ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 2015-2019

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INTRODUCTION

Tax expenditure analysis can help both policymakers and the public to understand the actual size of government, the uses to which government resources are put, and the tax and economic policy consequences that follow from the implicit or explicit choices made in fashioning legislation. This report[1] on tax expenditures for fiscal years 2015-2019 is prepared by the staff of the Joint Committee on Taxation ("Joint Committee staff") for the House Committee on Ways and Means and the Senate Committee on Finance. The report also is submitted to the House and Senate Committees on the Budget.

As in the case of earlier reports,[2] the estimates of tax expenditures in this report were prepared in consultation with the staff of the Office of Tax Analysis in the Department of the Treasury ("the Treasury"). The Treasury published its estimates of tax expenditures for fiscal years 2014-2024 in the Administration's budgetary statement of February 2, 2015.[3] The lists of tax expenditures in this Joint Committee staff report and the Administration's budgetary statement overlap considerably; the differences are discussed in Part I of this report under the heading "Comparisons with Treasury."

The Joint Committee staff has made its estimates (as shown in Table 1) based on the provisions in Federal tax law enacted through September 30, 2015. Expired or repealed provisions are not listed unless they have continuing revenue effects that are associated with ongoing taxpayer activity. Proposed extensions or modifications of expiring provisions are not included until they have been enacted into law. The tax expenditure calculations in this report are based on the January 2015 Congressional Budget Office ("CBO") revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2014-2019.

Part I of this report contains a discussion of the concept of tax expenditures; Part II is a discussion of the measurement of tax expenditures; and Part III contains various estimates. Estimates of tax expenditures for fiscal years 2015-2019 are presented in Table 1 in Part III. Table 2 shows the distribution of tax returns by income class, and Table 3 presents distributions of selected individual tax expenditures by income class.

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[1] This report may be cited as follows: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019* (JCX-141-15), December 7, 2015. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

[2] The Joint Committee staff prepared its first report on estimates of Federal tax expenditures in 1972 (JCS-28-72), covering fiscal years 1967-1971. Reports cover every five-year period since fiscal years 1977-1981 (JCS-10-77). A complete collection of these reports on estimates of Federal tax expenditures, including this report, is available at https://www.jct.gov/publications.html?func=select&id=5.

[3] Office of Management and Budget, "Tax Expenditures," *Analytical Perspectives, Budget of the United States Government*, *Fiscal Year 2016*, February 2, 2015, pp. 219-262.

I. THE CONCEPT OF TAX EXPENDITURES

Overview

Tax expenditures are defined under the Congressional Budget and Impoundment Control Act of 1974 (the "Budget Act") as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."[4] Thus, tax expenditures include any reductions in income tax liabilities that result from special tax provisions or regulations that provide tax benefits to particular taxpayers.

Special income tax provisions are referred to as tax expenditures because they may be analogous to direct outlay programs and may be considered alternative means of accomplishing similar budget policy objectives. Tax expenditures are similar to direct spending programs that function as entitlements to those who meet the established statutory criteria.

Estimates of tax expenditures are prepared for use in budget analysis. They are a measure of the economic benefits that are provided through the tax laws to various groups of taxpayers and sectors of the economy. The estimates also may be useful in determining the relative merits of achieving specific public goals through tax benefits or direct outlays. It is appropriate to evaluate tax expenditures with respect to cost, distributional consequences, alternative means of provision, and economic effects and to allow policymakers to evaluate the tradeoffs among these and other potentially competing policy goals.

The legislative history of the Budget Act indicates that tax expenditures are to be defined with reference to a normal income tax structure (referred to here as "normal income tax law"). The determination of whether a provision is a tax expenditure is made on the basis of a broad concept of income that is larger in scope than "income" as defined under general U.S. income tax principles. The Joint Committee staff uses its judgment in distinguishing between those income tax provisions (and regulations) that can be viewed as a part of normal income tax law and those special provisions that result in tax expenditures. A provision traditionally has been listed as a tax expenditure by the Joint Committee staff if there is a reasonable basis for such classification and the provision results in more than a *de minimis* revenue loss, which solely for this purpose means a total revenue loss of less than $50 million over the five fiscal years 2015-2019. The Joint Committee staff emphasizes, however, that in the process of listing tax expenditures, no judgment is made, nor any implication intended, about the desirability of any special tax provision as a matter of public policy.

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[4] Congressional Budget and Impoundment Control Act of 1974 (Pub. L. No. 93-344), sec. 3(3). The Budget Act requires CBO and the Treasury to publish detailed lists of tax expenditures annually. The Joint Committee staff issued reports prior to the statutory obligation placed on the CBO and continued to do so thereafter. In light of this precedent and a subsequent statutory requirement that the CBO rely exclusively on Joint Committee staff estimates when considering the revenue effects of proposed legislation, the CBO has always relied on the Joint Committee staff for the production of its annual tax expenditure publication. See Pub. L. No. 99-177, sec. 273, codified at 2 USC 601(f).

The Budget Act uses the term tax expenditure to refer to the special tax provisions that are contained in the Federal income taxes on individuals and corporations.[5] Other Federal taxes such as excise taxes, employment taxes, and estate and gift taxes may also have exceptions, exclusions, and credits, but those special tax provisions are not included in this report because they are not part of the income tax.[6] Thus, for example, the income tax exclusion for employer-paid health insurance is included, but the Federal Insurance Contributions Act ("FICA") tax exclusion for employer-paid health insurance is not treated as a tax expenditure in this report.

Some provisions in the Internal Revenue Code ("the Code") provide for special tax treatment that is less favorable than normal income tax law. Examples of such provisions include (1) the denial of deductions for certain lobbying expenses, (2) the denial of deductions for certain executive compensation, and (3) the two-percent floor on itemized deductions for unreimbursed employee expenses. Tax provisions that provide treatment less favorable than normal income tax law and are not related directly to progressivity are called *negative* tax expenditures.[7] Special provisions of the law the principal purpose for which is to enforce general tax rules, or to prevent the violation of other laws, are not treated as negative tax expenditures even though they may increase the tax burden for certain taxpayers. Examples of these compliance and enforcement provisions include the (1) limitation on net operating loss carryforwards and certain built-in losses following ownership changes (sec. 382), (2) wash sale rules (sec. 1091), (3) denial of capital gain treatment for gains on certain obligations not in registered form (sec. 1287), and (4) disallowance of a deduction for fines and penalties (sec. 162(f)).

Individual Income Tax

Under the Joint Committee staff methodology, the normal structure of the individual income tax includes the following major components: one personal exemption for each taxpayer and one for each dependent, the standard deduction, the existing tax rate schedule, and deductions for investment and employee business expenses. Most other tax benefits for individual taxpayers are classified as exceptions to normal income tax law.

[5] The Federal income tax on individuals also applies to estates and trusts, which are subject to a separate income tax rate schedule (sec. 1(e) of the Code). Estates and trusts may benefit from some of the same tax expenditure provisions that apply to individuals. In Table 1 of this report, the tax expenditures that apply to estates and trusts have been included in the estimates of tax expenditures for individual taxpayers.

[6] Other analysts have explored applying the concept of tax expenditures to payroll and excise taxes. See Jonathan Barry Forman, "Would a Social Security Tax Expenditure Budget Make Sense?" *Public Budgeting and Financial Management*, 5, 1993, pp. 311-335, Bruce F. Davie, "Tax Expenditures in the Federal Excise Tax System," *National Tax Journal*, 47, March 1994, pp. 39-62, and Lindsay Oldenski, "Searching for Structure in the Federal Excise Tax System: An Excise Tax Expenditure Budget," *National Tax Journal*, 57, September 2004, pp. 613-637. Prior to 2003, the President's budget contained a section that reviewed and tabulated estate and gift tax provisions that the Treasury considered tax expenditures.

[7] Although the Budget Act does not require the identification of negative tax expenditures, the Joint Committee staff has presented a number of negative tax expenditures for completeness.

The Joint Committee staff views the personal exemptions and the standard deduction as defining the zero-rate bracket that is a part of normal tax law. An itemized deduction that is not necessary for the generation of income is classified as a tax expenditure, but only to the extent that it, when added to a taxpayer's other itemized deductions, exceeds the standard deduction.

All employee compensation is subject to tax unless the Code contains a specific exclusion for the income. Specific exclusions for employer-provided benefits include: coverage under accident and health plans,[8] accident and disability insurance, group term life insurance, educational assistance, tuition reduction benefits, transportation benefits (parking, van pools, and transit passes), dependent care assistance, adoption assistance, meals and lodging furnished for the convenience of the employer, employee awards, and other miscellaneous fringe benefits (*e.g.*, employee discounts, services provided to employees at no additional cost to employers, and *de minimis* fringe benefits). Each of these exclusions is classified as a tax expenditure in this report.

Under normal income tax law, employer contributions to pension plans and income earned on pension assets generally would be taxable to employees as the contributions are made and as the income is earned, and employees would not receive any deduction or exclusion for their pension contributions. Under present law, employer contributions to qualified pension plans and, generally, employee contributions made at the election of the employee through salary reduction are not taxed until distributed to the employee, and income earned on pension assets is not taxed until distributed. The tax expenditure for "net exclusion of pension contributions and earnings" is computed as the income taxes forgone on current tax-excluded pension contributions and earnings less the income taxes paid on current pension distributions (including the 10-percent additional tax paid on early withdrawals from pension plans).

Under present law, social security and tier 1 railroad retirement benefits are partially excluded or fully excluded from gross income.[9] Under normal income tax law, retirees would be entitled to exclude only the portion of the retirement benefits that represents a return of the payroll taxes that they paid during their working years. Thus, the exclusion of social security and railroad retirement benefits in excess of payroll tax payments is classified as a tax expenditure.

Public assistance benefits are excluded from gross income by statute or by Treasury regulations. Table 1 contains tax expenditure calculations for workers' compensation benefits and special benefits for disabled coal miners.

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[8] Present law contains an exclusion for employer–provided coverage under accident and health plans (sec. 106) and an exclusion for benefits received by employees under employer–provided accident and health plans (sec. 105(b)). These two exclusions are viewed as a single tax expenditure. Under normal income tax law, the value of employer–provided accident and health coverage would be includable in the income of employees, but employees would not be subject to tax on the accident and health insurance benefits (reimbursements) that they might receive.

[9] For taxpayers with modified adjusted gross incomes above certain levels, up to 85 percent of social security and tier 1 railroad retirement benefits are includable in income.

The individual income tax does not include in gross income the imputed income that individuals receive from the services provided by owner-occupied homes and durable goods.[10] However, the Joint Committee staff does not classify this exclusion as a tax expenditure.[11] The measurement of imputed income for tax purposes presents administrative problems and its exclusion from taxable income may be regarded as an administrative necessity.[12] Under normal income tax law, individuals are allowed to deduct only the interest on indebtedness incurred in connection with a trade or business or an investment. Thus, the deduction for mortgage interest on a principal or second residence is classified as a tax expenditure.

