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ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 2012–2017

PREPARED FOR THE

HOUSE COMMITTEE ON WAYS AND MEANS

AND THE

SENATE COMMITTEE ON FINANCE

BY THE STAFF

OF THE

JOINT COMMITTEE ON TAXATION

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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 2012–2017 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 2011–2017 in the Administration's budgetary statement of February 13, 2012.[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 January 2, 2013. Expired or repealed provisions are not listed unless they have continuing revenue effects that are associated with ongoing taxpayer activity.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 2012 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 2011–2017.

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 2012–2017 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 2012–2017* (JCS–1–13), February 1, 2013.

[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. This report satisfies the annual reporting requirement for fiscal years 2012 and 2013.

[3] Office of Management and Budget, "Tax Expenditures," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2013,* February 13, 2012, pp. 247–284.

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 2013–2017. 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 annually detailed lists of tax expenditures. 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 U.S.C. 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 to individual taxpayers are classified as exceptions to normal income tax law.

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

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[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.

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 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.

All Medicare benefits are excluded from taxation. The value of Medicare Part A insurance generally is greater than the Health Insurance ("HI") tax contributions that enrollees make during their working years, the value of Medicare Part B insurance generally is greater than the Part B premium that enrollees must pay, and the value of Medicare Part D (prescription drug) insurance generally is greater than the Part D premium that enrollees must pay. The exclusion of the value of Medicare Part A insurance in excess of HI tax contributions is classified as a tax expenditure, as are the exclusion of the value of Medicare Part B insurance in excess of Part

[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.

B premiums and the exclusion of the value of Part D insurance in excess of Part D premiums.

Public assistance benefits are excluded from gross income by statute or by Treasury regulations. Table 1 contains tax expenditure calculations for workers' compensation benefits, special benefits for disabled coal miners, and cash public assistance benefits (which include Supplemental Security Income benefits and Temporary Assistance for Needy Families benefits).

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 private purpose bonds the interest on which is exempt from Federal income taxation. 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 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

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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.

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 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. For example, the tax treatment of leasehold improvements of commercial buildings allows for depreciation using a recovery period of 15 years, while the general treatment of improvements to commercial buildings (*e.g.,* owned commercial buildings) is a 39-year recovery period. In this case, the difference between straight-line depreciation using 15 years and 39 years for the recovery period represents a tax expenditure. 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

[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.

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.) As another example, 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 a reduced rate of tax on the incomes of these two types of trust accounts, 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 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.

Nonprofit corporations that satisfy the requirements of section 501 also generally are 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.[17] The tax exemption for certain nonprofit cooperative business organizations, such as trade associations, is not treated as a tax expenditure just as the entity-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

[16] See discussion of the individual AMT above.

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

as a tax expenditure because the nonbusiness activities of such organizations generally must predominate and their unrelated business activities are subject to tax.[18] However, there are numerous exceptions that allow for otherwise unrelated business income to escape taxation,[19] 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 FAA Modernization and Reform Act of 2012, enacted on February 14, 2012 (Pub. L. No. 112–95), modifies the following tax expenditures:

—The definition of qualified private activity bonds is modified to permit tax-exempt financing for fixed-wing emergency medical aircraft. In Table 1, this change is reflected in the tax expenditure estimate for "Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities."

—Commercial airline employees who had participated in a commercial airline's tax-exempt defined benefit pension plan, that was terminated or otherwise restricted, are allowed to transfer to a traditional individual retirement account ("IRA") any amount received from the airline resulting from a bankruptcy proceeding filed between September 11, 2001, and January 1, 2007. They may also roll over such an amount from a Roth IRA to a traditional IRA. Any such amount received from an airline that has been transferred under this Act to a traditional IRA is excluded from gross income. In Table 1, this change is reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings" and "Individual retirement arrangements."

The Middle Class Tax Relief and Job Creation Act of 2012, enacted on February 22, 2012 (Pub. L. No. 112–96), modifies the tax expenditure for defined benefit retirement plans by increasing the employee rate of pension contribution under the Federal Employees Retirement System, the Foreign Service Pension System, and the Central Intelligence Agency Retirement and Disability System for Federal employees entering service after December 31, 2012, who have less than five years of creditable civilian service. These increased employee pension contributions, which are taxable, result in a corresponding decrease in the amount of employer pension contributions, which are tax-excluded. In addition, members of Congress and congressional employees entering service after De-

[18] 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.

[19] 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.

cember 31, 2012, who have less than five years of creditable civilian service, receive a reduction in their contribution rate and annuity benefit calculation to the same level as other Federal employees. In Table 1, these changes are reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

The Moving Ahead for Progress in the 21st Century Act ("MAP21"), enacted on July 6, 2012 (Pub. L. No. 112–141), modifies the tax expenditure of defined benefit plans by revising the single-employer plan pension funding rules by adjusting a segment interest rate 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. The Act also permits additional transfers of excess pension assets to retiree health and group term life insurance accounts. In Table 1, this change is reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings: Defined benefit plans."

The American Taxpayer Relief Act of 2012, enacted on January 2, 2013 (Pub. L. No. 112–240), modifies many tax expenditures. The permanent reduction in individual income tax rates also affects the value of most individual income tax expenditures.

—The overall limitation on itemized deductions applies for taxable years beginning after December 31, 2012, for taxpayers with income over (1) $300,000 in the case of married taxpayers filing a joint return or a surviving spouse; (2) $275,000 in the case of a head of household; (3) $250,000 in the case of an individual who is not married and who is not a surviving spouse or head of household; and (4) $150,000 in the case of a married individual filing a separate return. These amounts are indexed for inflation for taxable years beginning after 2013. In Table 1, this is reflected in the various tax expenditure estimates for the relevant itemized deductions.

—The personal exemption phaseout, a negative tax expenditure, applies for taxable years beginning after December 31, 2012, for taxpayers with income over (1) $300,000 in the case of married taxpayers filing a joint return or a surviving spouse; (2) $275,000 in the case of a head of household; (3) $250,000 in the case of an individual who is not married and who is not a surviving spouse or head of household; and (4) ½ the amount in (1) in the case of a married individual filing a separate return. These amounts are indexed for inflation for taxable years beginning after 2013.

—The following modifications to the credit for children under age 17 are extended permanently for taxable years beginning after December 31, 2012: increase in credit from $500 to $1,000; expanded eligibility for the refundable portion of the credit; AMT relief; and provision that the tax credit not be treated as income or resources for purposes of benefit or assistance programs financed in whole or in part with Federal funds. The reduction in the refundable child credit earned income threshold amount to $3,000 is extended for five years for taxable years beginning after 2012 and before 2018.

—The following modifications to the adoption tax credit are extended permanently for taxable years beginning after December 31, 2012: the maximum credit increase to $10,000 (indexed for infla-

tion after 2002); allowance of the credit for both nonspecial needs and special needs adoptions; increase in the phaseout starting point to $150,000 (indexed for inflation after 2002); and allowance of the credit against the AMT.[20] In Table 1, this change is reflected in the tax expenditure estimate for "Adoption credit and employee adoption benefits exclusion."

—The following modifications to the exclusion for employer-provided adoption assistance are extended permanently for taxable years beginning after December 31, 2012: the maximum exclusion increase to $10,000 (indexed for inflation after 2002); allowance of expenses for both non-special needs and special needs adoptions; increase in the phaseout starting point to $150,000 (indexed for inflation after 2002); and allowance of the credit against the AMT.[21] In Table 1, this change is reflected in the tax expenditure estimate for "Adoption credit and employee adoption benefits exclusion."

