United States General Accounting Office

GAO

Report to the Honorable Charles F. Bass, House of Representatives

March 1996

BUDGET ISSUES

Selected GAO Work on Federal Financial Support of Business

G A O
75 years
1921 - 1996

GAO/AIMD/GGD-96-87

GAO

United States
General Accounting Office
Washington, D.C. 20548

B-271294

March 7, 1996

The Honorable Charles F. Bass
House of Representatives

Dear Mr. Bass:

You asked us to summarize previously issued GAO work on spending programs and tax benefits available to businesses. As agreed with your office, our objective was to produce examples from GAO work assessing selected financial support programs available to businesses. This letter presents many examples of federal programs from GAO work published primarily after 1992 where we identified efficiency or effectiveness concerns and provides GAO's observations on program design and implementation. The examples do not represent a comprehensive inventory of all federal financial support for business. We compiled our summary in Washington, D.C., in March 1996. The appendixes list the most recent GAO product; however, other related GAO work also may be available. Appendix I contains information on 40 spending programs and appendix II, information on 13 tax benefits.

The Congress is now considering action on several of the programs included in our examples. Notwithstanding pending congressional actions, we included the examples to provide you the fullest information possible.

The federal government provides financial benefits to businesses as a means of fulfilling a wide range of public policy objectives. Our work shows that these benefits are spread throughout the budget, including programs in international affairs, energy, natural resources and environment, agriculture, and transportation.

In those cases where programs are poorly designed, including those benefiting businesses, the federal government may spend more money or lose more revenue than needed to reach its intended audience and achieve program or service goals. These issues can be grouped under the following headings.

- Ineffective or Inefficient Transfers: Some businesses receive federal funds or tax benefits to do things they would have done anyway. For example, as noted in appendix II, the job creation benefits attributed to some small issue industrial development bonds would likely have occurred without their issuance.

- Preemption of Market Forces: Artificially increasing the price of goods to consumers can encourage inefficient production, can impose cost on taxpayers, and also may encourage production of goods that otherwise would not have been produced. Examples include federal payments for such farm commodities as rice, cotton, and milk presented in appendix I.
- Moral Hazard: Federal programs may provide an incentive for businesses to undertake more risky activity than they would without the program. An example in appendix I is the availability of federal crop insurance where government costs rise because producers who do not employ loss-prevention measures enjoy the same premium schedule as those who do.
- Duplication, Overlap, and Tools Working at Cross Purposes: Several federal programs may address the same problem, or one program may counteract the beneficial effects of another program. Our reports on water and crop programs, housing assistance, and disaster assistance programs identify numerous instances of this condition. For example, as we discuss in appendix I, some farmers receive federally subsidized water to produce federally subsidized crops due to the design of federal water and crop programs.

The question of whether funding should be reduced or programs redesigned is an issue for the Congress to decide. If changes are made, some businesses may receive less funding and fewer resources, while others could receive somewhat more. In some cases, changes in the design of a spending or tax program could be made without changing current law. In other cases, however, the Congress would need to change underlying legislation, consistent with its new views.

Copies of this report will be available upon request. Major contributors to this report were Margaret Wrightson, Assistant Director, Budget Issues; Carolyn Litsinger, Senior Evaluator-in-Charge, Budget Issues; Kevin Daly, Senior Economist, Tax Policy and Administration Issues; and Anne Stevens, Senior Economist, Tax Policy and Administration Issues. If you or your staff have any questions concerning the report, Paul Posner may be reached at (202) 512-9573 and James White, at (202) 512-5594.

Paul L. Posner

Paul L. Posner
Director, Budget Issues
Accounting and Information
Management Division

James R. White

James R. White
Associate Director
Tax Policy and Administration Issues
General Government Division