The Joint Committee staff assumes that, for administrative feasibility, normal income tax law would tax capital gains in full in the year the gains are realized through sale, exchange, gift, or transfer at death. Thus, the deferral of tax until realization is not classified as a tax expenditure. However, reduced rates of tax, further deferrals of tax (beyond the year of sale, exchange, gift, or transfer at death), and exclusions of certain capital gains are classified as tax expenditures. Because of the same concern for administrative feasibility, it also is assumed that normal income tax law does not provide for any indexing of the basis of capital assets for changes in the general price level. Thus, under normal income tax law (as under present law), the income tax is levied on nominal gains as opposed to real gains in asset values.

There are many types of State and local government bonds and qualified private activity bonds the interest on which is exempt from Federal income taxation or for which a tax credit is available. Table 1 contains a separate tax expenditure listing for each type of bond.

Under the Joint Committee staff view of normal tax law, compensatory stock options generally are subject to regular income tax at the time the options are exercised and employers receive a corresponding tax deduction.[13] The employee's income is equal to the difference between the purchase price of the stock and the market price on the day the option is exercised. Present law provides for special tax treatment for incentive stock options and options acquired under employee stock purchase plans. When certain requirements are satisfied, then: (1) the income that is received at the time the option is exercised is excluded for purposes of the regular

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[10] The National Income and Product Accounts include estimates of this imputed income. The accounts appear in *Survey of Current Business*, published monthly by the U.S. Department of Commerce, Bureau of Economic Analysis. However, a taxpayer-by-taxpayer accounting of imputed income would be necessary for a tax expenditure estimate.

[11] The Treasury Department provides a tax expenditure calculation for the exclusion of net rental income of homeowners that combines the positive tax expenditure for the failure to impute rental income with the negative tax expenditure for the failure to allow a deduction for depreciation and other costs.

[12] If the imputed income from owner–occupied homes were included in adjusted gross income, it would be proper to include all mortgage interest deductions and related property tax deductions as part of the normal income tax structure, since interest and property tax deductions would be allowable as a cost of producing imputed income. It also would be appropriate to allow deductions for depreciation and maintenance expenses for owner–occupied homes.

[13] If the option has a readily ascertainable fair market value, normal law taxes the option at the time it is granted and the employer is entitled to a deduction at that time.

income tax but, in the case of an incentive stock option, included for purposes of the alternative minimum tax ("AMT"); (2) the gain from any subsequent sale of the stock is taxed as a capital gain; and (3) the employer does not receive a tax deduction with respect to the option. The special tax treatment provided to the employee is viewed as a tax expenditure by the Joint Committee staff, and an estimate of this tax expenditure is contained in Table 1. However, it should be noted that the revenue loss from the special tax treatment provided to the employee is accompanied by a significant revenue gain from the denial of the deduction to the employer. The negative tax expenditure created by the denial of the deduction for employers is incorporated in the calculation of the tax expenditure.

The individual AMT and the passive activity loss rules are not viewed by the Joint Committee staff as a part of normal income tax law. Instead, they are viewed as provisions that reduce the magnitude of the tax expenditures to which they apply. For example, the AMT reduces the value of the deduction for State and local income taxes (for those taxpayers subject to the AMT) by not allowing the deductions to be claimed in the calculation of AMT liability. Similarly, the passive loss rules defer otherwise allowable deductions and credits from passive activities until a time when the taxpayer has passive income or disposes of the assets associated with the passive activity. Exceptions to the individual AMT and the passive loss rules are not classified as tax expenditures by the Joint Committee staff because the effects of the exceptions already are incorporated in the estimates of related tax expenditures. In two cases the restrictive effects of the AMT are presented separately because there are no underlying positive tax expenditures reflecting these effects: the negative tax expenditures for the AMT's disallowance of personal exemptions and the standard deduction; and the net AMT attributable to the net operating loss limitation.

Business Income Taxation

Regardless of the legal form of organization (sole proprietorship, partnership, or S or C corporation), the same general principles are used in the computation of taxable business income. Thus, most business tax expenditures apply equally to unincorporated and incorporated businesses.

One of the most difficult issues in defining tax expenditures for business income relates to the tax treatment of capital costs. Under present law, capital costs may be recovered under a variety of alternative methods, depending upon the nature of the costs and the status of the taxpayer. For example, investments in equipment and structures may qualify for tax credits, expensing, accelerated depreciation, or straight-line depreciation. The Joint Committee staff generally classifies as tax expenditures cost recovery allowances that are more favorable than those provided under the alternative depreciation system (sec. 168(g)), which provides for straight-line recovery over tax lives that are longer than those permitted under the accelerated system.

Some economists assert that this may not represent the difference between tax depreciation and economic depreciation. In particular, some economists have found that economic depreciation follows a geometric pattern, as opposed to a straight-line pattern, because data suggest that a geometric pattern more closely matches the actual pattern of price declines for most asset types. The Bureau of Economic Analysis ("BEA") of the Department of Commerce introduced a new methodology for calculating economic depreciation for purposes of the

National Income and Product Accounts ("NIPA") in 1997 that relies on constant (geometric) rates of depreciation rather than the straight-line method used previously and embodied in the alternative depreciation system. This analysis is based on separate lives and depreciation rates for each of dozens of types of assets, unlike the tax depreciation rules.[14] A somewhat similar result could be reproduced mathematically using the straight-line method and adjusting the recovery period. The straight-line method could be used over a shorter or longer recovery period to provide for a present value of tax depreciation greater than, equal to, or less than the present value of economic depreciation.[15]

The Joint Committee staff estimates another tax expenditure for depreciation in those specific cases where the tax treatment of a certain type of asset deviates from the overall treatment of other similar types of assets. In Table 1, these items are reflected in the various tax expenditure estimates for depreciation. As indicated above, the Joint Committee staff assumes that normal income tax law does not provide for any indexing of the basis of capital assets (nor, for that matter, any indexing with respect to expenses associated with these assets). Thus, normal income tax law does not take into account the effects of inflation on tax depreciation.

The Joint Committee staff uses several accounting standards in evaluating the provisions in the Code that govern the recognition of business receipts and expenses. Under the Joint Committee staff view, normal income tax law is assumed to require the accrual method of accounting (except where its application is deemed infeasible), the standard of "economic performance" (used in the Code to test whether liabilities are deductible), and the general concept of matching income and expenses. In general, tax provisions that do not satisfy all three standards are viewed as tax expenditures. For example, the deduction for contributions to taxpayer-controlled mining reclamation reserve accounts is viewed as a tax expenditure because the contributions do not satisfy the economic performance standard. (Adherence to the standard would require that the taxpayer make an irrevocable contribution toward future reclamation, involving a trust fund or similar mechanism, as occurs in a number of areas in the Code.) In contrast, the deductions for contributions to nuclear decommissioning trust accounts and certain environmental settlement trust accounts are not viewed as tax expenditures because the contributions are irrevocable (*i.e.*, they satisfy the economic performance standard). However, present law provides for an accelerated deduction for payments made to a nuclear decommissioning fund made within 2 ½ months after the close of the taxable year and a reduced rate of tax on the incomes of these two types of trust accounts. This acceleration and these tax rate reductions are viewed as tax expenditures.

The Joint Committee staff assumes that normal income tax law would provide for the carryback and carryforward of net operating losses. The staff also assumes that the general

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[14] For a detailed discussion of the BEA methodology, see Barbara M. Fraumeni, "The Measurement of Depreciation in the U.S. National Income and Product Accounts," *Survey of Current Business*, 77, July 1997, pp. 7–23.

[15] Tax expenditures are calculated on a cash flow basis such that two methods of depreciation with equivalent present value may produce both positive and negative tax expenditure estimates on a year by year basis relative to economic depreciation.

limits on the number of years that such losses may be carried back or forward were chosen for reasons of administrative convenience and compliance concerns and may be assumed to represent normal income tax law. Exceptions to the general limits on carrybacks and carryforwards are viewed as tax expenditures.

Corporate Income Tax

The income of corporations (other than S corporations) generally is subject to the corporate income tax. The corporate income tax includes a graduated tax rate schedule. The lower tax rates in the schedule are classified by the Joint Committee staff as a tax expenditure (as opposed to normal income tax law) because they are intended to provide tax benefits to small business and, unlike the graduated individual income tax rates, are unrelated directly to concerns about the ability of individuals to pay taxes.

Exceptions to the corporate AMT are not viewed as tax expenditures because the effects of the AMT exceptions are already incorporated in the estimates of related tax expenditures.[16]

Certain income of pass-through entities is exempt from the corporate income tax. The income of sole proprietorships, S corporations, most partnerships, and other entities (such as regulated investment companies, real estate investment trusts, real estate mortgage investment conduits, and cooperatives) is taxed only at the individual level. The special tax rules for these pass-through entities are not classified as tax expenditures because the tax benefits are available to any entity that chooses to organize itself and operate in the required manner.[17]

Nonprofit corporations that satisfy the requirements of section 501 also are generally exempt from corporate income tax. The tax exemption for noncharitable organizations that have a direct business analogue or compete with for-profit organizations organized for similar purposes is a tax expenditure.[18] The tax exemption for certain nonprofit cooperative business organizations, such as trade associations, is not treated as a tax expenditure just as the entity-

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[16] See discussion of the individual AMT above.

[17] Special rules for certain types of entities may interact with other provisions in a manner that could be viewed as creating or enhancing a tax expenditure. However, the classification of such interactions is ambiguous, and they generally are not listed as tax expenditures. As one example, a C corporation must recognize corporate level gain when its assets are distributed to shareholders or are sold. To the extent that built-in gain in the assets of a C corporation may escape corporate level tax following the entity's conversion to S corporation status, it could be argued that the interaction of the different entity rules creates a tax expenditure by relieving the corporate tax on built-in C corporation gain. At the same time, recognized gain is subject to immediate shareholder tax in S corporation form, which some might argue is a negative tax expenditure compared to continuation as a C corporation that defers shareholder level tax until distributions are made to shareholders. On the other hand, if a C corporation converts to a partnership, rather than an S corporation, both corporate and shareholder level tax on the built-in gain is imposed immediately. It is unclear whether normal income tax law requires immediate or deferred recognition of gain at both the corporate and shareholder level, only the corporate level, or only the shareholder level. This is an example of how identification of tax expenditures requires an articulation of normal income tax law that is not necessarily automatic and obvious.

[18] These organizations include small insurance companies, mutual or cooperative electric companies, State credit unions, and Federal credit unions.

level exemption given to for-profit pass-through business entities is not treated as a tax expenditure. With respect to other nonprofit organizations, such as charities, tax-exempt status is not classified as a tax expenditure because the nonbusiness activities of such organizations generally must predominate and their unrelated business activities are subject to tax.[19] However, there are numerous exceptions that allow for otherwise unrelated business income to escape taxation,[20] and these exceptions are treated as tax expenditures. In general, the imputed income derived from nonbusiness activities conducted by individuals or collectively by certain nonprofit organizations is outside the normal income tax base. However, the ability of donors to such nonprofit organizations to claim a charitable contribution deduction is a tax expenditure, as is the exclusion of income granted to holders of tax-exempt financing issued by charities.