—The following modifications to the dependent care credit are extended permanently for taxable years beginning after December 31, 2012: increase of the dollar limit on creditable expenses from $2,400 to $3,000 ($4,800 to $6,000 for two or more children); increase of the applicable credit percentage from 30 to 35 percent; and increase of the beginning point of the phaseout range from $10,000 to $15,000. In Table 1, this change is reflected in the tax expenditure estimate for "Credit for child and dependent care and exclusion of employer-provided child care."

—The credit for employer-provided child care is extended permanently for taxable years beginning after December 31, 2012.

—The following modifications to the earned income tax credit are extended permanently for taxable years beginning after December 31, 2012: $3,000 increase in the beginning point of the phaseout range for joint returns; modification of treatment of amounts not includible in income; repeal of reduction for AMT liability; use of AGI instead of modified AGI; simplified relationship test; simplified tie-breaking rule; and expansion of math error authority. The credit percentage of 45 percent for three or more qualifying children and the $2,000 additional higher phaseout threshold for marriage penalty relief are extended for five years for taxable years beginning after 2012 and before 2018.

—The following modifications to the exclusion of earnings of Coverdell education savings accounts are extended permanently for taxable years beginning after December 31, 2012: increase in maximum annual contribution from $500 to $2,000; expansion of definition of qualified education expenses; increase in phaseout range for married filers to double that of unmarried filers; provision of special needs beneficiary rules; allowance of contributions by corporations and other entities; and allowance of contributions until April 15th, the time prescribed by law for filing the return for the taxable year (not including extensions thereof).

—The exclusion from gross income of employer-provided educational assistance, including the expansion to graduate level

[20] The changes to the adoption credit for 2010 and 2011 (relating to the $1,000 increase in the maximum credit and the refundability of the credit) enacted as part of the Patient Protection and Affordable Care Act (Pub. L. No. 111–148) are not extended.

[21] The changes to the exclusion for employer-provided adoption assistance for 2010 and 2011 (relating to the $1,000 increase in the maximum exclusion) enacted as part of the Patient Protection and Affordable Care Act (Pub. L. No. 111–148) are not extended.

courses, is extended permanently for expenses relating to courses beginning after December 31, 2012, in taxable years beginning after December 31, 2012.

—The following modifications to the deduction for interest on student loans are extended permanently for taxable years beginning after December 31, 2012: increase and indexation for inflation of the income phaseout ranges; repeal of the limit on the number of months that interest payments are deductible; and repeal of the rule that voluntary payments of interest are not deductible.

—The exclusion from gross income of awards under the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance program is extended permanently for taxable years beginning after December 31, 2012. In Table 1, this change is reflected in the tax expenditure estimate for "Exclusion of scholarship and fellowship income."

—The increase in the amount of bonds qualifying for the small-issuer arbitrage rebate exception and expansion of tax-exempt treatment to bonds issued to provide qualified public educational facilities are extended permanently for taxable years beginning after December 31, 2012. In Table 1, this change is reflected in the tax expenditure estimate for "Exclusion of interest on State and local government qualified private activity bonds for private non-profit and qualified public educational facilities."

—The modified tax treatment of electing Alaska Native Settlement Trusts, including a special rate of tax, is extended permanently for taxable years beginning after December 31, 2012.

—The reduced capital gains rates for certain individuals and the repeal of the five-year holding period requirement are extended permanently for taxable years beginning after December 31, 2012. In Table 1, this change is reflected in the tax expenditure estimate for "Reduced rates of tax on dividends and long-term capital gains."

—The taxation of dividends at capital gains rates for individuals is extended permanently for taxable years beginning after December 31, 2012. In Table 1, this change is reflected in the tax expenditure estimate for "Reduced rates of tax on dividends and long-term capital gains."

—The following modifications to the Hope credit, which are known as the American Opportunity Tax credit, are extended for five years for taxable years beginning after December 31, 2012 and before 2018: increase in the maximum credit amount from $1,800 to $2,500; expansion of definition of qualified tuition and related expenses to include course materials; extension of application of credit to two more years of post-secondary education; increase in the phaseout starting point to $80,000 ($160,000 for married taxpayers filing a joint return); allowance of the credit against the AMT; partial refundability; and treatment of U.S. possessions.

—The allowance of personal credits against regular tax liability and AMT is extended permanently for taxable years beginning after December 31, 2011. In Table 1, this is reflected in the tax expenditure estimates for the various credits allowable or treated as allowable under subpart A of Part IV of subchapter A.

—The above-the-line deduction for teacher classroom expenses is extended for two years for taxable years beginning after December 31, 2011.

—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, 2012.

—The increase in the exclusion of employer-provided transit and vanpool benefits to the amount for qualified parking is extended for two years for months beginning after December 31, 2011.

—The deduction for premiums for qualified mortgage insurance is extended for two years for amounts paid or accrued after December 31, 2011.

—The election to deduct State and local general sales taxes (in lieu of State and local income taxes) is extended for two years for taxable years beginning after December 31, 2011.

—The higher deduction limits for charitable contributions of real property interests made exclusively for conservation purposes is extended for two years for contributions made in taxable years beginning after December 31, 2011. 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 two years for taxable years beginning after December 31, 2011.

—The exclusion of individual retirement plan distributions for charitable purposes is extended for two years for distributions made in taxable years beginning after December 31, 2011.

—The credit for research and experimentation expenses is extended for two years for amounts paid or incurred after December 31, 2011. Special rules for taxpayers under common control and for computing the credit when a major portion of a trade or business (or unit thereof) changes hands are modified.

—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, 2014.

—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 two years for income determinations made after December 31, 2011. 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 two years for taxable years beginning after December 31, 2011.

—The new markets tax credit is extended for two years for calendar years beginning after December 31, 2011, permitting up to $3.5 billion in qualified equity investments for each of the 2012 and 2013 calendar years. The carryover period for unused credits is extended for two years, through calendar year 2018.

—The credit for certain expenditures on railroad track maintenance is extended for two years for expenditures paid or incurred after December 31, 2011.

—The credit for training costs of mine rescue team employees is extended for two years for taxable years beginning after December 31, 2011. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The credit for wages of employees who are active duty members of the uniformed services is extended for two years for payments made after December 31, 2011. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The work opportunity tax credit other than for hiring qualified veterans is extended for two years for wages paid or incurred for individuals who begin work for an employer after December 31, 2011. The work opportunity tax credit for qualified veterans is extended for one year for wages paid or incurred for individuals who begin work for an employer after December 31, 2012.

—The credit to holders of qualified zone academy bonds is extended for two years for obligations issued after December 31, 2011, and the issuance of up to $400 million of qualified zone academy bonds is authorized for 2012 and 2013.

—Fifteen-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant property, and qualified retail improvements is extended for two years for property placed in service after December 31, 2011. 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 two years for property placed in service after December 31, 2011. 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 two years for property placed in service after December 31, 2011. 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 two years for contributions made after December 31, 2011. 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 2012 and 2013. The treatment of off-the-shelf computer software as qualifying property is extended for one year for taxable years beginning before January 1, 2014. The treatment of qualified real property as eligible section 179 is extended for two years for taxable years beginning in 2012 and 2013. In Table 1, these changes are reflected in the tax expenditure estimate for "Expensing under section 179 of depreciable business property."

—The election to expense advanced mine safety equipment is extended for two years for property placed in service after December 31, 2011. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The election to expense qualified film and television productions is extended for two years for productions commencing after December 31, 2011.

—The deduction for income attributable to domestic production activities in Puerto Rico is extended for two years for taxable years

beginning after December 31, 2011. 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 two years for payments received or accrued after December 31, 2011. 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 two years for taxable years of foreign corporations beginning after December 31, 2011, 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 two years for taxable years of foreign corporations beginning after December 31, 2011, 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 two years for stock acquired after December 31, 2011.

