrollment	0	0	127	195	200	209	212	215	220	225	229	731	1,832
Expand the EITC for workers without qualifying children	0	276	5,519	5,553	5,600	5,709	5,825	5,914	5,997	6,090	6,198	22,657	52,681
Simplify the rules for claiming the EITC for workers without qualifying children	0	26	522	527	517	532	545	555	565	574	596	2,124	4,959
Provide a second-earner tax credit	0	0	732	729	750	740	761	768	770	762	767	2,951	6,779
Designate Promise Zones	0	12	28	29	31	32	34	35	37	38	41	132	317
Provide the IRS with greater flexibility to address correctible errors	0	-26	-53	-54	-55	-55	-56	-57	-59	-60	-62	-243	-537
Rationalize tax return filing due dates so they are staggered	0	-22	-22	-22	-23	-23	-23	-24	-24	-25	-25	-112	-233
Explicitly provide that the Department of the Treasury and IRS have the authority to regulate all paid tax return preparers	0	-2	-14	-15	-17	-18	-20	-21	-23	-25	-27	-66	-182
Total outlay effect	0	1,196	9,670	12,778	12,843	13,062	13,594	14,046	14,499	14,881	15,117	49,549	121,686

4/ The Administration believes that this proposal should be enacted in the context of comprehensive business tax reform that is revenue neutral in the long run. However, the proposal generates one-time transition revenue in the short run, which the Budget proposes to dedicate to surface transportation reauthorization. Therefore, the effect of the proposal on receipts, shown here, is included in the Budget's receipts and deficit totals.