Recent Legislation

The Highway and Transportation Funding Act of 2014, enacted on August 8, 2014 (Pub. L. No. 113-159), modifies the tax expenditure of defined benefit plans by revising the single-employer plan pension funding rules by revising the specified percentage ranges for determining whether a segment rate must be adjusted if the rate determined under the regular rules is outside a specified range. The effect is to decrease required contributions to defined benefit plans, which are deductible for employers. In Table 1, this change is reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

The Tribal General Welfare Exclusion Act of 2014, enacted on September 26, 2014 (Pub. L. No. 113-168), creates a new exclusion from gross income for the value of any Indian general welfare benefit. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

The Consolidated and Further Continuing Appropriations Act, 2015, enacted on December 16, 2014 (Pub. L. No. 113-235), modifies several tax expenditures.

— The special treatment for Blue Cross and Blue Shield companies is technically corrected to limit the consequences of failure to meet the medical loss ratio threshold to loss of 25-percent deduction for claims and expenses and loss of the exception from the 20-percent reduction in the deduction for unearned premium reserves. Further, the technical correction provides that, in calculating the medical loss ratio, the organization includes both the cost of reimbursement for clinical services provided to the individuals they insure and the cost of activities that improve health care quality (not just the former). As a technical correction, there is no change to the tax expenditure estimate reported in Table 1.

[19] The tax exemption for charities is not treated as a tax expenditure even if taxable analogues may exist. For example, the tax exemption for hospitals and universities is not treated as a tax expenditure notwithstanding the existence of taxable hospitals and universities.

[20] These exceptions include certain passive income that arguably may relate to business activities, such as royalties or rents received from licensing trade names or other assets typically used in a trade or business, as well as other passive income such as certain dividends and interest. Other exceptions include income derived from certain research activities and income from certain trade show and fair activities.

— The law modifies the funding rules for multiemployer pension plans.[21] In Table 1, these changes are reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

— The funding rules for defined benefit pension plans in the case of a substantial cessation of operations are modified by providing a new definition of substantial cessation of operations, exceptions to the application of the additional requirements, and an alternative method for an employer to satisfy liability with respect to a substantial cessation of operations. In Table 1, these changes are reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

— The normal retirement age requirements for defined benefit pension plans are modified not to treat an applicable plan as failing any qualification requirement or any requirement under the Employee Retirement and Income Security Act of 1974 ("ERISA"), or as failing to have a uniform normal retirement age for these purposes, solely because the plan provides a normal retirement age of the earlier of (1) an age otherwise permitted under the definition of normal retirement age in the Code and ERISA, or (2) the age at which a participant completes the number of years (not less than 30) of service specified by the plan. In Table 1, these changes are reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

— The funding rules for cooperative and small employer charity plans are modified to apply to certain charitable employers whose primary exempt purpose is to provide services with respect to children. In Table 1, these changes are reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

The Act to amend certain provisions of the FAA Modernization and Reform Act of 2012, enacted on December 18, 2014 (Pub. L. No. 113-243), expands the definition of a qualified airline employee that is allowed to contribute any portion of an airline payment amount to a traditional individual retirement arrangement ("IRA") and exclude such amount from income. In Table 1, this change is reflected in the tax expenditure estimate for "Individual Retirement Arrangements: Traditional IRAs".

The Tax Increase Prevention Act of 2014, enacted on December 19, 2014 (Pub. L. No. 113-295, Division A), modifies many tax expenditures.

— The above-the-line deduction for teacher classroom expenses is extended for one year for taxable years beginning after December 31, 2013.

[21] For a detailed description of the changes to the multiemployer pension funding rules made by the Multiemployer Pension Reform Act of 2014, Division O of the Consolidated and Further Continuing Appropriations Act, 2015, see Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in the 113th Congress* (JCS-1-15), February, 2015.

— The exclusion from gross income of discharge of qualified principal residence indebtedness is extended for one year for discharges of indebtedness occurring after December 31, 2013.

— The increase in the exclusion of employer-provided transit and vanpool benefits to the amount for qualified parking is extended for one year for months beginning after December 31, 2013.

— The deduction for premiums for qualified mortgage insurance is extended for one year for amounts paid or accrued after December 31, 2013.

— The election to deduct State and local general sales taxes (in lieu of State and local income taxes) is extended for one year for taxable years beginning after December 31, 2013.

— The higher deduction limits for charitable contributions of real property interests made exclusively for conservation purposes is extended for one year for contributions made in taxable years beginning after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Deduction for charitable contributions, other than for education and health."

— The above-the-line deduction for qualified tuition and related expenses is extended for one year for taxable years beginning after December 31, 2013.

— The exclusion of individual retirement plan distributions for charitable purposes is extended for one year for distributions made in taxable years beginning after December 31, 2013.

— The credit for research and experimentation expenses is extended for one year for amounts paid or incurred after December 31, 2013.

— The temporary minimum 9-percent credit rate for nonfederally subsidized new buildings for the low-income housing credit is extended for credit dollar allocations made before January 1, 2015.

— The treatment of military basic housing allowances for purposes of determining income of occupants of residential rental projects under the low-income housing credit and exempt facility bond requirements is extended for one year for income determinations made after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimates for "Credit for low-income housing" and "Exclusion of interest on State and local government qualified private activity bonds for rental housing."

— The Indian employment tax credit is extended for one year for taxable years beginning after December 31, 2013.

— The new markets tax credit is extended for one year for calendar years beginning after December 31, 2013, permitting up to $3.5 billion in qualified equity investments for the 2014 calendar year. The carryover period for unused credits is extended for one year, through calendar year 2019.

— The credit for certain expenditures on railroad track maintenance is extended for one year for expenditures paid or incurred after December 31, 2013.

— The credit for training costs of mine rescue team employees is extended for one year for taxable years beginning after December 31, 2013.

— The credit for wages of employees who are active duty members of the uniformed services is extended for one year for payments made after December 31, 2013.

— The work opportunity tax credit is extended for one year for wages paid or incurred for individuals who begin work for an employer after December 31, 2013.

— The credit to holders of qualified zone academy bonds is extended for one year for obligations issued after December 31, 2013, and the issuance of up to $400 million of qualified zone academy bonds is authorized for 2014.

— Three-year cost recovery for race horses two years old or younger is extended for one year for horses placed in service after December 31, 2013.

— Fifteen-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant property, and qualified retail improvements is extended for one year for property placed in service after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Depreciation of buildings other than rental housing in excess of alternative depreciation system."

— Seven-year cost recovery for certain motorsports racetrack property is extended for one year for property placed in service after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Depreciation of buildings other than rental housing in excess of alternative depreciation system."

— Accelerated depreciation for business property on Indian reservations is extended for one year for property placed in service after December 31, 2013. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

— The additional first-year depreciation deduction for 50 percent of the basis of certain qualified property ("bonus depreciation") is extended for one year for property (other than longer-lived and transportation property) placed in service after December 31, 2013 and for longer-lived and transportation property placed in service after December 31, 2014. The election to accelerate AMT credits in lieu of bonus depreciation is extended for one year for property placed in service after December 31, 2013. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

— The enhanced charitable deduction for contributions of food inventory is extended for one year for contributions made after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Deduction for charitable contributions, other than for education and health."

— The amount a taxpayer may expense under section 179 increases to $500,000, and the phase-out threshold amount increases to $2 million, for taxable years beginning in 2014. The treatment of off-the-shelf computer software as qualifying property is extended for one year for taxable years beginning in 2014. The treatment of qualified real property as eligible section 179 is extended for one year for taxable years beginning in 2014.

— The election to expense 50 percent of the cost of advanced mine safety equipment is extended for one year for property placed in service after December 31, 2013.

— The election to expense qualified film and television productions is extended for one year for productions commencing after December 31, 2013.

— The deduction for income attributable to domestic production activities in Puerto Rico is extended for one year for taxable years beginning after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Deduction for income attributable to domestic production activities."

— The special rules for certain amounts received from controlled tax-exempt entities pursuant to a binding written contract in effect on August 17, 2006 is extended for one year for payments received or accrued after December 31, 2013. This modification to the unrelated business taxable income ("UBTI") rules related to passive income gains is not listed in Table 1 because the projected revenue change is unavailable for the passive income gains exception to the UBTI rules.

— The exemptions under subpart F for active financing income are extended for one year for taxable years of foreign corporations beginning after December 31, 2013, and for taxable years of U.S. shareholders with or within which such taxable years of such foreign corporations end.

— The look-through treatment of payments between related controlled foreign corporations under the foreign personal holding company rules is extended for one year for taxable years of foreign corporations beginning after December 31, 2013, and for taxable years of U.S. shareholders with or within which such taxable years of such foreign corporations end. In Table 1, this is reflected in the tax expenditure estimate for "Deferral of active income of controlled foreign corporations."

— The 100 percent exclusion for gain from certain small business stock and the exception from minimum tax preference treatment are extended for one year for stock acquired after December 31, 2013.

— The designations and tax incentives for empowerment zones are extended for one year for periods after December 31, 2013.

— The credit for corporate income earned in American Samoa is extended for one year for taxable years beginning after December 31, 2013. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

— The credit for certain nonbusiness energy property is extended for one year for property placed in service after December 31, 2013.

— The second generation biofuel producer credit is extended for one year for qualified second generation biofuel production after December 31, 2013.

— The credit for biodiesel and renewable diesel fuel is extended for one year for fuel sold or used after December 31, 2013.

— The credit for Indian coal produced at Indian coal production facilities placed in service before 2009 is extended for one year for Indian coal produced after December 31, 2013.

— The credit for electricity production from renewable resources is extended to include facilities the construction of which begins before January 1, 2015.

— The election to claim the energy investment credit in lieu of the electricity production credit is extended to include property used in facilities the construction of which begins before January 1, 2015. In Table 1, this change is reflected in the tax expenditure estimate for the related energy credits under section 45 and section 48.

— The credit for construction of new energy-efficient homes is extended for one year for homes acquired after December 31, 2013.

— The special allowance for 50 percent of basis of second gerneration biofuel plant property is extended for one year for property placed in service after December 31, 2013. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

— The deduction for energy efficient commercial building property is extended for one year for property placed in service after December 31, 2013.

— The deferral of gain from the disposition of electric transmission property to implement Federal Energy Regulation Commission restructuring policy is extended for one year for dispositions after December 31, 2013. In Table 1, this change is reflected in the tax expenditure estimate for "Special rule to implement electric transmission restructuring."

— The credit for alternative fuel vehicle refueling property is extended for one year for property, other than property relating to hydrogen, placed in service after December 31, 2013.

The Stephen Beck Jr., ABLE Act of 2014, enacted on December 19, 2014 (Pub. L. No. 113-295, Division B), creates a new tax expenditure and modifies another.

— A new type of tax-favored savings program for individuals with disabilities is created. A qualified ABLE program established by a State is exempt from income tax. Distributions from an ABLE account are excludable from income to the extent that the total distribution does not exceed the qualified disability expenses of the designated beneficiary during the taxable year. In Table 1, this change is reflected in the tax expenditure estimate for "ABLE accounts for individuals with disabilities."

— Dividends received by a 10-percent U.S. shareholder from a controlled foreign corporation are excluded from the definition of personal holding company income for purposes of the personal holding company tax. In Table 1, this is reflected in the tax expenditure estimate for "Deferral of active income of controlled foreign corporations."