—The designations and tax incentives for empowerment zones are extended for two years for periods after December 31, 2011.

—The authority to issue New York Liberty bonds is extended for two years for bonds issued after December 31, 2011. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The credit for corporate income earned in American Samoa is extended for two years for taxable years beginning after December 31, 2011. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—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, 2012 and for longer-lived and transportation property placed in service after December 31, 2013. The election to accelerate AMT credits in lieu of bonus depreciation is extended for one year for property placed in service after December 31, 2012.

—The credit for certain nonbusiness energy property is extended for two years for property placed in service after December 31, 2011.

—The credit for alternative fuel vehicle refueling property is extended for two years for property other than property relating to hydrogen for property placed in service after December 31, 2011.

—The credit for certain plug-in electric drive motor vehicles is combined with the credit electric motorcycles and three-wheeled ve-

hicles (but not low-speed vehicles) and is extended for two years for vehicles acquired after December 31, 2011.

—The credit for production of cellulosic biofuel is expanded to include algae-based fuel for fuels sold or used after the date of enactment. The credit is renamed the second generation biofuel producer credit. The credit is extended for one year for qualified second generation biofuel production after December 31, 2012.

—The credit for biodiesel and renewable diesel fuel is extended for two years for fuel sold or used after December 31, 2011.

—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, 2012.

—The credit for electricity production from renewable resources is extended to include facilities the construction of which begins before January 1, 2014. The definition of municipal solid waste for purposes of the credit is modified to exclude segregated paper that is commonly recycled.

—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, 2014. 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 two years, and the energy efficiency standard is updated for homes acquired after December 31, 2011.

—The credit for energy-efficient appliances is extended for two years for certain dishwashers, clothes washers, and refrigerators manufactured after December 31, 2011.

—The special allowance for 50 percent of basis of second gerneration biofuel plant property (formerly cellulosic biofuel plant property) is extended for one year for property placed in service after December 31, 2012. The definition of qualified cellulosic biofuel plant property is modified to treat algae as a qualified feedstock for property placed in service after the date of enactment (January 2, 2013). This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

— The deferral of gain from the disposition of electric transmission property to implement Federal Energy Regulation Commission restructuring policy is extended for two years for dispositions after December 31, 2011. In Table 1, this change is reflected in the tax expenditure estimate for "Special rule to implement electric transmission restructuring."

—The ability to transfer amounts in applicable retirement plans to designated Roth accounts is expanded to include amounts not otherwise distributable under the plan. In Table 1, this change is reflected in the tax expenditure estimate for "Net exclusion of pension contributions and earnings: Defined contribution plans."

Expiring Tax Expenditure Provisions

A number of tax expenditure provisions expired in 2012 or are scheduled to expire in 2013. Some provisions expired prior to 2012, but have continuing revenue effects that are associated with ongo-

ing taxpayer activity. These determinations reflect present law as of January 2, 2013.

—The authority to issue qualified green buildings and sustainable design project bonds expires for bonds issued after September 30, 2012.

—The agricultural chemicals security credit expires for any amount paid or incurred after December 31, 2012. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—Tax-exempt bond financing rules for areas damaged by the 2008 Midwestern severe storms, tornados, and flooding and by Hurricane Ike expire for bonds issued after December 31, 2012.

—The 100-percent additional first year depreciation deduction expires December 31, 2012, for certain longer-lived and transportation property.

—The credit for certain nonbusiness energy property expires for expenditures made after December 31, 2013.

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

—The credit for two- or three-wheeled plug-in electric vehicles expires for vehicles acquired after December 31, 2013.

—The credit for health insurance costs of eligible individuals expires for months beginning after December 31, 2013.

—The second generation biofuel producer credit (formerly the cellulosic biofuel producer credit) expires for qualified second generation biofuel production after December 31, 2013.

—The credit for biodiesel and renewable diesel fuel expires for fuel sold or used after December 31, 2013.

—The credit for research and experimentation expenses expires for amounts paid or incurred after December 31, 2013.

—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, 2013.

—The credit for electricity produced from certain renewable resources expires for facilities the construction of which begins after December 31, 2013.

—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, 2013.

—The credit for electricity produced from certain renewable resources expires for Indian coal produced and sold after December 31, 2013.

—The Indian employment tax credit expires for taxable years beginning after December 31, 2013.

—The new markets tax credit expires December 31, 2013.

—The credit for certain expenditures on railroad track maintenance expires for expenditures paid or incurred after December 31, 2013.

—The credit for construction of new energy-efficient homes expires for homes purchased after December 31, 2013.

—The credit for energy efficient appliances expires for certain dishwashers, clothes washers, and refrigerators produced after December 31, 2013.

—The credit for training costs of mine rescue team employees expires 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 wages of employees who are active duty members of the uniformed services expires for payments made 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 work opportunity tax credit expires for wages paid or incurred for individuals who begin work for an employer after December 31, 2013.

—The allocation of new bond authority for the credit to holders of qualified zone academy bonds expires for bonds issued after December 31, 2013.

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

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

—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, 2013.

—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 expires 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 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, 2013.

—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, 2013.

—Three-year cost recovery for race horses two years old or younger expires for race horses placed in service after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Depreciation of equipment in excess of the alternative depreciation system."

—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, 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 expires 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 expires for property placed in service after December 31, 2013. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

—Additional first-year depreciation for 50 percent of basis of qualified property expires for property acquired after December 31, 2013.[22]

—The special allowance for 50 percent of basis of second generation biofuel plant property (formerly cellulosic biofuel plant property) expires 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 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, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Deduction for charitable contributions, other than for education and health."

—The enhanced charitable deduction for contributions of food inventory expires 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 increased dollar limitations, $500,000 and $2 million, for expensing certain depreciable business assets under section 179 expire for taxable years beginning after December 31, 2013. In Table 1, these changes are reflected in the tax expenditure estimate for "Expensing under section 179 of depreciable business property."

—The election to expense 50 percent of the cost of any qualified refinery property expires for property placed in service after December 31, 2013.

—The deduction for expenditures on energy-efficient commercial building property expires for property placed in service after December 31, 2013.

—The election to expense advanced mine safety equipment expires 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 election to expense qualified film and television productions expires for productions commencing after December 31, 2013.

—The deduction for income attributable to domestic production activities in Puerto Rico expires 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 above-the-line deduction for qualified tuition and related expenses expires for taxable years beginning after December 31, 2013.

[22] The 50-percent additional first year depreciation deduction expires December 31, 2014, for certain longer-lived and transportation property.

—The exclusion of individual retirement plan distributions for charitable purposes expires for taxable years beginning after December 31, 2013. In Table 1, this is reflected in the tax expenditure estimate for "Traditional IRAs."

—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, 2013.

—The exemptions under subpart F for active financing income expire for taxable years beginning after December 31, 2013.

—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, 2013.

—The 100-percent exclusion for gain from certain small business stock expires for stock acquired after December 31, 2013.

—The designations and tax incentives for empowerment zones expire after December 31, 2013.

—The credit for corporate income earned in American Samoa expires 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.

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 of the remaining tax expenditure provisions that apply

[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 (7.5 percent (10 percent for taxable years beginning after December 31, 2012) of the taxpayer's adjusted gross income).

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 a seven-year period: the last fiscal year, the current fiscal year when the President's budget is submitted, and the next five fiscal years, *i.e.,* fiscal years 2011–2017. The Joint Committee staff estimates cover the last fiscal year, the current fiscal year, and the succeeding four fiscal years, *i.e.,* fiscal years 2012–2017.