Selected GAO Work on Federal Spending Programs for Business by Budget Function

Budget Function	Spending Programs	Observations	Latest Product
150 International Affairs	**Food Aid: Reduce or Eliminate Funding for P.L. 480, Title I** U.S. agricultural commodities are sold to developing countries on long-term credit at below-market interest rates. A significant portion of the goods must be shipped on U.S.-flagged ships.	Title I's contribution to economic development and to long-term foreign market development for U.S. commodities has not been demonstrated.	GAO/T-GGD-94-191
250 General Science, Space, & Technology	**Small Business Technology Transfer Pilot Program** To help move new knowledge from research institutions to industry, this three year pilot was started in fiscal year 1994. Federal agencies rated the quality and commercial potential of winning proposals, but technical experts were cautious about the commercial potential perhaps because the program is new.	Similarity to the Small Business Innovation Research Program raises questions about the need for this program.	GAO/RCED-96-19
270 Energy	**Clean Coal Technology Funds** Funds subsidize the construction and operation of facilities to demonstrate the potential commercial feasibility of such technologies.	At least $100 million in uncommitted funds originally appropriated could be rescinded if certain projects experiencing problems were terminated.	GAO/RCED-94-174
	Uranium Enrichment Program The government may transfer enrichment technologies and other assets to enhance the value of USEC before it is privatized.	Privatization of USEC should be undertaken with care to properly value assets.	GAO/RCED-92-245
	Naval Petroleum Reserve-1 Originally established to ensure fuel supplies for the military, since 1976 the reserve's purpose is to provide oil for the U.S. economy and revenue for the U.S. government.	The reserve could be operated to maximize the reserve's value, not its production level, as is done now.	GAO/RCED-95-65

Budget Function	Spending Programs	Observations	Latest Product
	Strategic Petroleum Reserve Crude oil is stockpiled to decrease the vulnerability of the U.S. to disruptions in world petroleum supplies.	Consolidation of storage sites, while maintaining the current reserve level, would result in lower operation and maintenance costs.	GAO/RCED-94-259
	Tennessee Valley Authority The TVA is the sole supplier of electrical power to 80,000 square miles in 7 states.	The TVA is $26 billion in debt and has invested $14 billion in nonproducing nuclear assets that are not included in its electricity rates. TVA's financial condition threatens its long-term viability and places the federal government at risk of having to provide funds to repay TVA's debt.	GAO/RCED-95-183
	Funding for U.S. Advanced Battery Consortium Three domestic automobile companies formed a partnership to develop advanced batteries to power electric vehicles. These vehicles would significantly improve air quality and save oil if they replace large numbers of gasoline-powered vehicles. The Department of Energy has provided funds to, and worked with the consortium.	The energy security and environmental benefits of electric vehicles appear limited unless advanced batteries are successfully developed and permit electric vehicles to compete with gasoline-powered vehicles. Consortium officials believe that additional federal funding will be needed to develop advanced batteries.	GAO/RCED-95-234
300 Natural Resources & Environment	**Fees for Patenting Hardrock Mining Claims** The Mining Law of 1872 allows holders of economically minable claims to obtain all rights and interests to both land and minerals by patenting them for $2.50 or $5.00 an acre.	The patent provision of the mining law does not provide for the federal government to receive fair market value for patented lands.	GAO/OCG-93-17TR
	Fees for Concessionaires Operating on Federal Lands The federal government enters into agreements with concessionaires to serve as principal operators of parks, forests, and other recreation areas.	Recreation concessionaires on federal land may not be paying their fair share of the cost to stop the decline in the condition of the nation's recreation resources and related infrastructure.	GAO/T-RCED-93-42

Budget Function	Spending Programs	Observations	Latest Product
	Federal Timber Sales Sales of timber on federal land currently provide most of the funds to operate the Forest system.	The Forest Service does not always recover its costs on timber sales.	GAO/T-RCED-94-116
	Forest Service's Emergency Salvage Sale Program In response to the devastating fires of 1994, this program was established to increase the sale of dead or dying trees by easing environment procedures and eliminating the administrative appeals process.	Few sales have been made and some salvage sale offerings failed to receive bids.	GAO/T-RCED-96-38
	Hardrock Mining Royalties The government receives no financial compensation for hardrock minerals extracted from federal lands.	The U.S. could assess royalties to ensure that the public receives a fair return for minerals extracted from federal lands.	GAO/RCED-92-192
	Federal Water Policies Holders of 960 or less acres are entitled to federally subsidized water for irrigation.	Some farmers reorganized large farming operations into multiple, smaller holdings to be eligible for additional subsidized water. Flow of federally subsidized water to land holdings above the 960-acre limit has not been stopped and the federal government is not receiving revenues to which it is entitled.	GAO/RCED-90-198
	Subsidized water is available to farmers who receive crop subsidies.	Providing subsidized water to produce federally subsidized crops results in a double subsidy.	GAO-OCG-93-17TR