The Slain Officer Family Support Act of 2015, enacted on April 1, 2015 (Pub. L. No. 114-7), permits a taxpayer to treat a charitable contribution of cash made between January 1, 2015, and April 15, 2015, as a contribution made on December 31, 2014, if such contribution was for the relief of the families of slain New York Police Department detectives Wenjian Liu and Rafael Ramos. In Table 1, this is reflected in the tax expenditure estimate for "Deduction for charitable contributions, other than for education and health."

The Don't Tax Our Fallen Public Safety Heroes Act, enacted on May 22, 2015 (Pub. L. No. 114-14), provides for an exclusion from gross income for certain amounts paid pursuant to the death or disability of a public safety officer who has died as the direct and proximate result of a personal injury sustained in the line of duty. In Table 1, this is reflected in the tax expenditure estimate for "Exclusion of damages on account of personal physical injuries or physical sickness."

The Defending Public Safety Employees' Retirement Act, enacted on June 29, 2015 (Pub. L. No. 114-26), expands the exemption from the 10-percent penalty tax on early distributions from a government retirement plan for qualified public safety employees who have reached age 50 to include specified Federal law enforcement officers, customs and border protection officers, Federal firefighters, and air traffic controllers. The Act also extends the exemption to defined contribution plans as well as defined benefit plans. In Table 1, this is reflected in the tax expenditure estimate for "Net exclusion of pension contributions and earnings: Defined benefit plans" and "Net exclusion of pension contributions and earnings: Defined contribution plans."

The Trade Preferences Extension Act of 2015, enacted on June 29, 2015 (Pub. L. No. 114-27), modifies the following tax expenditures.

— The credit for health insurance costs of eligible individuals is retroactively extended for coverage months beginning after December 31, 2013, and before January 1, 2020.

— The child tax credit is not refundable to taxpayers claiming any exclusion from gross income under section 911 (relating to foreign earned income and the housing cost amount of citizens or residents of the United States living abroad). In Table 1, this is reflected in the tax expenditure estimate for "Credit for children under age 17."

Expiring Tax Expenditure Provisions

A number of tax expenditure provisions expired in 2014 or are scheduled to expire in 2015. Some provisions expired prior to 2014. As noted above, expired provisions are not listed in Table 1 unless they have continuing revenue effects that are associated with ongoing taxpayer activity. These determinations reflect present law as of September 30, 2015.

— The credit for certain nonbusiness energy property expires for expenditures made after December 31, 2014.
— The credit for alternative motor vehicles expires for qualified fuel cell motor vehicles placed in service after December 31, 2014.
— The credit for alternative fuel vehicle refueling property expires for property placed in service after December 31, 2014.
— The second generation biofuel producer credit (formerly the cellulosic biofuel producer credit) expires for qualified second generation biofuel production after December 31, 2014.
— The credit for biodiesel and renewable diesel fuel expires for fuel sold or used after December 31, 2014.
— The credit for research and experimentation expenses expires for amounts paid or incurred after December 31, 2014.
— The determination of low-income housing credit rate allocations with respect to nonfederally subsidized buildings expires with respect to housing credit dollar amount allocations made after December 31, 2014.
— The treatment of military basic housing allowances for purposes of the low-income housing credit and for qualified residential rental project exempt facility bonds expires for income determinations after December 31, 2014.
— The election to claim an energy credit in lieu of the credit for electricity produced from certain renewable resources expires for facilities the construction of which begins after December 31, 2014.
— The credit for electricity produced from certain renewable resources expires for Indian coal produced and sold after December 31, 2014.
— The Indian employment tax credit expires for taxable years beginning after December 31, 2014.
— The new markets tax credit expires December 31, 2014.
— The credit for certain expenditures on railroad track maintenance expires for expenditures paid or incurred after December 31, 2014.
— The credit for construction of new energy-efficient homes expires for homes purchased after December 31, 2014.
— The credit for training costs of mine rescue team employees expires for taxable years beginning after December 31, 2014.
— The credit for wages of employees who are active duty members of the uniformed services expires for payments made after December 31, 2014.
— The work opportunity tax credit expires for wages paid or incurred for individuals who begin work for an employer after December 31, 2014.
— The allocation of new bond authority for the credit to holders of qualified zone academy bonds expires for bonds issued after December 31, 2014.

— The above-the-line deduction for teacher classroom expenses expires for taxable years beginning after December 31, 2014.
— The exclusion from gross income of discharge of qualified principal residence indebtedness expires for discharges of indebtedness occurring after December 31, 2014.
— The increase in the exclusion of employer-provided transit and vanpool benefits to the same dollar amount in effect for qualified parking expires for taxable years beginning after December 31, 2014.
— The deduction for premiums for qualified mortgage insurance as interest that is qualified residence interest expires for amounts paid, accrued, or properly allocable to any period after December 31, 2014.
— The election to deduct State and local general sales taxes (in lieu of State and local income taxes) expires for taxable years beginning after December 31, 2014.
— Three-year cost recovery for race horses two years old or younger expires for race horses placed in service after December 31, 2014.
— Fifteen-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant property, and qualified retail improvements expires for property placed in service after December 31, 2014.
— Seven-year cost recovery for certain motorsports racetrack property expires for property placed in service after December 31, 2014.
— Accelerated depreciation for business property on Indian reservations expires for property placed in service after December 31, 2014.
— Additional first-year depreciation for 50 percent of basis of qualified property expires for property acquired after December 31, 2014.[22]
— The special allowance for 50 percent of basis of second generation biofuel plant property expires for property placed in service after December 31, 2014.
— The higher deduction limits for charitable contributions of real property interests made exclusively for conservation purposes expires for contributions made in taxable years beginning after December 31, 2014.
— The enhanced charitable deduction for contributions of food inventory expires for contributions made after December 31, 2014.
— The increased dollar limitations, $500,000 and $2 million, for expensing certain depreciable business assets under section 179 and the expansion of the definition of section 179 property expire for taxable years beginning after December 31, 2014.
— The deduction for expenditures on energy-efficient commercial building property expires for property placed in service after December 31, 2014.
— The election to expense advanced mine safety equipment expires for property placed in service after December 31, 2014.
— The election to expense qualified film and television productions expires for productions commencing after December 31, 2014.
— The deduction for income attributable to domestic production activities in Puerto Rico expires for taxable years beginning after December 31, 2014.

[22] The 50-percent additional first year depreciation deduction expires December 31, 2015, for certain longer-lived and transportation property.

- The above-the-line deduction for qualified tuition and related expenses expires for taxable years beginning after December 31, 2014.
- The exclusion of individual retirement plan distributions for charitable purposes expires for taxable years beginning after December 31, 2014.
- The deferral of gain from the disposition of electric transmission property to implement Federal Energy Regulation Commission restructuring policy expires for dispositions after December 31, 2014.
- The exemptions under subpart F for active financing income expire for taxable years beginning after December 31, 2014.
- The look-through treatment of payments between related controlled foreign corporations under the foreign personal holding company rules expires for taxable years beginning after December 31, 2014.
- The 100-percent exclusion for gain from certain small business stock expires for stock acquired after December 31, 2014.
- The designations and tax incentives for empowerment zones expire after December 31, 2014.
- The credit for corporate income earned in American Samoa expires for taxable years beginning after December 31, 2014.

Comparisons with Treasury

The Joint Committee staff and Treasury lists of tax expenditures differ in at least six respects. First, the Joint Committee staff and the Treasury use differing methodologies for the estimation of tax expenditures. Thus, the estimates in Table 1 are not necessarily comparable with the estimates prepared by the Treasury. Under the Joint Committee staff methodology, each tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result if the tax expenditure provision were repealed and taxpayers were allowed to take advantage of any of the remaining tax expenditure provisions that apply to the income or the expenses associated with the repealed tax expenditure.

For example, the tax expenditure provision for the exclusion of employer-paid health insurance is measured by the difference between tax liability under present law and the tax liability that would result if the exclusion were repealed and taxpayers were allowed to claim the next best tax treatment for the previously excluded employer-paid health insurance. This next best tax treatment could be the inclusion of the employer-paid health insurance as an itemized medical deduction on Schedule A.[23]

Under the Treasury methodology, each tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result if the tax expenditure provision were repealed and taxpayers were prohibited from taking advantage of any

[23] If the exclusion were repealed, the value of the employer-paid health insurance would be included in income and taxpayers would be treated as having purchased the insurance themselves. Thus, the insurance expense would be deductible as an itemized medical expense on Schedule A, subject to the itemized medical deduction floor (10 percent (7.5 percent for taxable years ending before January 1, 2017, if the taxpayer or the taxpayer's spouse has attained age 65) of the taxpayer's adjusted gross income).

of the remaining tax expenditure provisions that apply to the income or the expenses associated with the repealed tax expenditure. For example, the tax expenditure provision for the exclusion for employer-paid health insurance is measured by the difference between tax liability under present law and the tax liability that would result if the exclusion were repealed and taxpayers were required to include all of the employer-paid health insurance in income, with no offsetting deductions (*i.e.*, no deductibility on Schedule A).

Second, the Treasury uses a different classification of those provisions that can be considered a part of normal income tax law under both the individual and business income taxes. In general, the Joint Committee staff methodology involves a broader definition of the normal income tax base. Thus, the Joint Committee list of tax expenditures includes some provisions that are not contained in the Treasury list. The cash method of accounting by certain businesses provides an example. The Treasury considers the cash accounting option for certain businesses to be a part of normal income tax law, but the Joint Committee staff methodology treats it as a departure from normal income tax law that constitutes a tax expenditure.

Third, the Joint Committee staff and the Treasury estimates of tax expenditures may also differ as a result of differing data sources and differences in baseline projections of incomes and expenses. The Treasury's tax expenditure calculations are based on the Administration's economic forecast. The Joint Committee staff calculations are based on the economic forecast prepared by the CBO.

Fourth, the Joint Committee staff and the Treasury estimates of tax expenditures span slightly different sets of years. The Treasury's estimates cover an 11-year period: the last fiscal year, the current fiscal year when the President's budget is submitted, and the next nine fiscal years, *i.e.*, fiscal years 2014-2024. The Joint Committee staff estimates cover the current fiscal year, and the succeeding four fiscal years, *i.e.*, fiscal years 2015-2019.

Fifth, the Joint Committee staff list excludes those provisions that are estimated to result in revenue losses below the *de minimis* amount, *i.e.* less than $50 million over the five fiscal years 2015 through 2019. The Treasury rounds all yearly estimates to the nearest $10 million and excludes those provisions with estimates that round to zero in each year, *i.e.*, provisions that result in less than $5 million in revenue loss in each of the years 2014 through 2024.

Finally, the Joint Committee staff list formally integrates negative tax expenditures into its standard presentation.

In some cases, two or more of the tax expenditure items in the Treasury list have been combined into a single item in the Joint Committee staff list, and vice versa. The Table 1 descriptions of some tax expenditures also may vary from the descriptions used by the Treasury.