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 2013 through 2017. 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 2011 through 2017.

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 prop-

erties, 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] The capital gains treatment of royalties on coal and domestic iron ore is included with the estimate of special tax rate for qualified timber gain.

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

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.[25] Taxpayer behavior is assumed to remain unchanged for tax expenditure estimate purposes.[26] 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 2012 CBO revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2011–2016. 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

[25] 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.

[26] 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.

present law and the deductions that would have been claimed in the current year if investments in the current 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.[27]

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.[28] 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 considered in

[27] 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.

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

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 2013 through 2017 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)

Agriculture

—Agricultural chemicals security credit (sec. 45O)

—Cash accounting for agriculture (sec. 448(b)(1))

Commerce and housing

—Exclusion of investment income from structured settlement arrangements (secs. 72(u)(3)(C) and 130)
—Exclusion of income from discharge of indebtedness incurred in connection with qualified real property (sec. 108(a)(1)(D))
—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

—Five-year carryback period for certain net operating losses of electric utility companies
—Issuance of tribal economic development bonds
—New York Liberty Zone
—Katrina Emergency Act provisions
—Kansas disaster relief

Education, training, employment, and social services

—Exclusion of interest on educational savings bonds
—Exclusion of restitution payments received by victims of the Nazi regime and the victims' heirs and estates

Health

—Archer medical savings accounts

Income security

—Credit for the elderly and disabled
—Credit for new retirement plan expenses of small businesses

Veterans' benefits and services

—Burial expenses for veterans

General purpose fiscal assistance

—American Samoa economic development credit

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

—Carbon dioxide sequestration credit (sec. 45Q)
—Accelerated deductions for nuclear decommissioning costs

—Fossil fuel capital gains treatment (sec. 631(c))

Natural resources and environment

—Exception to partial interest rule for qualified conservation

Agriculture

—Exceptions from dealer disposition definition
—Exception from interest calculation on installment sales for small dispositions
—Single purpose agricultural or horticultural structures

Commerce and housing

—Credit for interest on certain home mortgages (sec. 25)
—Amortization of organizational expenditures
—Deferral of prepaid subscription income
—Deferral of prepaid dues income of certain membership organizations
—Amortization of partnership organization and syndication fees
—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
—Special discount rate rule for certain debt instruments where stated principal amount is $2.8 million or less
—Deduction for investment expenses*
—Tax treatment of convertible bonds
—Treatment of loans under life insurance and annuity contracts and 401(k) plans
—Exemption for cemetery companies
—Certain exceptions to the UBTI rules:
- 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
—Nondeductibility of excise taxes imposed on employers whose employees receive premium assistance credits*
—Nondeductibility of annual fees imposed on certain drug manufacturers or importers*
—Nondeductibility of annual fees imposed on health insurers*

Community and regional development

—Three-year carryback of small businesses' and farmers' casualty losses attributable to Presidentially declared disaster

Education, training, employment, and social services

—Allowance of 80-percent deduction for right to purchase tickets or stadium seating

General purpose fiscal assistance

—Exclusion of Guam, American Samoa, and Northern Mariana Islands income
—Exclusion of U.S. Virgin Islands income
—Exclusion of Puerto Rico income

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 two five-year periods covering fiscal years 2012–2016 and fiscal years 2013–2017, respectively.

Several of the tax expenditure items involve small amounts of revenue, and those estimates are indicated in Table 1 by footnote 5. For each of these items, the footnote means that the tax expenditure is less than $50 million in the fiscal year.

Table 2 presents projections of tax return information for each of nine income classes on the number of all returns (including filing and nonfiling units), the number of taxable returns, the number of returns with itemized deductions, and 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 2012 - 2017 [1]

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
National Defense														
Exclusion of benefits and allowances to armed forces personnel	---	---	---	---	---	---	4.0	4.6	5.0	5.4	5.7	5.9	24.7	26.6
Exclusion of military disability benefits	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.3	0.3	1.2	1.3
Deduction for overnight-travel expenses of national guard and reserve members	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Exclusion of combat pay	---	---	---	---	---	---	0.9	0.9	0.9	1.0	1.2	1.3	4.9	5.3
International Affairs														
Exclusion of certain allowances for Federal employees abroad	---	---	---	---	---	---	1.8	1.9	2.0	2.1	2.2	2.3	10.0	10.5
Exclusion of foreign earned income:														
Housing	---	---	---	---	---	---	1.0	1.0	1.0	1.2	1.4	1.5	5.5	6.1
Salary	---	---	---	---	---	---	4.9	4.8	5.0	5.9	6.9	7.7	27.5	30.3
Inventory property sales source rule exception	3.1	3.2	3.4	3.5	3.7	3.8	---	---	---	---	---	---	16.9	17.6
Deduction for foreign taxes instead of a credit	0.2	0.2	0.3	0.3	0.3	0.3	---	---	---	---	---	---	1.3	1.4
Interest expense allocation:														
Unavailability of symmetric worldwide method*	-1.4	-1.6	-1.8	-2.0	-2.2	-2.5	---	---	---	---	---	---	-9.1	-10.1
Separate grouping of affiliated financial companies	0.6	0.6	0.7	0.7	0.7	0.7	---	---	---	---	---	---	3.2	3.2
Apportionment of research and development expenses for determination of foreign tax credits	0.5	0.5	0.5	0.5	0.4	0.3	---	---	---	---	---	---	2.3	2.2
Special rules for interest-charge domestic international sales corporations	0.4	0.3	0.4	0.4	0.4	0.4	---	---	---	---	---	---	2.0	1.9
Tonnage tax	0.1	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	---	0.5	0.5
Deferral of active income of controlled foreign corporations	36.8	42.4	49.5	53.9	57.2	62.8	---	---	---	---	---	---	239.7	265.7
Deferral of active financing income [2]	5.0	5.9	1.5	---	---	---	---	---	---	---	---	---	12.4	7.4
General Science, Space, and Technology														
Credit for increasing research activities (Code section 41)	6.0	6.8	5.4	3.9	3.1	2.4	0.1	0.1	0.1	0.1	0.1	0.1	25.7	22.0
Expensing of research and experimental expenditures	4.9	5.3	5.9	6.8	7.4	7.6	0.1	0.1	0.1	0.1	0.1	0.1	31.0	33.8
Therapeutic research credit	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.0

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Energy														
Credit for energy-efficient improvements to existing homes	---	---	---	---	---	---	2.9	3.0	2.5	---	---	---	8.5	5.5
Credit for holders of clean renewable energy bonds (Code sections 54 and 54C) [3] [4]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.4	0.5
Exclusion of energy conservation subsidies provided by public utilities	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Credit for holder of qualified energy conservation bonds [3] [4]	---	---	---	---	---	---	[5]	[5]	[5]	[5]	0.1	0.1	0.2	0.3
Credits for alcohol fuels [6]	0.1	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.1
Energy credit (section 48)	0.4	0.4	0.5	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.1	2.8	2.9
Solar	0.3	0.4	0.4	0.4	0.4	0.4	[5]	[5]	[5]	[5]	[5]	[5]	1.9	2.4
Geothermal	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Fuel Cells	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Microturbines	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Combined heat and power	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Small wind	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Geothermal heat pump systems	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Credits for electricity production from renewable resources (section 45):														
Wind	1.3	1.4	1.5	1.6	1.6	1.7	[5]	[5]	[5]	[5]	[5]	[5]	7.3	7.7
Closed-loop biomass	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Geothermal	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Qualified hydropower	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Small irrigation power	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Municipal solid waste	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Open-loop biomass	0.3	0.3	0.3	0.3	0.3	0.3	[5]	[5]	[5]	[5]	[5]	[5]	1.5	1.5
Special rule to implement electric transmission restructuring	1.8	-0.2	-0.2	-0.1	-0.1	-0.1	---	---	---	---	---	---	1.1	-0.6
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	---	1.0	1.2
Coal production credits:														
Refined coal	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Indian coal	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Credit for the production of energy-efficient appliances	0.2	0.2	0.1	0.1	[5]	[5]	---	---	---	---	---	---	0.6	0.6
Credits for alternative technology vehicles:														
Other alternative fuel vehicles	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Credit for clean-fuel vehicle refueling property	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3	0.3
Residential energy-efficient property credit	---	---	---	---	---	---	0.8	0.9	1.0	1.0	1.1	0.9	4.8	4.9