Budget Function	Spending Programs	Observations	Latest Product
	Federal Water Policies (continued) In 1986, irrigators and other users of water from the Central Valley Project in California were required to pay their share of the federal investment by 2030.	By 1990 only 1% had been repaid. Because of the slow repayment schedule, the repayments may be worth much less than if they had been repaid sooner.	GAO/RCED-94-8
	Irrigation subsidies are paid to farmers in 17 western states.	Much has changed in the West since the subsidies were established in 1902 and they may not still be warranted or may be set too high.	GAO/RCED-94-8
	Hazardous Waste Cleanup Cost Recovery The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) does not permit the Environmental Protection Agency to charge polluters market interest rates on the cost of Superfund site cleanup. Superfund regulations do not authorize the full recovery of indirect costs.	EPA revenues would increase with changes to CERCLA and Superfund regulations.	GAO/RCED-94-196
	Nuclear Waste Disposal Fees Utilities pay a fee to the Nuclear Waste Fund to finance the development of storage and permanent disposal facilities.	The fee has not changed since 1983, making the fund susceptible to future budget shortfalls.	GAO/RCED-92-165
350 Agriculture	**USDA Dairy Price Support Program** The federal government pays a subsidy to milk producers at a rate set annually and adjusted according to the estimated size of the milk surplus.	This program encourages production that does not always meet customers' requirements and often results in prices that exceed world prices. To ensure long-term viability, the dairy industry will have to increase its efforts to become more dependent on commercial markets--particularly international markets.	GAO/T-RCED-95-203

Budget Function	Spending Programs	Observations	Latest Product
	Milk Marketing Orders Marketing orders set minimum prices that must be paid for milk for fluid use, based on the manufacturing grade price plus differentials that are unique to each of the 38 federal milk marketing orders.	This subsidy no longer is needed to encourage and maintain a locally produced supply of milk, and technologies are available to transfer it should local shortages develop.	GAO/T-RCED-95-203
	Crop Price Supports Price supports are provided to producers of agricultural commodities through loans, purchases, payments, and other means. Support is mandatory for corn, cotton, wheat, rice, peanuts, and tobacco and is discretionary for approximately nine other commodities.	Payment limits enacted in 1985 and 1987 have not been effective because farmers reorganized their operations, all owners did not have to be actively engaged in farming, and farmers could qualify for payments from up to three entities.	GAO/RCED-92-2
	Farm Lands Eligible for Deficiency Payments Deficiency payments are made for several commodities when the target price set in law exceeds the national average market price or the price support loan level, whichever is higher. Flex acres provisions allow farmers the flexibility to plant crops other than their designated program crops on part of their land.	Increased used of the "flex acres" provisions would increase market orientation of farmers and reduce federal payments.	GAO/RCED-94-76
	Rice Program Rice producers receive deficiency payments, may repay their loans at a lower rate, and benefit from several export promotion initiatives.	The U.S. share of the world rice market has decreased, while federal payments were about 7% above producers' full cost of production from 1988 to 1990. Greater market orientation would reduce farmers' dependence on federal payments.	GAO/RCED-94-88
	Peanut Program Since the 1930s, the supply of U.S. peanuts has been controlled through quotas. Peanut farmers also receive price supports.	Between 1982 and 1989 peanut producers have been guaranteed a price that substantially exceeds the world market price. Because of consolidation a small number of farmers now receives more than three-fourths of the federal payments. The peanut program increases the costs to U.S. consumers.	GAO/T-RCED-95-215

Budget Function	Spending Programs	Observations	Latest Product
	Sugar Program Sugar growers and processors receive subsidies which do not have payment limitations.	Benefits are concentrated among a few farms. In 1991, 42 percent of grower benefits went to 1 percent of the U.S. sugar farms. One farm alone received $30 million in benefits.	GAO/T-RCED-95-204
	Cotton Program The cotton check-off program, which has collected assessments on domestic cotton since 1967 and imported cotton products since 1992 is intended to strengthen cotton's competitive position relative to synthetic fibers and maintain and expand domestic and foreign markets for U.S. cotton.	The program probably contributed to cotton's growth in the U.S. market. The import share of the U.S. cotton market has continued to increase despite the import assessment.	GAO/RCED-96-49
	Market Promotion Program This export promotion program provides U.S. government financial assistance for activities for U.S. agricultural products to assist U.S. exporters, particularly those faced with unfair trading practices abroad.	There is no assurance that program funds are supporting additional promotional activities rather than simply replacing company or industry funds. Targeting funds to small and new-to-export companies and graduating companies after a reasonable time should ensure most effective use of MPP.	GAO/GGD-93-125
	Export Credit Guarantee Program The Export Credit and Intermediate Export Credit Guarantee Programs are major agricultural export programs which guarantee loans to foreign country buyers to increase exports of U.S. commodities.	The program has had high default rates because large amounts of credit were extended to high-risk countries due to market development considerations and foreign policy considerations. GAO is unaware of any empirical evidence that export guarantee programs increased agricultural exports. There also is a history of poor management.	GAO/T-GGD-93-28