There are some tax expenditure provisions that are contained in the Treasury list but are not contained in the Joint Committee staff list. Two of these provisions involve exceptions to the passive loss rules: the exception for working interests in oil and gas properties, and the exception for up to $25,000 of rental losses. The Joint Committee staff does not classify these two provisions as tax expenditures; the effects of the passive loss rules (and exceptions to the rules) are included in the estimates of the tax expenditure provisions that are affected by the rules.[24]

Comparison with Prior Year JCT Pamphlets

As stated above, the determination of whether a provision is a tax expenditure is made on the basis of a broad concept of income that is larger in scope than "income" as defined under general U.S. income tax principles. This concept is based on the definition of economic income.[25] The broadest interpretation of a tax expenditure would include, for example, any item that represents consumption or increases wealth but that is excluded from income. However, the Budget Act defines tax expenditures as "revenue losses attributable to *provisions of the Federal tax laws* [emphasis added] which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."[26] Historically, the Joint Committee staff has included in its report on tax expenditures some items for which no provision of the Federal tax law specifically allows an exclusion, but which are nonetheless excluded from income. Among these are the exclusion of all Medicare benefits from taxation, the exclusion of investment income on life insurance and annuity contracts, and the exclusion of cash public assistance. This report no longer includes tax expenditure estimates for these items. The Joint Committee staff recognizes that in lieu of including a tax expenditure estimate of the exclusion of investment income on life insurance and annuity contracts it may be appropriate to include a tax expenditure estimate of the exclusion from gross income of death benefits payable under a life insurance contract by reason of the death of the insured. However, an estimate of the tax expenditure of this statutory exclusion is not included in the present report.

[24] See discussion of the passive loss rules above.

[25] One very broad definition of economic income is Haig-Simons income, "the algebraic sum of (1) the market value of rights exercised in consumption and (2) the change in the value of the store of property rights between the beginning and end of the period in question." Henry C. Simons, *Personal Income Taxation* (Chicago, University of Chicago Press, 1938).

[26] Congressional Budget and Impoundment Control Act of 1974 (Pub. L. No. 93-344), sec. 3(3). A separate question may arise with respect to whether and when a regulatory exclusion, *etc.*, is properly considered a provision of the Federal tax laws for this purpose.

II. MEASUREMENT OF TAX EXPENDITURES

Tax Expenditure Calculations Generally

A tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result from a recomputation of tax without benefit of the tax expenditure provision.[27] Taxpayer behavior is assumed to remain unchanged for tax expenditure estimate purposes.[28] This assumption is made to simplify the calculation and conform to the presentation of government outlays. This approach to tax expenditure measurement is in contrast to the approach taken in revenue estimating; all Joint Committee staff revenue estimates reflect anticipated taxpayer behavior.

The tax expenditure calculations in this report are based on the January 2014 CBO revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2013-2018. These projections are used to compute tax liabilities for the present-law revenue baseline and tax liabilities for the alternative baseline that assumes that the tax expenditure provision does not exist.

Internal Revenue Service ("IRS") statistics from recent tax returns are used to develop projections of the tax credits, deductions, and exclusions that will be claimed (or that will be denied in the case of negative tax expenditures) under the present-law baseline. These IRS statistics show the actual usage of the various tax expenditure provisions. In the case of some tax expenditures, such as the earned income credit, there is evidence that some taxpayers are not claiming all of the benefits to which they are entitled, while others are filing claims that exceed their entitlements. The tax expenditure calculations in this report are based on projections of actual claims under the various tax provisions, not the potential tax benefits to which taxpayers are entitled.

Some tax expenditure calculations are based partly on statistics for income, deductions, and expenses for prior years. Accelerated depreciation is an example. Estimates for this tax expenditure are based on the difference between tax depreciation deductions under present law and the deductions that would have been claimed in the current year if investments in the current

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[27] An alternative way to measure tax expenditures is to express their values in terms of "outlay equivalents." An outlay equivalent is the dollar size of a direct spending program that would provide taxpayers with net benefits that would equal what they now receive from a tax expenditure. For positive tax expenditures, the major difference between outlay equivalents and the tax expenditure calculations presented here is accounting for whether a tax expenditure converted into an outlay payment would itself be taxable, so that a gross-up might be needed to deliver the equivalent after-tax benefits.

[28] An exception to this absence of behavior in tax expenditure calculations is that a taxpayer is assumed to make simple additions or deletions in filing tax forms, what the Joint Committee staff refers to as "tax form behavior." For example, as noted above, if the exclusion for employer-paid health insurance were repealed, taxpayers would be allowed to claim the next best tax treatment for the previously excluded insurance. This next best tax treatment could be the inclusion of the employer-paid health insurance as an itemized medical deduction on Schedule A. Similarly, a taxpayer that is eligible for one of two alternative credits is assumed to file for the second credit if the first credit is eliminated.

year and all prior years had been depreciated using the alternative (normal income tax law) depreciation system.

Each tax expenditure is calculated separately, under the assumption that all other tax expenditures remain in the Code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately, as a result of interactions among the tax expenditure provisions.[29]

Year-to-year differences in the calculations for each tax expenditure reflect changes in tax law, including phaseouts of tax expenditure provisions and changes that alter the definition of the normal income tax structure, such as the tax rate schedule, the personal exemption amount, and the standard deduction. For example, the dollar level of tax expenditures tends to increase and decrease as tax rates increase and decrease, respectively, without any other changes in law. Some of the calculations for this tax expenditure report may differ from estimates made in previous years because of changes in law and economic conditions, the availability of better data, and improved measurement techniques.

If a tax expenditure provision were eliminated, Congress might choose to continue financial assistance through other means rather than terminate all Federal assistance for the activity. If a replacement spending program were enacted, the higher revenues received as a result of the elimination of a tax expenditure might not represent a net budget gain. A replacement program could involve direct expenditures, direct loans or loan guarantees, regulatory activity, a mandate, a different form of tax expenditure, or a general reduction in tax rates. Joint Committee staff estimates of tax expenditures do not anticipate such policy responses.

Tax Expenditures versus Revenue Estimates

A tax expenditure calculation is not the same as a revenue estimate for the repeal of the tax expenditure provision for three reasons. First, unlike revenue estimates, tax expenditure calculations do not incorporate the effects of the behavioral changes that are anticipated to occur in response to the repeal of a tax expenditure provision. Second, tax expenditure calculations are concerned with changes in the reported tax liabilities of taxpayers.[30] Because tax expenditure analysis focuses on tax liabilities as opposed to Federal government tax receipts, there is no concern for the short-term timing of tax payments. Revenue estimates are concerned with changes in Federal tax receipts that are affected by the timing of all tax payments. Third, some of the tax provisions that provide an exclusion from income also apply to the FICA tax base, and the repeal of the income tax provision would automatically increase FICA tax revenues as well as income tax revenues. This FICA effect would be reflected in revenue estimates, but is not

[29] See Leonard E. Burman, Christopher Geissler, and Eric J. Toder, "How Big Are Total Individual Income Tax Expenditures, and Who Benefits from Them?" *American Economic Review,* 98, May 2008, pp. 79-83.

[30] Reported tax liabilities may reflect compliance issues, and thus calculations of tax expenditures reflect existing compliance issues.

considered in tax expenditure calculations. There may also be interactions between income tax provisions and other Federal taxes such as excise taxes and the estate and gift tax.

If a tax expenditure provision were repealed, it is likely that the repeal would be made effective for taxable years beginning after a certain date. Because most individual taxpayers have taxable years that coincide with the calendar year, the repeal of a provision affecting the individual income tax most likely would be effective for taxable years beginning after December 31 of a certain year. However, the Federal government's fiscal year begins October 1. Thus, the revenue estimate for repeal of a provision would show a smaller revenue gain in the first fiscal year than in subsequent fiscal years. This is due to the fact that the repeal would be effective after the start of the Federal government's fiscal year. The revenue estimate might also reflect some delay in the timing of the revenue gains as a result of the taxpayer tendency to postpone or forgo changes in tax withholding and estimated tax payments, and very often repeal or modification of a tax provision includes transition relief that would not be captured in a tax expenditure calculation.

Quantitatively *de minimis* Tax Expenditures

The following tax provisions are viewed as tax expenditures by the Joint Committee staff but are not listed in Table 1 because the estimated revenue losses for fiscal years 2014 through 2018 are below the *de minimis* amount ($50 million):

International affairs

— Miscellaneous nonresident individual income tax exclusions (certain gambling winnings (sec. 871(j)), ship or aircraft operation income, certain exchange or training programs compensation, bond income of residents of the Ryukyu Islands, certain wagering income (sec. 872(b)))
— Miscellaneous foreign corporate income tax exclusions (ship or aircraft operation income, foreign railroad rolling stock earnings, certain communication satellite earnings (sec. 883))

Energy

— Credit for enhanced oil recovery costs (sec. 43)
— Credit for producing oil and gas from marginal wells (sec. 45I)
— Credit for production of electricity from qualifying advanced nuclear power facilities (sec. 45J)
— Credit for producing fuels from a nonconventional source (sec. 45K)
— Seven-year MACRS Alaska natural gas pipeline (sec. 168(e)(3)(C))
— 50-percent expensing of cellulosic biofuel plant property (sec. 168(l))
— Partial expensing of investments in advanced mine safety equipment (sec. 179E)
— Expensing of tertiary injectants (sec. 193)

Commerce and housing

— Exclusion of investment income from structured settlement arrangements (secs. 72(u)(3)(C) and 130)

— Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument (sec. 108(i))
— Bad debt reserves of financial institutions (sec. 585)
— Alaska Native Corporation trusts (sec. 646)
— Deferral of gain on sales of property to comply with conflict-of-interest requirements (sec. 1043)
— Reduced rates of tax on gains from the sale of self-created musical works (sec. 1221(b)(3))

Community and regional development

— Exclusion of Indian general welfare benefits (sec. 139E)
— Issuance of tribal economic development bonds (sec. 7871(f))

Education, training, employment, and social services

— Exclusion of interest on educational savings bonds (sec. 135)
— Exclusion of restitution payments received by victims of the Nazi regime and the victims' heirs and estates (sec. 803 of Pub. L. No. 107-16)

Health

— Archer medical savings accounts (sec. 220)

Income security

— Credit for the elderly and disabled (sec. 22)
— Credit for new retirement plan expenses of small businesses (sec. 45E)

Veterans' benefits and services

— Burial expenses for veterans (sec. 134 and 38 U.S.C. 5301)

General purpose fiscal assistance

— American Samoa economic development credit (sec. 119 of Pub. L. No. 109-432)

Tax Expenditures for Which Quantification Is Not Available

The following tax provisions are viewed as tax expenditures by the Joint Committee staff but are not listed in Table 1 because the projected revenue changes are unavailable (a provision that is a negative tax expenditure is indicated by an " * "):

International affairs

— Branch profits tax*
— Deduction for U.S. employment tax paid under section 3121(l) agreements for employees of foreign affiliates
— Doubling of tax rates on citizens and corporations of certain foreign countries*

Energy

- — Accelerated deductions for nuclear decommissioning costs (sec. 468A)
- — Fossil fuel capital gains treatment (sec. 631(c))

Natural resources and environment

- — Exception to partial interest rule for qualified conservation (sec. 170(h))

Agriculture

- — Ten-year MACRS for single purpose agricultural or horticultural structures (sec. 168(e)(3), (i)(13))
- — Exceptions from dealer disposition definition (sec. 453(l)(2)(A))
- — Exception from interest calculation on installment sales for small dispositions (sec. 453A(b)(3))

Commerce and housing

- — Amortization of organizational expenditures (sec. 248)
- — Deferral of prepaid subscription income (sec. 455)
- — Deferral of prepaid dues income of certain membership organizations (sec. 456)
- — Amortization of partnership organization and syndication fees (sec. 709)
- — Unrecaptured section 1250 gain rate (section 1(h)), which applies to depreciation taken on real property
- — Nonrecognition of in-kind distributions by regulated investment companies in redemption of their stock (sec. 852(b)(6)
- — Special discount rate rule for certain debt instruments where stated principal amount is $2.8 million or less (sec. 1274A)
- — Deduction for investment expenses*
- — Tax treatment of convertible bonds (Treas. Reg. sec. 1.1275-4; Rev. Rul. 2002-31)
- — Treatment of loans under life insurance and annuity contracts and 401(k) plans (sec. 72(e), 72(p), and 7702)
- — Exemption for cemetery companies (sec. 501(c)(13))
- — Certain exceptions to the UBTI rules: (secs. 512-514)
    - Passive income gains
    - Income from certain research
    - Trade shows and fairs
    - Bingo games
    - Pole rentals
    - Sponsorship payments
    - Real estate exception to the debt-financed income rules
- — Specific identification of sold equities (sec. 1012 (and Treas. Reg. sec. 1012-1))
- — Losses on small business stock (secs. 1242-1244)
- — Nondeductibility of excise taxes imposed on employers whose employees receive premium assistance credits* (secs. 275(a)(6) and 4980H(c)(7))
- — Nondeductibility of annual fees imposed on certain drug manufacturers or importers* (sec. 275(a)(6); sec. 9008(f)(2) of Pub. L. No. 111-148

— Nondeductibility of annual fees imposed on health insurers* (sec. 275(a)(6); sec. 9010(f)(2) of Pub. L. No. 111-148)

Community and regional development

— Three-year carryback of small businesses' and farmers' casualty losses attributable to Presidentially declared disaster (sec. 172(b)(1)(F))

Education, training, employment, and social services

— Allowance of 80-percent deduction for right to purchase tickets or stadium seating (sec. 170(l))

General purpose fiscal assistance

— Exclusion of Guam, American Samoa, and Northern Mariana Islands income (sec. 931)
— Exclusion of U.S. Virgin Islands income (sec. 932(c)(4))
— Exclusion of Puerto Rico income (sec. 933)

III. TAX EXPENDITURE ESTIMATES

Tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any single budget category have been placed in the most appropriate category. Totals for each tax expenditure are presented for the five-year period covering fiscal years 2015-2019, respectively.

Several of the tax expenditure items involve small amounts of revenue, and those estimates are indicated in Table 1 by footnote 4. For each of these items, the footnote means that the tax expenditure is less than $50 million in the fiscal year.

Table 2 presents distributional projections of tax return data for each of nine income classes including: (1) the number of all returns (including filing and nonfiling units), (2) the number of taxable returns, (3) the number of returns with itemized deductions, and (4) the amount of tax liability.

Table 3 provides distributional estimates by income class for some of the tax expenditures that affect individual taxpayers. Not all tax expenditures that affect individuals are shown in this table because of the difficulty in making reliable estimates of the income distribution of items that do not appear on tax returns under present law.

Table 1.--Tax Expenditure Estimates By Budget Function, Fiscal Years 2015 - 2019 [1]

[Billions of Dollars]

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
National Defense											
Exclusion of benefits and allowances to armed forces personnel	---	---	---	---	---	5.8	6.0	6.4	6.8	7.0	31.9
Exclusion of military disability benefits	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	1.4
Deduction for overnight-travel expenses of national guard and reserve members	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of combat pay	---	---	---	---	---	1.4	1.4	1.5	1.6	1.6	7.5
International Affairs											
Exclusion of certain allowances for Federal employees abroad	---	---	---	---	---	2.1	2.2	2.3	2.3	2.4	11.2
Exclusion of foreign earned income:											
Housing	---	---	---	---	---	1.3	1.3	1.4	1.5	1.6	7.1
Salary	---	---	---	---	---	6.4	6.7	7.2	7.6	8.0	35.7
Inventory property sales source rule exception	1.7	1.7	1.8	1.8	1.8	---	---	---	---	---	8.8
Deduction for foreign taxes instead of a credit	0.3	0.3	0.3	0.3	0.3	---	---	---	---	---	1.3
Interest expense allocation:											
Unavailability of symmetric worldwide method*	-1.2	-1.2	-1.2	-1.3	-1.3	---	---	---	---	---	-6.2
Separate grouping of affiliated financial companies	0.5	0.5	0.5	0.5	0.5	---	---	---	---	---	2.5
Apportionment of research and development expenses for determination of foreign tax credits	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.1
Special rules for interest-charge domestic international sales corporations	0.6	0.6	0.6	0.7	0.7	---	---	---	---	---	3.2
Tonnage tax	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Deferral of active income of controlled foreign corporations...........	99.3	108.9	114.0	118.1	123.2	---	---	---	---	---	563.6
General Science, Space, and Technology											
Expensing of research and experimental expenditures....................	4.7	5.2	5.7	6.0	6.0	0.1	0.1	0.1	0.1	0.1	28.3
Therapeutic research credit..	0.1	0.1	0.1	---	---	0.1	0.1	0.1	---	---	0.8
Energy											
Credit for energy-efficient improvements to existing homes............	---	---	---	---	---	0.5	---	---	---	---	0.5
Credit for holders of clean renewable energy bonds (Code sections 54 and 54C) [2] [3]...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1	0.1	0.1	0.6
Exclusion of energy conservation subsidies provided by public utilities...	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.1
Credit for holders of qualified energy conservation bonds [2] [3]....	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.3
Energy credit (section 48)...	1.0	1.5	1.6	1.6	1.7	0.2	0.3	0.2	0.1	0.1	8.3
Solar..	0.9	1.4	1.5	1.5	1.6	0.1	0.2	0.2	0.1	0.1	7.7
Geothermal...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Fuel Cells..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Microturbines...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Combined heat and power..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Small wind..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Geothermal heat pump systems..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Credits for electricity production from renewable resources (section 45):											
Wind..	2.2	2.5	3.1	3.3	3.3	0.1	0.2	0.3	0.4	0.4	15.8
Closed-loop biomass...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Geothermal...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Qualified hydropower...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Small irrigation power..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Municipal solid waste..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.4
Open-loop biomass...	0.3	0.3	0.3	0.3	0.3	[4]	[4]	[4]	[4]	[4]	1.8

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Special rule to implement electric transmission restructuring..........	-0.2	-0.2	-0.2	-0.2	-0.2	---	---	---	---	---	-1.0
Credits for investments in clean coal facilities................................	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.0
Coal production credits:											
Refined coal..	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.1
Indian coal..	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.1
Credits for alternative technology vehicles:											
Other alternative fuel vehicles..	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.1
Residential energy-efficient property credit...................................	---	---	---	---	---	1.1	1.2	0.7	---	---	3.0
Credit for plug-in electric vehicles...	[4]	[4]	[4]	[4]	[4]	0.2	0.2	0.2	0.2	0.2	1.2
Credit for investment in advanced energy property.........................	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.2
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities..................	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.2
Expensing of exploration and development costs, fuels:											
Oil and gas..	1.0	1.1	1.1	1.1	1.0	0.3	0.4	0.3	0.3	0.3	7.0
Other fuels..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.5
Excess of percentage over cost depletion, fuels:											
Oil and gas..	1.4	1.3	1.4	1.6	1.6	[4]	[4]	[4]	[4]	[4]	7.4
Other fuels..	0.2	0.2	0.3	0.3	0.3	[4]	[4]	[4]	[4]	[4]	1.4
Amortization of geological and geophysical expenditures associated with oil and gas exploration...	0.1	0.1	0.1	0.1	0.1	[4]	[4]	[4]	[4]	[4]	0.7
Amortization of air pollution control facilities................................	0.4	0.4	0.3	0.3	0.3	---	---	---	---	---	1.7
Depreciation recovery periods for energy-specific items:											
Five-year MACRS for certain energy property (solar, wind, etc.)..	0.3	0.3	0.3	0.2	0.2	[4]	[4]	[4]	[4]	[4]	1.3
10-year MACRS for smart electric distribution property...............	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.0
15-year MACRS for certain electric transmission property...........	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.0
15-year MACRS for natural gas distribution line..........................	0.2	0.2	0.1	0.1	0.1	---	---	---	---	---	0.8

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities..............................	---	---	---	---	---	1.1	1.2	1.2	1.2	1.2	5.9
Natural Resources and Environment											
Special depreciation allowance for certain reuse and recycling property..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Expensing of exploration and development costs, nonfuel minerals..	0.1	0.1	0.1	0.1	0.1	[4]	[4]	[4]	[4]	[4]	0.5
Excess of percentage over cost depletion, nonfuel minerals............	0.1	0.1	0.1	0.1	0.1	[4]	[4]	[4]	[4]	[4]	0.5
Expensing of timber-growing costs...	0.3	0.3	0.3	0.3	0.3	[4]	[4]	[4]	[4]	[4]	1.5
Special rules for mining reclamation reserves................................	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.2
Special tax rate for nuclear decommissioning reserve funds..	0.2	0.2	0.3	0.3	0.3	---	---	---	---	---	1.3
Exclusion of contributions in aid of construction for water and sewer utilities...	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.2
Exclusion of earnings of certain environmental settlement funds..	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.1
Amortization and expensing of reforestation expenditures..............	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.3
Special tax rate for qualified timber gain (including coal and iron ore)..	---	---	---	---	---	0.3	0.3	0.4	0.4	0.4	1.8
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules..	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Agriculture											
Expensing of soil and water conservation expenditures..................	[4]	[4]	[4]	[4]	[4]	0.1	0.1	0.1	0.1	0.1	0.6
Expensing of the costs of raising dairy and breeding cattle.............	[4]	[4]	[4]	[4]	[4]	0.2	0.2	0.2	0.2	0.1	0.9
Exclusion of cost-sharing payments...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Exclusion of cancellation of indebtedness income of farmers...	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5

Function	Corporations 2015	2016	2017	2018	2019	Individuals 2015	2016	2017	2018	2019	Total 2015-19
Income averaging for farmers and fishermen	---	---	---	---	---	0.1	0.2	0.2	0.2	0.2	0.9
Five-year carryback period for net operating losses attributable to farming	[4]	[4]	[4]	[4]	[4]	0.1	0.1	0.1	0.1	0.1	0.4
Expensing by farmers for fertilizer and soil conditioner costs	[4]	[4]	[4]	[4]	[4]	0.1	0.2	0.2	0.2	0.2	0.9
Cash accounting for agriculture	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Commerce and Housing											
Housing:											
Deduction for mortgage interest on owner-occupied residences	---	---	---	---	---	71.0	77.0	84.3	91.1	96.4	419.8
Deduction for property taxes on real property	---	---	---	---	---	32.4	34.7	36.9	39.2	41.3	184.5
Exclusion of capital gains on sales of principal residences	---	---	---	---	---	24.1	29.0	30.6	32.2	34.0	149.9
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing [5]	0.3	0.4	0.4	0.4	0.4	0.9	0.9	1.0	1.1	1.1	6.9
Credit for low-income housing	7.3	7.8	8.3	8.6	9.2	0.3	0.3	0.4	0.4	0.4	43.0
Credit for rehabilitation of historic structures	0.7	0.7	0.7	0.8	0.8	0.2	0.2	0.2	0.2	0.2	4.6
Credit for rehabilitation of structures, other than historic structures	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1	0.1	0.3
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.3	0.3	0.3	0.3	0.3	0.7	0.7	0.8	0.8	0.9	5.4
Depreciation of rental housing in excess of alternative depreciation system	0.5	0.4	0.4	0.4	0.4	4.2	4.0	3.9	3.9	3.8	22.0
Other business and commerce:											
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	2.1
Carryover basis of capital gains on gifts	---	---	---	---	---	-4.6	11.3	10.5	8.9	9.3	35.4
Deferral of gain on non-dealer installment sales	6.9	6.8	6.7	6.7	6.7	2.1	1.7	1.4	1.2	1.2	41.3
Deferral of gain on like-kind exchanges	11.0	11.1	11.4	11.7	12.2	5.8	5.9	6.0	6.2	6.4	87.7