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
New energy-efficient home credit	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Credit for plug-in electric vehicles	0.2	0.3	0.4	0.4	0.5	0.5	[5]	0.1	0.1	0.1	0.1	0.1	2.5	3.2
Credit for investment in advanced energy property	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	[5]	1.3	1.5
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3	0.3
Deduction for expenditures on energy-efficient commercial building property	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.1
Expensing of exploration and development costs, fuels:														
Oil and gas	0.5	0.7	0.9	1.0	1.1	1.1	0.2	0.2	0.3	0.3	0.3	0.4	5.4	6.2
Other fuels	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.4	0.5
Excess of percentage over cost depletion, fuels:														
Oil and gas	1.1	1.1	1.1	1.1	1.1	1.2	[5]	[5]	[5]	[5]	[5]	[5]	5.6	5.7
Other fuels	0.2	0.2	0.2	0.2	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.9	1.0
Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.7	0.7
Amortization of air pollution control facilities	0.4	0.4	0.4	0.3	0.3	0.3	---	---	---	---	---	---	1.8	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	0.3	0.2	0.2	[5]	[5]	[5]	[5]	[5]	[5]	1.4	1.5
10-year MACRS for smart electric distribution property	0.1	0.1	0.2	0.2	0.2	0.2	---	---	---	---	---	---	0.7	0.9
15-year MACRS for certain electric transmission property	0.2	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	---	0.9	1.0
15-year MACRS for natural gas distribution line	0.1	0.1	0.1	0.2	0.2	0.2	---	---	---	---	---	---	0.6	0.7
Election to expense 50 percent of qualified property used to refine liquid fuels	0.4	0.4	0.7	0.8	0.8	0.6	---	---	---	---	---	---	3.1	3.4
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities	---	---	---	---	---	---	1.1	1.2	1.2	1.4	1.4	1.5	6.3	6.7
Natural Resources and Environment														
Special depreciation allowance for certain reuse and recycling property	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.4	0.5
Excess of percentage over cost depletion, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.4	0.5
Expensing of timber-growing costs	0.2	0.2	0.2	0.2	0.2	0.2	[5]	[5]	[5]	[5]	[5]	[5]	1.2	1.3
Special rules for mining reclamation reserves	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Special tax rate for nuclear decommissioning reserve funds	1.0	1.1	1.1	1.2	1.2	1.3	---	---	---	---	---	---	5.5	5.8
Exclusion of contributions in aid of construction for water and sewer utilities	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.2
Exclusion of earnings of certain environmental settlement funds	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Amortization and expensing of reforestation expenditures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.1
Special tax rate for qualified timber gain	---	---	---	---	---	---	0.4	0.5	0.5	0.5	0.5	0.5	2.4	2.5
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	0.2	0.2	0.2	0.7	0.8
Agriculture														
Expensing of soil and water conservation expenditures	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.3	0.4
Expensing of the costs of raising dairy and breeding cattle	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.5	0.6
Exclusion of cost-sharing payments	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of cancellation of indebtedness income of farmers	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4
Income averaging for farmers and fishermen	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Five-year carryback period for net operating losses attributable to farming	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.3	0.4
Expensing by farmers for fertilizer and soil conditioner costs	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.3	0.4
Commerce and Housing														
Housing:														
Deduction for mortgage interest on owner-occupied residences	---	---	---	---	---	---	68.5	69.7	71.7	75.0	79.2	83.4	364.0	379.0
Deduction for property taxes on real property	---	---	---	---	---	---	24.5	27.0	28.6	30.4	32.5	34.4	143.0	152.9
Exclusion of capital gains on sales of principal residences	---	---	---	---	---	---	22.3	23.8	24.8	26.0	27.1	28.0	124.1	129.8
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing	0.3	0.3	0.3	0.3	0.3	0.3	0.8	0.9	0.9	1.0	1.0	1.0	6.2	6.7
Deduction for premiums for qualified mortgage insurance	---	---	---	---	---	---	0.2	0.2	[5]	---	---	---	0.4	0.2
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness	---	---	---	---	---	---	1.3	1.3	0.3	---	---	---	3.0	1.6
Credit for low-income housing	5.7	6.1	6.4	6.8	7.4	7.9	0.3	0.3	0.3	0.4	0.4	0.4	34.2	36.5
Credit for rehabilitation of historic structures	0.4	0.4	0.4	0.4	0.5	0.5	0.2	0.2	0.2	0.2	0.2	0.3	3.1	3.2

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Credit for rehabilitation of structures, other than historic structures	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	1.5	1.6
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.2	0.3	0.3	0.3	0.3	0.3	0.6	0.7	0.7	0.8	0.8	0.8	5.0	5.2
Depreciation of rental housing in excess of alternative depreciation system	0.5	0.4	0.4	0.4	0.4	0.4	4.2	4.0	3.8	3.7	3.7	3.8	21.5	21.0
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	0.1	0.2	0.3	0.3	0.3	0.3	0.3	1.9	2.0
Carryover basis of capital gains on gifts	---	---	---	---	---	---	5.5	13.2	-1.4	-3.6	1.6	2.2	15.3	12.0
Deferral of gain on non-dealer installment sales	6.0	7.0	6.9	6.9	6.8	6.7	1.3	2.6	2.7	2.1	1.7	1.4	44.0	44.8
Deferral of gain on like-kind exchanges	4.2	4.9	5.7	6.5	7.3	8.0	2.0	2.0	3.0	3.1	3.3	3.5	42.0	47.3
Expensing under section 179 of depreciable business property	0.5	0.4	0.4	0.4	0.4	0.4	4.2	4.0	3.8	3.7	3.7	3.9	21.6	21.1
Amortization of business startup costs	[5]	[5]	[5]	[5]	0.1	0.1	[5]	[5]	0.1	0.1	0.1	0.1	0.5	0.6
Reduced rates on first $10,000,000 of corporate taxable income	2.4	3.1	3.7	4.0	3.9	4.1	---	---	---	---	---	---	17.1	18.8
Exemptions from imputed interest rules	[5]	[5]	[5]	[5]	[5]	[5]	0.5	0.6	0.6	0.6	0.6	0.7	2.9	3.1
Expensing of magazine circulation expenditures	0.1	[5]	[5]	[5]	[5]	[5]	0.1	[5]	[5]	[5]	[5]	[5]	0.4	0.4
Special rules for magazine, paperback book, and record returns	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Completed contract rules	0.7	0.8	0.8	0.9	0.9	0.9	[5]	[5]	[5]	[5]	[5]	[5]	4.1	4.3
Cash accounting, other than agriculture	[5]	[5]	[5]	[5]	[5]	[5]	1.1	1.1	1.2	1.3	1.3	1.4	6.0	6.3
Credit for employer-paid FICA taxes on tips	0.7	0.8	0.8	0.9	0.9	1.0	0.5	0.5	0.6	0.6	0.6	0.7	6.9	7.3
Deduction for income attributable to domestic production activities	9.6	10.1	10.6	11.2	11.7	12.3	3.8	4.0	4.2	4.5	4.7	4.9	74.5	78.2
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Reduced rates of tax on dividends and long-term capital gains	---	---	---	---	---	---	108.4	160.8	91.3	114.9	120.6	128.5	596.0	616.2
Surtax on net investment income*	---	---	---	---	---	---	---	-4.0	-16.7	-19.8	-20.9	-22.4	-61.4	-83.8
Exclusion of capital gains at death	---	---	---	---	---	---	37.8	42.8	48.4	51.6	55.5	59.7	236.1	258.0
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion for gain from certain small business stock	---	---	---	---	---	---	0.4	0.3	0.5	0.7	0.7	0.8	2.6	3.0