Budget Function	Spending Programs	Observations	Latest Product
	Conservation Reserve Program (CRP) Contracts This program offers 10-15 year contracts for rental payments to farmers who agree to replace cropland with a grass cover or other conserving use.	Although enrolling acreage in this program instead of annual commodity programs reduces costs in USDA's annual price and income support programs, it still is a costly program --about $2 billion annually. The application of more sustainable practices of the conservation compliance program have created opportunities for reform of CRP. Two changes to consider are (1) allowing farmers to terminate contracts without financial penalty and (2) allowing conservation-compatible activities on CRP acres.	GAO/RCED-95-42
	Crop Insurance Since the 1930s the federal government has offered subsidized crop insurance to farmers. The program was expanded in 1980 to include more crops and locations.	Moral hazard is an important problem that contributes to a large part of the persistent losses incurred by the program. Government costs rise because producers who do not employ loss-prevention measures enjoy the same premium schedule as those who do.	GAO/RCED-93-98
370 Commerce and Housing Credit	**Small Business Administration Assistance Programs** The 8(a) program is intended to develop and promote businesses that are owned and controlled by socially and economically disadvantaged persons.	Weaknesses in program management and administration have made the program vulnerable to program and contractor abuse.	GAO/OSI-95-15
	The Small Business Investment Company (SBIC) program was created to help small businesses obtain financing for starting, maintaining, and expanding operations.	From 1990 to 1994 the number of participating SBICs declined from 186 to 130 and the number of specialized SBICs fell from 290 to 186. In the same period, SBICs' cumulative net losses increased from $72 million to $198 million and specialized SBICs' losses increased from $11 million to $34 million.	GAO/RCED-95-146FS

Budget Function	Spending Programs	Observations	Latest Report
	HUD's Multifamily Housing Credit Programs The General and Special Risk Insurance Funds provides mortgage insurance for, among other things, multifamily rental housing, nursing homes and hospitals. Two specific programs are discussed below.	See specific programs below.	
	The Low-Income Housing Preservation program seeks to maintain the affordable housing that was created mainly under two federal housing programs during the 1960s and 1970s.	This program has proven to be complex and costly, prompting recommendations from HUD and others to change or repeal the program.	GAO/T-RCED-96-29
	Through two programs, HUD insures private lenders against financial losses arising from defaults on mortgages for nursing homes and retirement service centers.	Cost estimates for both programs indicate that they have incurred losses. HUD's data show that the nursing home program has lost an estimated $187 million, adjusted for inflation, during its 35-year history and the retirement service center program's total portfolio of about $1.4 billion had defaulted and resulted in FHA insurance claims as of September 30, 1994.	GAO/RCED-95-214
	Advanced Technology Program (ATP) The program's mission is to stimulate economic growth in the U.S. by sharing the cost of industrial research and development projects.	ATP has funded research projects that would have been funded by the private sector as well as those that would not.	GAO/RCED-96-47
400 Transportation	**Cargo Preference Laws** Cargo preference laws require that certain government-owned or -financed cargo shipped internationally be carried on U.S.-flagged vessels. This guarantees a minimum amount of business for the U.S. merchant fleet and promotes other supporting sectors by requiring U.S. crews, generally requiring construction in U.S. shipyards, and encouraging maintenance and repair in U.S. shipyards.	Cargo preference laws increase the government's transportation costs because U.S.-flagged vessels often charge higher rates. The effect on the U.S. marine industry is mixed. Cargo carried on U.S. vessels has declined while the laws provide a substantial incentive for vessels to remain in the U.S. fleet. Without the laws, about 6,000 shipboard jobs and two-thirds, by tonnage, of the 165 U.S. vessels engaged in international trade would be lost.	GAO/OCG-95-2