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Expensing under section 179 of depreciable business property	[4]	[4]	[4]	[4]	[4]	12.6	4.6	2.2	2.0	1.5	22.9
Amortization of business startup costs	[4]	[4]	[4]	[4]	0.1	[4]	[4]	[4]	0.1	0.1	0.2
Reduced rates on first $10,000,000 of corporate taxable income	4.0	4.2	4.2	4.2	4.2	---	---	---	---	---	20.8
Exemptions from imputed interest rules	[4]	[4]	[4]	[4]	[4]	0.6	0.6	0.7	0.7	0.7	3.4
Expensing of magazine circulation expenditures	0.1	0.1	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Special rules for magazine, paperback book, and record returns	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.2
Completed contract rules	0.9	0.9	0.9	1.0	1.0	0.1	0.1	0.1	0.1	0.1	5.2
Cash accounting, other than agriculture	0.3	0.3	0.3	0.3	0.3	1.8	1.9	1.9	2.0	2.0	11.1
Credit for employer-paid FICA taxes on tips	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	6.9
Deduction for income attributable to domestic production activities	11.7	12.1	12.3	12.6	12.8	4.5	4.6	4.7	4.8	4.8	84.8
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	[4]
Reduced rates of tax on dividends and long-term capital gains	---	---	---	---	---	131.7	134.6	137.1	140.9	145.4	689.6
Surtax on net investment income*	---	---	---	---	---	-34.8	-35.9	-36.9	-38.3	-40.0	-186.0
Exclusion of capital gains at death	---	---	---	---	---	32.4	32.9	33.8	35.2	36.8	171.3
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Exclusion for gain from certain small business stock	---	---	---	---	---	0.9	1.0	1.0	1.1	1.1	5.1
Distributions in redemption of stock to pay various taxes imposed at death	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.2
Inventory methods and valuation:											
Last in first out	1.5	1.6	1.6	1.6	1.7	0.3	0.3	0.3	0.3	0.3	9.4
Lower of cost or market	0.1	0.1	0.1	0.1	0.1	[4]	[4]	[4]	[4]	[4]	0.4
Specific identification for homogeneous products	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Exclusion of gain or loss on sale or exchange of brownfield property	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.1
Income recognition rule for gain or loss from section 1256 contracts	0.1	0.1	0.1	0.1	0.1	1.0	1.0	1.0	1.0	1.0	5.3
Net alternative minimum tax attributable to net operating loss limitation*	-0.5	-0.5	-0.5	-0.5	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-3.0
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.2
Depreciation of equipment in excess of the alternative depreciation system [6]	-20.0	-18.0	-3.1	6.4	13.8	-8.2	-7.4	-1.3	2.6	5.7	-29.6
Financial institutions											
Exemption of credit union income	2.2	2.4	2.5	2.7	2.9	---	---	---	---	---	12.7
Insurance companies:											
Small life insurance company taxable income adjustment	[4]	[4]	[4]	[4]	[4]	---	---	---	---	---	0.2
Special treatment of life insurance company reserves	2.9	3.2	3.3	3.3	3.3	---	---	---	---	---	16.0
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.5	---	---	---	---	---	2.2
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	2.3	2.6	2.6	2.6	2.6	---	---	---	---	---	12.7
Proration for property and casualty insurance companies	0.4	0.4	0.4	0.4	0.5	---	---	---	---	---	2.1

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Transportation											
Exclusion of employer-paid transportation benefits (parking, van pools, and transit passes)...	---	---	---	---	---	5.0	5.2	5.5	5.7	5.9	27.2
Deferral of tax on capital construction funds of shipping companies..	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities..	[4]	[4]	[4]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities..........	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities..	0.2	0.3	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.8	4.9
Community and Regional Development											
Empowerment zone tax incentives...	0.2	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.2
New markets tax credit..	1.1	1.1	1.2	1.1	1.0	[4]	[4]	[4]	[4]	[4]	5.5
District of Columbia tax incentives..	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Credit for Indian reservation employment......................................	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities..	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.4	0.4	2.3
Recovery zone economic development bonds [2] [3].......................	[4]	[4]	[4]	[4]	[4]	0.2	0.2	0.2	0.2	0.2	0.9
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.5	0.5	0.5	0.5	0.5	---	---	---	---	---	2.6
Disaster Relief:											
National disaster relief..	- - - - - - - - - - - - - - - - - - *Estimate Contained in Other Provisions* - - - - - - - - - - - - - - - - - -										

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Education, Training, Employment, and Social Services											
Education and training:											
Deduction for interest on student loans	---	---	---	---	---	2.0	2.1	2.2	2.3	2.4	11.1
Exclusion of earnings of Coverdell education savings accounts	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of scholarship and fellowship income	---	---	---	---	---	2.7	2.9	3.0	3.2	3.4	15.2
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain state educational loan repayments	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.8
Exclusion of employer-provided education assistance benefits	---	---	---	---	---	1.2	1.2	1.2	1.3	1.3	6.2
Exclusion of employer-provided tuition reduction benefits	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	1.6
Parental personal exemption for students aged 19 to 23	---	---	---	---	---	4.5	4.7	4.9	5.2	5.5	24.7
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.5	0.5	3.0
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	1.0	1.0	1.0	1.1	1.1	2.6	2.6	2.8	2.9	3.1	19.1
Credit for holders of qualified zone academy bonds [2] [3]	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.4
Deduction for charitable contributions to educational institutions	0.3	0.4	0.4	0.4	0.4	6.2	6.4	6.6	6.8	7.1	35.0
Credits for tuition for post-secondary education [3]	---	---	---	---	---	19.7	21.0	21.2	12.5	9.6	84.0
Exclusion of tax on earnings of qualified tuition programs:											
Prepaid tuition programs	---	---	---	---	---	---	---	0.1	0.1	0.1	0.3
Savings account programs	---	---	---	---	---	0.7	0.9	1.1	1.3	1.4	5.5
Qualified school construction bonds [2] [3]	[4]	[4]	[4]	[4]	[4]	1.0	1.1	1.2	1.3	1.4	6.0

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Employment:											
Exclusion of employee meals and lodging (other than military)........	---	---	---	---	---	2.1	2.1	2.2	2.3	2.4	11.1
Exclusion of benefits provided under cafeteria plans [7]........	---	---	---	---	---	35.2	36.1	37.6	39.4	40.2	188.5
Exclusion of housing allowances for ministers........	---	---	---	---	---	0.8	0.8	0.8	0.8	0.8	4.0
Exclusion of miscellaneous fringe benefits........	---	---	---	---	---	7.5	7.7	7.8	8.0	8.2	39.2
Exclusion of employee awards........	---	---	---	---	---	0.3	0.3	0.3	0.3	0.4	1.7
Exclusion of income earned by voluntary employees' beneficiary associations........	---	---	---	---	---	3.2	3.2	3.3	3.3	3.4	16.4
Special tax provisions for employee stock ownership plans (ESOPs)........	1.4	1.5	1.6	1.6	1.7	0.1	0.1	0.1	0.1	0.1	8.3
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*........	-1.1	-1.2	-1.2	-1.1	-1.1	0.4	0.4	0.3	0.3	0.3	-4.1
Deferral of taxation on spread on employee stock purchase plans*........	-0.1	-0.2	-0.2	-0.2	-0.2	[4]	[4]	0.1	0.1	0.1	-0.6
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [8]*........	-0.2	-0.2	-0.2	-0.2	-0.2	---	---	---	---	---	-1.2
Limits on deductible compensation [8]*........	-0.8	-0.8	-0.9	-0.9	-0.9	---	---	---	---	---	-4.3
Work opportunity tax credit........	0.4	0.1	---	---	---	0.1	[4]	---	---	---	0.6
Social services:											
Credit for children under age 17 [3]........	---	---	---	---	---	57.1	56.0	55.8	55.6	42.5	267.0
Credit for child and dependent care and exclusion of employer-provided child care [3] [9]........	---	---	---	---	---	4.7	4.8	4.8	4.8	4.9	24.0
Credit for employer-provided dependent care........	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.1
Exclusion of certain foster care payments........	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	2.1

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Adoption credit and employee adoption benefits exclusion............	---	---	---	---	---	0.4	0.4	0.4	0.5	0.5	2.2
Deduction for charitable contributions, other than for education and health [10]..	1.0	1.1	1.1	1.1	1.1	36.2	37.3	38.5	39.8	41.1	198.4
Credit for disabled access expenditures...	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.3
Health											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [11]..	---	---	---	---	---	145.5	143.8	151.4	159.6	169.4	769.8
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare..	---	---	---	---	---	2.6	2.7	2.8	2.9	2.9	13.9
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare....................	---	---	---	---	---	0.9	0.9	1.0	1.0	1.1	4.9
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed............................	---	---	---	---	---	5.2	5.1	5.4	4.8	4.8	25.3
Deduction for medical expenses and long-term care expenses..	---	---	---	---	---	10.1	11.1	11.4	12.2	13.7	58.5
Exclusion of workers' compensation benefits (medical benefits)..	---	---	---	---	---	4.9	5.0	5.1	5.2	5.3	25.6
Health savings accounts..	---	---	---	---	---	1.8	2.1	2.4	2.8	3.3	12.4
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities.......	0.7	0.7	0.7	0.7	0.7	1.8	1.8	2.0	2.0	2.1	13.1
Deduction for charitable contributions to health organizations...	1.9	1.9	2.0	2.0	2.1	3.2	3.3	3.4	3.5	3.6	26.7
Credit for purchase of health insurance by certain displaced persons [3]...	---	---	---	---	---	---	[4]	[4]	[4]	[4]	0.2
Credit for orphan drug research..	0.8	1.0	1.1	1.2	1.3	[4]	[4]	[4]	[4]	[4]	5.3