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Distributions in redemption of stock to pay various taxes imposed at death	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Inventory methods and valuation:														
Last in first out	4.0	4.2	4.4	4.6	4.8	5.1	0.6	0.6	0.7	0.7	0.7	0.7	25.2	26.5
Lower of cost or market	0.4	0.5	0.5	0.6	0.6	0.6	0.1	0.1	0.1	0.1	0.1	0.1	3.1	3.3
Specific identification for homogeneous products	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Exclusion of gain or loss on sale or exchange of brownfield property	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Income recognition rule for gain or loss from section 1256 contracts	[5]	[5]	[5]	0.1	0.1	0.1	0.7	0.9	1.0	1.0	1.0	1.0	4.8	5.0
Net alternative minimum tax attributable to net operating loss limitation*	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-3.0	-3.0
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	2.2	2.2
Depreciation of equipment in excess of the alternative depreciation system [7]	22.3	13.9	-21.4	-18.4	-1.9	9.4	9.1	5.7	-8.8	-7.5	-0.8	3.9	-7.7	-25.9
Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument	0.5	0.3	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.8	0.3
Financial institutions														
Exemption of credit union income	0.5	0.5	0.7	0.8	0.9	1.0	---	---	---	---	---	---	3.4	3.9
Insurance companies:														
Exclusion of investment income on life insurance and annuity contracts	2.6	2.7	2.7	2.8	2.8	2.9	26.6	27.3	28.0	28.7	29.4	30.2	153.8	157.6
Small life insurance company taxable income adjustment	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.2
Special treatment of life insurance company reserves	2.3	2.4	2.6	2.7	2.7	2.8	---	---	---	---	---	---	12.7	13.2
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.4	0.5	---	---	---	---	---	---	2.1	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	0.1	---	---	---	---	---	---	0.3	0.4
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	0.7	0.7	0.8	0.8	0.8	0.8	---	---	---	---	---	---	3.8	3.9

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Proration for property and casualty insurance companies	0.3	0.4	0.4	0.4	0.5	0.5	---	---	---	---	---	---	1.9	2.1
Transportation														
Exclusion of employer-paid transportation benefits (parking, van pools, and transit passes)	---	---	---	---	---	---	4.4	4.9	5.3	5.7	6.2	6.7	26.5	28.8
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	---	0.5	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	[5]	[5]	[5]	[5]	[5]	0.1	[5]	[5]	0.1	0.1	0.1	0.1	0.5	0.6
Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.6	0.6	0.7	0.7	0.7	4.3	4.5
Provide a 50 percent tax credit for certain expenditures for maintaining railroad tracks	0.1	0.2	0.1	---	---	---	---	---	---	---	---	---	0.3	0.2
Community and Regional Development														
Empowerment zone tax incentives	0.4	0.2	0.1	0.1	[5]	[5]	0.2	0.1	0.1	[5]	[5]	[5]	1.2	0.7
Renewal community incentives	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.2
New markets tax credit	0.7	0.9	1.0	1.0	1.1	1.1	[5]	[5]	[5]	[5]	[5]	[5]	4.7	5.1
District of Columbia tax incentives	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.6
Credit for Indian reservation employment	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
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	0.1	0.3	0.3	0.3	0.3	0.3	0.3	2.1	2.2
Recovery zone bonds [3] [4]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2	0.2	0.2	0.2	0.2	1.0	1.0
Build America bonds [3] [4]	---	---	---	---	---	---	3.8	3.8	3.8	3.8	3.8	3.8	19.0	19.0
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.4	0.5	0.5	0.6	0.6	0.7	---	---	---	---	---	---	2.6	2.9
Disaster Relief:														
National disaster relief	*Estimate Contained in Other Provisions*													
Education, Training, Employment, and Social Services														
Education and training:														
Deduction for interest on student loans	---	---	---	---	---	---	1.3	1.3	1.4	1.4	1.5	1.5	6.9	7.1

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Deduction for higher education expenses	---	---	---	---	---	---	0.8	0.7	0.2	---	---	---	1.7	0.9
Exclusion of earnings of Coverdell education savings accounts	---	---	---	---	---	---	[5]	0.1	0.1	0.1	0.1	0.1	0.4	0.6
Exclusion of scholarship and fellowship income	---	---	---	---	---	---	2.4	2.5	2.7	2.8	3.0	3.1	13.3	14.1
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	0.2	0.9	1.0
Exclusion of employer-provided education assistance benefits	---	---	---	---	---	---	1.1	1.1	1.2	1.2	1.2	1.2	5.8	5.9
Exclusion of employer-provided tuition reduction benefits	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.3	1.2	1.1
Parental personal exemption for students aged 19 to 23	---	---	---	---	---	---	4.8	4.8	5.0	5.1	5.2	5.3	24.9	25.4
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.4	0.4	0.4	0.4	2.6	2.7
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	0.9	0.9	0.9	0.9	0.9	0.9	2.2	2.5	2.6	2.7	2.8	2.9	17.4	18.2
Credit for holders of qualified zone academy bonds [3] [4]	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	1.2	1.3
Deduction for charitable contributions to educational institutions	0.3	0.3	0.3	0.3	0.3	0.3	4.9	5.3	5.9	6.1	6.4	6.7	30.0	31.9
Deduction for teacher classroom expenses	---	---	---	---	---	---	0.2	0.2	0.1	---	---	---	0.5	0.3
Credits for tuition for post-secondary education [4]:	---	---	---	---	---	---	20.3	20.1	24.5	26.8	27.4	27.6	119.1	126.4
Exclusion of tax on earnings of qualified tuition programs:														
Prepaid tuition programs	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Savings account programs	---	---	---	---	---	---	0.6	0.7	0.8	1.0	1.1	1.2	4.2	4.8
Qualified school construction bonds [3] [4]	0.1	0.1	0.1	0.1	0.1	0.1	0.7	1.0	1.2	1.4	1.4	1.4	6.0	6.7
Employment:														
Exclusion of employee meals and lodging (other than military)	---	---	---	---	---	---	1.5	1.7	1.9	2.1	2.3	2.5	9.5	10.5
Exclusion of benefits provided under cafeteria plans [8]	---	---	---	---	---	---	26.8	32.2	36.6	39.1	41.1	43.3	175.8	192.3
Exclusion of housing allowances for ministers	---	---	---	---	---	---	0.7	0.7	0.7	0.8	0.8	0.8	3.7	3.8
Exclusion of miscellaneous fringe benefits	---	---	---	---	---	---	7.0	7.3	7.5	7.7	7.9	8.2	37.4	38.5
Exclusion of employee awards	---	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	0.3	1.5	1.5
Exclusion of income earned by voluntary employees' beneficiary associations	---	---	---	---	---	---	2.8	2.7	2.9	3.1	3.2	3.2	14.6	15.1

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.0	1.0	1.1	1.1	0.1	0.1	0.1	0.1	0.2	0.2	5.5	5.9
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	-1.4	-1.4	-1.5	-1.6	-1.6	-1.6	0.3	0.3	0.3	0.4	0.4	0.4	-5.7	-5.8
Deferral of taxation on spread on employee stock purchase plans*	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	-0.7	-0.7
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) [9]*	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	---	---	---	---	---	---	-1.1	-1.2
Limits on deductible compensation [10]*	-0.6	-0.7	-0.8	-0.8	-0.9	-0.9	---	---	---	---	---	---	-3.8	-4.0
Work opportunity tax credit	0.8	0.9	0.8	0.4	0.3	0.2	0.1	0.2	0.1	0.1	[5]	[5]	3.7	2.9
Social services:														
Credit for children under age 17 [4]	---	---	---	---	---	---	56.8	57.3	57.9	58.4	58.9	59.0	289.4	291.6
Credit for child and dependent care and exclusion of employer-provided child care [10]	---	---	---	---	---	---	3.3	3.3	3.4	3.5	3.5	3.6	17.0	17.3
Credit for employer-provided dependent care	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of certain foster care payments	---	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	0.4	2.0	2.0
Adoption credit and employee adoption benefits exclusion	---	---	---	---	---	---	0.5	0.5	0.5	0.5	0.6	0.6	2.6	2.7
Deduction for charitable contributions, other than for education and health [11]	0.9	0.9	0.9	0.9	1.0	1.0	28.8	31.0	34.7	35.9	37.4	39.3	172.4	183.0
Credit for disabled access expenditures	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Health														
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [12]	---	---	---	---	---	---	117.3	131.7	143.0	153.0	161.5	171.2	706.6	760.4
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	---	---	---	---	---	---	2.6	2.7	2.7	2.8	2.8	2.9	13.6	13.9
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	---	---	---	---	---	---	1.5	1.8	2.1	2.3	2.4	2.7	10.1	11.2
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	---	---	---	---	---	---	4.6	5.2	5.6	5.9	6.2	6.6	27.6	29.6

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Deduction for medical expenses and long-term care expenses	---	---	---	---	---	---	11.2	11.4	12.4	14.2	16.2	17.3	65.6	71.6
Exclusion of workers' compensation benefits (medical benefits)	---	---	---	---	---	---	5.4	5.7	4.9	4.9	5.0	5.1	25.8	25.6
Health savings accounts	---	---	---	---	---	---	1.5	1.8	2.1	2.3	2.5	2.8	10.1	11.4
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.6	0.6	0.6	0.6	0.6	0.7	1.5	1.7	1.7	1.9	1.9	2.0	11.8	12.4
Deduction for charitable contributions to health organizations	1.6	1.6	1.6	1.7	1.7	1.8	2.5	2.7	3.0	3.1	3.3	3.4	22.8	23.9
Credit for purchase of health insurance by certain displaced persons [4]	---	---	---	---	---	---	0.2	[5]	---	---	---	---	0.3	[5]
Credit for orphan drug research	0.7	0.8	0.8	0.9	0.9	1.0	[5]	[5]	[5]	[5]	[5]	[5]	4.1	4.3
Premium subsidy for COBRA continuation coverage [4]	---	---	---	---	---	---	[5]	---	---	---	---	---	[5]	---
Tax credit for small businesses purchasing employer insurance	0.2	0.3	0.4	0.5	0.1	0.3	1.2	1.5	2.2	3.1	0.8	1.6	10.3	10.8
Subsidies for participation in exchanges [4]	---	---	---	---	---	---	---	---	20.5	44.5	76.5	95.9	141.6	237.5
Medicare														
Exclusion of Medicare benefits:														
Hospital insurance (Part A)	---	---	---	---	---	---	29.1	34.0	31.7	33.8	34.2	36.6	162.8	170.3
Supplementary medical insurance (Part B)	---	---	---	---	---	---	28.9	26.4	27.1	28.9	31.0	34.3	142.2	147.6
Prescription drug insurance (Part D)	---	---	---	---	---	---	6.0	6.6	7.2	7.9	8.7	9.6	36.5	40.1
Exclusion of certain subsidies to employers who maintain prescription drug plans for Medicare enrollees	0.5	0.3	---	---	---	---	---	---	---	---	---	---	0.8	0.3
Income Security														
Exclusion of workers' compensation benefits (disability and survivors payments)	---	---	---	---	---	---	3.9	4.1	4.4	4.7	5.0	5.3	22.1	23.4
Exclusion of damages on account of personal physical injuries or physical sickness	---	---	---	---	---	---	1.6	1.6	1.6	1.7	1.7	1.7	8.0	8.3
Exclusion of special benefits for disabled coal miners	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of cash public assistance benefits	---	---	---	---	---	---	4.4	4.9	5.0	5.2	5.4	5.5	24.9	25.9
Net exclusion of pension contributions and earnings:														
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	---	---	---	---	---	---	10.6	11.3	12.0	12.7	13.6	14.5	60.2	64.1
Defined benefit plans	---	---	---	---	---	---	40.9	32.9	35.1	41.2	48.9	54.1	198.9	212.2
Defined contribution plans	---	---	---	---	---	---	49.6	57.0	61.4	65.9	72.5	78.8	306.4	335.6

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Individual retirement arrangements:														
Traditional IRAs	---	---	---	---	---	---	6.7	11.1	13.3	14.5	15.9	17.2	61.5	72.0
Roth IRAs	---	---	---	---	---	---	3.4	3.8	4.3	4.9	5.5	6.2	22.0	24.8
Credit for certain individuals for elective deferrals and IRA contributions	---	---	---	---	---	---	1.0	1.1	1.1	1.1	1.0	1.0	5.3	5.3
Exclusion of other employee benefits:														
Premiums on group term life insurance (excludes payroll taxes)	---	---	---	---	---	---	2.8	3.0	3.2	3.4	3.6	3.9	16.0	17.1
Premiums on accident and disability insurance	---	---	---	---	---	---	3.6	3.7	3.8	4.0	4.1	4.3	19.2	19.9
Additional standard deduction for the blind and the elderly	---	---	---	---	---	---	2.7	2.9	3.2	3.5	3.9	4.3	16.3	17.8
Deduction for casualty and theft losses	---	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	0.4	1.5	1.6
Earned income credit [4]	---	---	---	---	---	---	59.0	60.9	67.0	66.5	66.3	65.3	319.7	325.9
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*	---	---	---	---	---	---	-10.1	-11.3	-12.9	-14.0	-15.3	-16.7	-63.6	-70.2
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of disaster mitigation payments	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Social Security and Railroad Retirement														
Exclusion of untaxed Social Security and railroad retirement benefits	---	---	---	---	---	---	31.5	33.0	34.4	35.8	37.3	39.1	172.1	179.6
Veterans' Benefits and Services														
Exclusion of veterans' disability compensation	---	---	---	---	---	---	5.2	5.9	6.0	6.1	6.6	6.2	29.9	30.8
Exclusion of veterans' pensions	---	---	---	---	---	---	0.1	0.2	0.2	0.2	0.2	0.2	0.8	0.8
Exclusion of veterans' readjustment benefits	---	---	---	---	---	---	1.3	1.5	1.4	1.5	1.6	1.6	7.3	7.7
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3	0.3
General Purpose Fiscal Assistance														
Exclusion of interest on public purpose State and local government bonds	9.0	9.3	9.5	9.7	9.9	10.1	23.0	26.5	27.3	28.8	29.6	30.4	182.8	191.3
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	---	---	---	---	---	---	43.5	50.3	51.8	54.9	58.6	62.0	259.2	277.6

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Interest														
Deferral of interest on savings bonds	---	---	---	---	---	---	1.3	1.3	1.4	1.4	1.4	1.5	6.8	7.0

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2012-2016 and 2013-2017 period.