Budget Function	Spending Programs	Observations	Latest Report
	Federal Fees Paid by Foreign-Flagged Cruise Ships Seven federal agencies provide services to foreign-flagged cruise vessels and five charge fees. These vessels and their crews pay virtually no corporate or personal U.S. income tax.	The multibillion dollar U.S. passenger cruise market is almost exclusively served by foreign-flagged vessels. Access to the market therefore is a very lucrative privilege. Fees for the Immigration and Naturalization Service recovered about 10% of costs and the Coast Guard does not charge fees.	GAO/OCG-95-2
	Military Airport Improvement Program This program assists current and former military airports in converting to viable civilian airports.	Nine of the 12 airports selected do not meet legislatively established program goals. Five are not located in congested air traffic areas and are not likely to increase capacity. Nine already had been operating as joint civilian-military airports for 10 or more years and many already had the facilities this program was designed to develop.	GAO/OCG-95-2
	Global Positioning System Technology Many federal agencies are developing differential global positioning system (DGPS) technology to provide more accurate satellite-based positioning information for navigation, surveying, or mapping. This system also has applications for private industry which already is using some of this technology.	FAA is planning a national DGPS network for aviation and Coast Guard is installing a DGPS marine navigation system. At least 22 other federal agencies have identified future DGPS applications, such as automatic vehicle location, improved rail safety and more accurate mapping and surveying for highway construction or natural resource inventory activities. DOT, the lead agency for civil DGPS development, had not received legislative or executive branch authority to coordinate non-DOT agencies' use of DGPS.	GAO/OCG-95-2

Selected GAO Work on Federal Tax Benefits to Business by Budget Function

Budget Function	Tax Benefits	Observations	Latest Product
250 - General Science, Space, and Technology	**Research and Experimentation (R&E) Tax Credit** The research and experimentation tax credit is intended to stimulate additional research spending. It allows taxpayers to reduce their tax liabilities by 20 percent of qualified R&E expenditures that exceed a base amount. In 1989, the Congress made revisions to the base that were intended to increase the incentive provided by the credit.	Despite the 1989 changes in the base of the credit, the incentive provided has eroded over time and the revenue cost of the credit has increased. The Congress may want to review and adjust the R&E credit base as needed. (The credit expired in June 1995. However, bills that would extend the credit are being considered.)	GAO/T-GGD-95-161
270 - Energy	**Tax Preferences for Petroleum Production** Proposals have been made to increase the tax incentives for petroleum production. These incentives include tax credits and faster and larger deductions of costs for tax purposes. These would increase the after-tax profitability of eligible investments.	Tax incentives produced small increases in production but large per-barrel tax revenue costs. The Congress should carefully evaluate costs and benefits before adopting new petroleum investment tax incentives.	GAO/GGD-90-75
	Credit for Enhanced Oil Recovery Costs A 15-percent tax credit is available for expenditures related to the enhanced oil recovery techniques. Arguments for petroleum production tax incentives usually include enhancing energy security, rewarding risk taking, or generating investment in new technologies.	The benefits generated by expenditures related to the enhanced oil recovery method could be higher than those of other petroleum-related tax expenditures, but this does not mean that they are cost effective. It makes sense to examine their effectiveness after 3-5 years.	GAO/T-GGD-91-36

Budget Function	Tax Benefits	Observations	Latest Product
300 - Natural Resources and Environment	**Ethanol Excise Tax Exemption** Ethanol is used as a gasoline extender and octane enhancer, and is added to gasoline as an oxygenate to reduce motor vehicle emissions. Currently, ethanol fuels are exempt from 5.4 cents of the 18.4 cent-per-gallon tax imposed on gasoline sales (for 90-percent gasoline, 10-percent ethanol blends). The ethanol industry has strong ties to the nation's agriculture industry as 95 percent of all ethanol is made from corn.	Eliminating the ethanol exemption would likely reduce ethanol use by at least 50 percent. The effect on the U.S. Treasury and farm income would depend on what actions the Secretary of Agriculture may take to support the price of corn.	GAO/RCED-95-273BR
370 - Commerce and Housing Credit	**Exemption of Credit Union Income** Credit unions, unlike other federally insured depository institutions, are exempt from federal income taxation.	Critics of the tax exemption argue that it grants credit unions a competitive advantage because they can finance expansion out of untaxed retained earnings. Proponents of tax-exempt status argue that credit unions offer unique services and that taxation could discourage retention of earnings for reserves.	GAO/GGD-91-85