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Tax credit for small businesses purchasing employer insurance	0.2	0.2	0.1	0.1	0.2	1.2	0.9	0.6	0.8	0.9	5.2
Subsidies for insurance purchased through health benefit exchanges [3]	---	---	---	---	---	29.6	53.5	72.5	82.1	84.8	322.5
Income Security											
Exclusion of workers' compensation benefits (disability and survivors payments)	---	---	---	---	---	2.7	2.9	3.0	3.2	3.3	15.1
Exclusion of damages on account of personal physical injuries or physical sickness	---	---	---	---	---	1.7	1.7	1.7	1.7	1.8	8.5
Exclusion of special benefits for disabled coal miners	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.1
Net exclusion of pension contributions and earnings:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	---	---	---	---	---	8.0	9.3	10.7	15.5	17.7	61.1
Defined benefit plans	---	---	---	---	---	48.6	57.4	62.9	69.6	77.0	315.6
Defined contribution plans	---	---	---	---	---	72.8	82.7	98.9	117.6	132.9	504.8
Individual retirement arrangements:											
Traditional IRAs	---	---	---	---	---	20.9	12.9	13.6	14.5	15.3	77.2
Roth IRAs	---	---	---	---	---	7.1	7.0	7.7	8.5	9.2	39.5
Credit for certain individuals for elective deferrals and IRA contributions	---	---	---	---	---	1.2	1.2	1.2	1.2	1.2	6.0
Exclusion of other employee benefits:											
Premiums on group term life insurance	---	---	---	---	---	3.2	3.2	3.3	3.3	3.4	16.4
Premiums on accident and disability insurance	---	---	---	---	---	4.1	4.2	4.4	4.6	4.8	22.2
Additional standard deduction for the blind and the elderly	---	---	---	---	---	2.7	2.8	3.0	3.3	3.5	15.3
Deduction for casualty and theft losses	---	---	---	---	---	0.4	0.5	0.5	0.5	0.6	2.5
Earned income credit [3]	---	---	---	---	---	72.7	73.3	76.0	73.8	75.6	371.4

Function	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Phase out of the personal exemption for the regular income tax, and disallowance of the personal exemption and the standard deduction against the alternative minimum tax*	---	---	---	---	---	-15.0	-15.9	-16.9	-17.9	-19.0	-84.6
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.1
Exclusion of disaster mitigation payments	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.2
ABLE accounts [12]	---	---	---	---	---	[4]	[4]	[4]	[4]	0.1	0.1
Social Security and Railroad Retirement											
Exclusion of untaxed Social Security and railroad retirement benefits	---	---	---	---	---	37.6	39.6	41.9	44.2	46.8	210.1
Veterans' Benefits and Services											
Exclusion of veterans' disability compensation	---	---	---	---	---	6.8	7.6	7.4	7.1	7.9	36.8
Exclusion of veterans' pensions	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of veterans' readjustment benefits	---	---	---	---	---	1.6	1.8	1.8	1.9	2.0	9.1
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	0.3
General Purpose Fiscal Assistance											
Exclusion of interest on public purpose State and local government bonds	9.7	9.8	10.1	10.3	10.6	25.6	26.0	26.7	29.1	29.9	187.7
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	---	---	---	---	---	62.2	65.1	68.4	71.7	74.9	342.3
Build America bonds [2] [3]	---	---	---	---	---	3.2	3.2	3.2	3.2	3.2	16.0

Function	Corporations					Individuals					Total
	2015	**2016**	**2017**	**2018**	**2019**	**2015**	**2016**	**2017**	**2018**	**2019**	**2015-19**
Interest											
Deferral of interest on savings bonds...	---	---	---	---	---	1.2	1.3	1.3	1.3	1.3	6.4

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NOTE: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2015-2019 period.

[1] Reflects legislation enacted by September 30, 2015.

[2] Estimate includes an outlay to State and local governments. For the purposes of this table outlays are attributed to individuals.

[3] Estimate includes refundability associated with the following outlay effects:

	Corporations					Individuals					Total
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015-19
Credit for holders of clean renewable energy bonds..................	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.2
Credit for holders of qualified energy conservation bonds..........	---	---	---	---	---	[4]	[4]	[4]	[4]	[4]	0.3
Recovery zone economic development bonds...........................	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.8
Credit for holders of qualified zone academy bonds..................	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.3
Credits for tuition for post-secondary education........................	---	---	---	---	---	6.4	7.4	7.8	8.0	---	29.6
Qualified school construction bonds...	---	---	---	---	---	1.0	1.1	1.2	1.3	1.4	5.9
Credit for children under age 17..	---	---	---	---	---	33.7	33.9	34.5	35.0	22.1	159.2
Credit for child and dependent care and exclusion of employer-provided child care..	---	---	---	---	---	0.9	1.0	1.0	0.9	0.9	4.7
Credit for purchase of health insurance by certain displaced persons..	---	---	---	---	---	---	[4]	[4]	[4]	[4]	0.1
Subsidies for insurance purchased through health benefit exchanges...	---	---	---	---	---	25.8	46.3	63.0	71.3	73.7	280.1
Earned income credit..	---	---	---	---	---	63.3	63.7	66.1	63.8	65.3	322.1
Build America bonds..	---	---	---	---	---	3.2	3.2	3.2	3.2	3.2	16.0

[Footnotes for the Table continue on the following page]

Footnotes for the Table continued:

[4] Positive tax expenditure of less than $50 million.
[5] Estimate includes effect of credit for interest on certain home mortgages (Section 25).
[6] Includes bonus depreciation and general acceleration under MACRS.
[7] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.
[8] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.
[9] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
[10] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.
[11] Estimate includes employer-provided health insurance purchased through cafeteria plans and TRICARE medical insurance, which are also included in other line items on this table.
[12] Estimate does not include outlays due to Medicaid.

Table 2.--Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability at 2014 Rates, 2014 Law, and 2014 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	All Returns [3]	Taxable Returns	Itemized Returns	Tax Liability [4]
Below $10,000	20,733	9,762	232	-$4,757
$10,000 to $20,000	21,545	7,906	546	-28,224
$20,000 to $30,000	21,461	9,940	998	-14,296
$30,000 to $40,000	16,843	10,602	1,768	2,603
$40,000 to $50,000	14,095	10,296	2,583	18,158
$50,000 to $75,000	24,895	21,529	7,377	88,437
$75,000 to $100,000	16,123	15,662	7,282	113,264
$100,000 to $200,000	24,895	24,829	17,452	386,606
$200,000 and over	8,354	8,353	7,716	1,037,192
Total	**168,943**	**118,879**	**45,953**	**$1,598,984**

[1] Tax law as in effect on December 31, 2013, is applied to the 2014 level and sources of income and their distribution among taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, (h) excluded income of U.S. citizens living abroad, and (i) individuals' share of business taxes.

[3] Includes filing and non-filing units. Filing units include all taxable and nontaxable returns. Non-filing units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.). Excludes individuals who are dependents of other taxpayers and taxpayers with negative income.

[4] Individual income tax and individuals' share of business taxes.

NOTE--Details may not add to totals due to rounding.

Source: Joint Committee on Taxation

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2014 Rates and 2014 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Untaxed Social Security and Railroad Retirement Benefits		Medical Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	2	$5	5	$1
$10,000 to $20,000	742	225	67	12
$20,000 to $30,000	6,337	2,572	184	63
$30,000 to $40,000	4,515	4,925	377	146
$40,000 to $50,000	3,791	5,303	771	353
$50,000 to $75,000	7,384	10,103	1,936	1,474
$75,000 to $100,000	5,158	7,180	1,838	1,791
$100,000 to $200,000	6,072	4,834	2,388	3,930
$200,000 and over	1,711	2,407	315	1,817
Total	**35,712**	**$37,555**	**7,880**	**$9,587**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2014 Rates and 2014 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Real Estate Tax Deduction		Mortgage Interest Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	1	[3]	3	$1
$10,000 to $20,000	93	$14	136	40
$20,000 to $30,000	337	68	396	177
$30,000 to $40,000	757	185	827	450
$40,000 to $50,000	1,440	382	1,490	923
$50,000 to $75,000	5,089	1,991	5,018	4,626
$75,000 to $100,000	5,874	3,100	5,647	6,945
$100,000 to $200,000	15,588	12,861	14,273	28,801
$200,000 and over	5,344	11,613	5,788	30,441
Total	**34,523**	**$30,214**	**33,578**	**$72,401**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2014 Rates and 2014 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	State and Local Income, Sales, and Personal Property Tax Deduction		Charitable Contributions Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	7	[3]	2	[3]
$10,000 to $20,000	180	$7	66	$8
$20,000 to $30,000	574	37	287	41
$30,000 to $40,000	1,201	123	665	126
$40,000 to $50,000	2,070	280	1,339	312
$50,000 to $75,000	6,780	1,688	4,928	1,663
$75,000 to $100,000	7,265	2,884	5,758	2,678
$100,000 to $200,000	17,541	14,584	15,409	11,440
$200,000 and over	6,840	40,750	7,652	34,915
Total	**42,458**	**$60,355**	**36,106**	**$51,181**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2014 Rates and 2014 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Child Care Credit		Earned Income Credit [4]	
	Returns	***Amount***	***Returns***	***Amount***
Below $10,000	1	[3]	4,237	$4,222
$10,000 to $20,000	31	$5	8,689	24,034
$20,000 to $30,000	276	101	5,646	19,068
$30,000 to $40,000	449	256	4,214	12,129
$40,000 to $50,000	465	278	3,289	7,611
$50,000 to $75,000	1,001	570	3,046	5,128
$75,000 to $100,000	893	549	239	320
$100,000 to $200,000	2,526	1,946	8	8
$200,000 and over	978	1,004	--- ---	---
Total	**6,620**	**$4,710**	**29,368**	**$72,521**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2014 Rates and 2014 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Education Credits		Student Loan Interest Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	1,089	$972	3	[3]
$10,000 to $20,000	2,129	1,923	381	$34
$20,000 to $30,000	1,825	2,069	752	102
$30,000 to $40,000	1,436	1,866	953	152
$40,000 to $50,000	1,335	1,960	1,074	176
$50,000 to $75,000	2,216	3,406	2,601	552
$75,000 to $100,000	1,437	2,556	1,751	298
$100,000 to $200,000	3,008	5,838	3,350	736
$200,000 and over	183	234	19	1
Total	**14,658**	**$20,824**	**10,884**	**$2,050**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2014 Rates and 2014 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Child Tax Credit [4]		Phase out of Personal Exemption for Regular Income Tax, and Denial of Personal Exemption and the Standard Deduction for AMT	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	1,270	$700	[5]	[6]
$10,000 to $20,000	5,520	6,944	2	-$1
$20,000 to $30,000	4,898	7,601	[5]	[6]
$30,000 to $40,000	4,005	6,663	[5]	-1
$40,000 to $50,000	3,414	5,994	2	-4
$50,000 to $75,000	5,913	10,447	4	-3
$75,000 to $100,000	4,095	7,100	28	-30
$100,000 to $200,000	6,966	10,566	358	-461
$200,000 and over	61	55	4,445	-14,107
Total	**36,142**	**$56,072**	**4,840**	**-$14,607**

[1] Excludes individuals who are dependents of other taxpayers and taxpayers with negative income.
[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, (h) excluded income of U.S. citizens living abroad, and (i) individuals' share of business income.
[3] Positive tax expenditure of less than $500,000.
[4] Includes the refundable portion.
[5] Fewer than 500 returns.
[6] Negative tax expenditure of less than $500,000.

NOTE--Details may not add to totals due to rounding.

Source: Joint Committee on Taxation