[1] Reflects legislation enacted by January 2, 2013.

[2] Does not include provision that permits look-through of payments between related foreign corporations.

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

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

	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Clean renewable energy bonds	---	---	---	---	---	---	[5]	[5]	[5]	[5]	0.1	0.1	0.2	0.2
Qualified energy conservation bonds	---	---	---	---	---	---	[5]	[5]	[5]	[5]	0.1	0.1	0.2	0.2
Recovery zone economic development bonds	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.2	0.8	0.8
Build America bonds	---	---	---	---	---	---	3.8	3.8	3.8	3.8	3.8	3.8	19.0	19.0
Qualified zone academy bonds	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3
HOPE credit	---	---	---	---	---	---	4.6	4.5	4.5	4.8	5.1	5.0	23.5	24.0
Qualified school construction bonds	---	---	---	---	---	---	0.7	0.9	1.2	1.3	1.3	1.3	5.4	6.1
Credit for children under age 17	---	---	---	---	---	---	29.6	30.8	31.2	31.1	30.6	30.3	153.3	154.0
Credit for health insurance by certain displaced person	---	---	---	---	---	---	0.2	[5]	---	---	---	---	0.3	[5]
Premium subsidy for COBRA continuation coverage	---	---	---	---	---	---	[5]	---	---	---	---	---	[5]	---
Subsidies for participation in exchanges	---	---	---	---	---	---	---	---	20.5	44.5	76.5	95.9	141.6	237.5
Earned income credit	---	---	---	---	---	---	51.4	53.2	58.0	57.7	57.6	56.8	277.9	283.2

[5] Positive tax expenditure of less than $50 million.

[6] In addition to the amounts above, the excise tax credit for alcohol fuel mixtures results in a reduction in excise tax receipts of $1.6 billion over fiscal years 2012-2016, and less than $50 million over fiscal years 2013-2017.

[7] Includes bonus depreciation and general acceleration under MACRS.

[8] 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.

[9] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.

[10] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[11] 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.

[12] Estimate includes employer-provided health insurance purchased through cafeteria plans.

Table 2.--Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability at 2012 Rates, 2012 Law, and 2012 Income Levels [1]

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

Income Class [2]	All Returns [3]	Taxable Returns	Itemized Returns	Tax Liability
Below $10,000	17,878	12	418	-$8,110
$10,000 to $20,000	17,418	4,168	760	-24,672
$20,000 to $30,000	18,526	6,328	1,360	-14,085
$30,000 to $40,000	15,862	7,928	2,310	144
$40,000 to $50,000	14,182	9,051	3,230	13,582
$50,000 to $75,000	26,339	20,123	8,583	72,802
$75,000 to $100,000	16,618	15,414	7,860	91,859
$100,000 to $200,000	22,735	22,412	16,522	293,676
$200,000 and over	6,321	6,281	5,882	561,492
Total	**155,879**	**91,717**	**46,925**	**$986,688**

[1] Tax law as in effect on December 31, 2011, is applied to the 2011 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, and (h) excluded income of U.S. citizens living abroad.

[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.

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 2012 Rates and 2012 Income Levels [1]

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

Income Class [2]	Medical Deduction		Real Estate Tax Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	1	[3]	[4]	[3]
$10,000 to $20,000	92	$22	120	$19
$20,000 to $30,000	246	86	363	72
$30,000 to $40,000	587	230	860	196
$40,000 to $50,000	1,059	509	1,729	428
$50,000 to $75,000	2,438	2,173	5,903	2,232
$75,000 to $100,000	2,080	2,508	6,389	3,094
$100,000 to $200,000	2,242	4,765	15,185	12,199
$200,000 and over	201	1,389	3,749	6,071
Total	**8,946**	**$11,683**	**34,298**	**$24,310**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2012 Rates and 2012 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	6	[3]	1	[3]
$10,000 to $20,000	163	$5	93	$9
$20,000 to $30,000	621	39	415	67
$30,000 to $40,000	1,343	126	940	185
$40,000 to $50,000	2,304	303	1,791	397
$50,000 to $75,000	7,781	1,927	5,877	2,014
$75,000 to $100,000	7,850	3,027	6,262	2,727
$100,000 to $200,000	17,143	14,262	14,522	10,581
$200,000 and over	4,805	24,135	5,438	21,597
Total	**42,016**	**$43,826**	**35,338**	**$37,578**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2012 Rates and 2012 Income Levels [1] -- Continued

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

Income Class [2]	Child Care Credit		Earned Income Credit [5]	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	---	---	8,565	$11,041
$10,000 to $20,000	117	$26	8,445	27,257
$20,000 to $30,000	588	309	5,340	15,059
$30,000 to $40,000	675	435	3,569	5,072
$40,000 to $50,000	537	298	891	601
$50,000 to $75,000	1,181	642	---	---
$75,000 to $100,000	1,027	562	---	---
$100,000 to $200,000	1,484	831	---	---
$200,000 and over	322	166	---	---
Total	**5,930**	**$3,268**	**26,810**	**$59,028**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2012 Rates and 2012 Income Levels [1] -- Continued

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

Income Class [2]	Untaxed Social Security and Railroad Retirement Benefits		Child Tax Credit [5]	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	3	[3]	2,085	$1,223
$10,000 to $20,000	745	$223	4,742	5,816
$20,000 to $30,000	4,280	1,766	4,575	6,733
$30,000 to $40,000	3,966	4,402	4,148	6,781
$40,000 to $50,000	3,940	5,461	3,539	6,127
$50,000 to $75,000	8,196	10,935	6,542	11,625
$75,000 to $100,000	5,020	6,027	4,691	8,317
$100,000 to $200,000	4,462	1,864	6,467	10,040
$200,000 and over	1,065	488	14	16
Total	**31,677**	**$31,167**	**36,803**	**$56,678**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2012 Rates and 2012 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	395	$343	14	[3]
$10,000 to $20,000	979	930	241	$19
$20,000 to $30,000	1,173	1,583	476	54
$30,000 to $40,000	1,096	1,618	752	92
$40,000 to $50,000	1,059	1,681	815	115
$50,000 to $75,000	2,434	3,869	1,931	334
$75,000 to $100,000	1,760	3,021	1,262	177
$100,000 to $200,000	2,985	5,147	2,366	515
$200,000 and over	65	23	---	---
Total	**11,946**	**$18,217**	**7,858**	**$1,305**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2012 Rates and 2012 Income Levels [1] -- Continued

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

Income Class [2]	Mortgage Interest Deduction		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	$1	[4]	[6]
$10,000 to $20,000	177	48	[4]	[6]
$20,000 to $30,000	489	235	[4]	[6]
$30,000 to $40,000	997	585	1	[6]
$40,000 to $50,000	1,792	1,151	[4]	[6]
$50,000 to $75,000	5,799	5,906	16	-$10
$75,000 to $100,000	6,081	7,567	53	-51
$100,000 to $200,000	14,065	29,068	500	-682
$200,000 and over	4,701	23,606	3,348	-9,384
Total	**34,102**	**$68,166**	**3,917**	**-10,128**

[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, and (h) excluded income of U.S. citizens living abroad.
[3] Positive tax expenditure of less than $500,000.
[4] Fewer than 500 returns.
[5] Includes the refundable portion.
[6] Negative tax expenditure of less than $500,000.

NOTE--Details may not add to totals due to rounding.
Source: Joint Committee on Taxation