Budget Function	Tax Benefits	Observations	Latest Product
	Low-Income Housing Credit A tax credit is provided to private developers in equal amounts over 10 years for a portion of the cost of low-income housing. The credit is allowed only for housing units serving low-income tenants. Credits are allocated by state housing authorities and total credit authority is capped.	In a case study of one public housing authority, we found that for about the same level of federal expenditure per unit much poorer households are served by a public housing project than by a tax credit project. The tax credit program may be a more expensive way than the public housing program for the federal government to serve very low-income households. (OBRA93 made the credit permanent. However in 1995 the Congress passed a bill to sunset the credit which was vetoed.) We currently are studying the administration and costs of the program.	GAO/RCED-93-31
	Exemption for Small Issue Industrial Development Bonds The interest earned on certain bonds used by private entities is tax exempt because the activities financed are considered to produce public benefits. These private activity bonds (IDBs) are issued by state and local governmental authorities who provide the proceeds to private entities to finance projects.	Based on our survey of three high-volume states, most projects financed with IDBs were not located in economically distressed areas. The job creation benefits attributed to IDBs in these states likely would have occurred anyway. The Congress may wish to consider not extending the provision or better targeting the use of bonds.	GAO/RCED-93-106

Budget Function	Tax Benefits	Observations	Latest Product
500 - Education, Training, Employment, and Social Services	**Targeted Jobs Tax Credit** The Congress established the targeted jobs tax credit program to induce employers to favor certain disadvantaged individuals facing barriers to employment. Individuals are either transfer program recipients, economically disadvantaged, or disabled.	One half of the employers in our analysis took advantage of the tax credit without making any special effort to increase employment opportunities for members of targeted groups. The Congress could impose new requirements on participating employers to encourage a greater proportion of employers to make special efforts on behalf of targeted groups. The credit expired in December 1994. However, bills that would extend the credit are being considered.	GAO/T-GGD-92-11
550 - Health	**Use of Tax-Exempt Bonds for Retirement Centers** Nonprofit charitable organizations have increasingly used tax-exempt bonds to obtain lower interest rates to finance housing for the elderly. Concerns have been raised about how the bonds are being used, who is benefitting from the federal subsidy, and why some of these bonds are going into default.	Multi-service retirement facilities are costly and are used by the moderate- and higher-income elderly. Retirement center facilities were prone to default due to weak financial structures, inexperienced developers, and overestimated market projections.	GAO/GGD-91-50

Budget Function	Tax Benefits	Observations	Latest Product
800 - General Government	**Section 936 Tax Credit** Under the section 936 tax credit, income earned by U.S. firms from operations in U.S. possessions was effectively exempt from federal corporate income taxes. The credit provided significant benefits to U.S. subsidiaries that locate in Puerto Rico. OBRA93 limited the credit by capping the amount that could be claimed.	Prior to 1994, for some industries, in particular the chemical industry and its pharmaceutical component, average tax benefits considerably exceeded wages paid. A reliable estimate of the effects of eliminating section 936 could not be made with a reasonable degree of certainty as it depends on how firms' responses to the change affect their demand for Puerto Rican resources. Although OBRA93 reduced the benefit provided by the credit, income growth among credit recipients is expected to make revenue costs rise again after 1995.	GAO/GGD-93-109
Multiple	**Corporate Alternative Minimum Tax (AMT)** The corporate AMT is designed to ensure that corporations with substantial economic income do not avoid significant tax liability by using exclusions, deductions, and credits. In addition, the AMT is designed so that corporations that reported significant income on their financial statements would pay some tax in that year.	The AMT has achieved its goal of causing corporations that reported positive book income to shareholders to pay some tax in that year. The AMT also partially achieves its goal of taxing economic income by including a number of tax preferences and exemptions in its base.	GAO/GGD-95-88
	Tax Expenditures GAO and others have raised concerns about the effectiveness, efficiency, or equity of some tax expenditures. Substantial revenues are forgone through tax expenditures, but they do not overtly compete in the annual budget process and most are not subject to reauthorization.	The tax-writing committees should explore opportunities to exercise more scrutiny over indirect "spending" through tax expenditures.	GAO/GGD-AIMD-94-122

Budget Function	Tax Benefits	Observations	Latest Product
	Corporate Tax Document Matching Unlike most businesses, payments to corporations are not reported to IRS for use in its computerized document matching program. IRS data show significant problems with compliance with small corporations.	We estimated that requiring reporting of these payments would generate about $1 billion of additional annual revenues at an annual cost of about $70 million.	GAO/GGD-91-118

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested