10. TAX EXPENDITURES

The Congressional Budget Act of 1974 (Public Law 93–344) requires that a list of "tax expenditures" be included in the budget. Tax expenditures are defined in the law 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." These exceptions may be viewed as alternatives to other policy instruments, such as spending or regulatory programs.

Identification and measurement of tax expenditures depends crucially on the baseline tax system against which the actual tax system is compared. The tax expenditure estimates presented in this document are patterned on a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time.

An important assumption underlying each tax expenditure estimate reported below is that other parts of the Tax Code remain unchanged. The estimates would be different if tax expenditures were changed simultaneously because of potential interactions among provisions. For that reason, this document does not present a grand total for the estimated tax expenditures.

Tax expenditures relating to the individual and corporate income taxes are estimated for fiscal years 2020–2030 using two methods of accounting: current tax receipt effects and present value effects. The present value approach provides estimates of the receipt effects for tax expenditures that generally involve deferrals of tax payments into the future.

TAX EXPENDITURES IN THE INCOME TAX

Tax Expenditure Estimates

All tax expenditure estimates and descriptions presented here are based upon current tax law enacted as of December 31, 2020, and reflect the economic assumptions from the 2022 Budget. In some cases, expired or repealed provisions are listed if their tax receipt effects occur in fiscal year 2020 or later.

The total receipt effects for tax expenditures for fiscal years 2020–2030 are displayed according to the Budget's functional categories in Table 10–1. Descriptions of the specific tax expenditure provisions follow the discussion of general features of the tax expenditure concept.

Two baseline concepts—the normal tax baseline and the reference tax law baseline—are used to identify and estimate tax expenditures.[1] For the most part, the two concepts coincide. However, items treated as tax expenditures under the normal tax baseline, but not the reference tax law baseline, are indicated by the designation "normal tax method" in the tables. The receipt effects for these items are zero using the reference tax law. The alternative baseline concepts are discussed in detail below.

Tables 10–2A and 10–2B report separately the respective portions of the total receipt effects that arise under the individual and corporate income taxes. The location of the estimates under the individual and corporate headings does not imply that these categories of filers benefit from the special tax provisions in proportion to the respective tax expenditure amounts shown. Rather, these breakdowns show the form of tax liability that the various provisions affect. The ultimate beneficiaries of corporate tax expenditures could be shareholders, employees, customers, or other providers of capital, depending on economic forces.

Table 10–3 ranks the major tax expenditures by the size of their 2021–2030 receipt effect. The first column provides the number of the provision in order to cross reference this table to Tables 10–1, 10–2A, and 10–2B, as well as to the descriptions below.

Interpreting Tax Expenditure Estimates

The estimates shown for individual tax expenditures in Tables 10–1 through 10–3 do not necessarily equal the increase in Federal receipts (or the change in the budget balance) that would result from repealing these special provisions, for the following reasons.

First, eliminating a tax expenditure may have incentive effects that alter economic behavior. These incentives can affect the resulting magnitudes of the activity, or the consequences of other tax provisions or Government programs. For example, if capital gains were taxed at higher ordinary income tax rates, capital gain realizations would be expected to decline, which could result in lower tax receipts depending on the elasticity of the capital gains tax rates. Such behavioral effects are not reflected in the estimates.

Second, tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure

[1] These baseline concepts are thoroughly discussed in Special Analysis G of the 1985 Budget, where the former is referred to as the pre-1983 method and the latter the post-1982 method.

provision can increase or decrease the tax receipts associated with other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase the receipt costs from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the receipt cost from other deductions if taxpayers are led to claim the standard deduction instead of itemizing. Similarly, if two provisions were repealed simultaneously, the increase in tax liability could be greater or less than the sum of the two separate tax expenditures, because each is estimated assuming that the other remains in force. In addition, the estimates reported in Table 10–1 are the totals of individual and corporate income tax receipt effects reported in Tables 10–2A and 10–2B, and do not reflect any possible interactions between individual and corporate income tax receipts. For this reason, the estimates in Table 10–1 should be regarded as approximations.

Present-Value Estimates

The annual value of tax expenditures for tax deferrals is reported on a cash basis in all tables except Table 10–4. Cash-based estimates reflect the difference between taxes deferred in the current year and incoming receipts that are received due to deferrals of taxes from prior years. Although such estimates are useful as a measure of cash flows into the Government, they do not accurately reflect the true economic cost of these provisions. For example, for a provision where activity levels have changed over time, so that incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative, despite the fact that in present-value terms current deferrals have a real cost to the Government (i.e., taxpayers). Alternatively, in the case of a newly enacted deferral provision, a cash-based estimate can overstate the real effect on receipts to the Government because the newly deferred taxes will ultimately be received.

Discounted present-value estimates of receipt effects are presented in Table 10–4 for certain provisions that involve tax deferrals or other long-term receipt effects. These estimates complement the cash-based tax expenditure estimates presented in the other tables.

The present-value estimates represent the receipt effects, net of future tax payments that follow from activities undertaken during calendar year 2020 which cause the deferrals or other long-term receipt effects. For instance, a pension contribution in 2020 would cause a deferral of tax payments on wages in 2020 and on pension fund earnings on this contribution (e.g., interest) in later years. In some future year, however, the 2020 pension contribution and accrued earnings will be paid out and taxes will be due; these receipts are included in the present-value estimate. In general, this conceptual approach is similar to the one used for reporting the budgetary effects of credit programs, where direct loans and guarantees in a given year affect future cash flows.

Tax Expenditure Baselines

A tax expenditure is an exception to baseline provisions of the tax structure that usually results in a reduction in the amount of tax owed. The 1974 Congressional Budget Act, which mandated the tax expenditure budget, did not specify the baseline provisions of the tax law. As noted previously, deciding whether provisions are exceptions, therefore, is a matter of judgment. As in prior years, most of this year's tax expenditure estimates are presented using two baselines: the normal tax baseline and the reference tax law baseline. Tax expenditures may take the form of credits, deductions, special exceptions and allowances.

The normal tax baseline is patterned on a practical variant of a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. The normal tax baseline allows personal exemptions, a standard deduction, and deduction of expenses incurred in earning income. It is not limited to a particular structure of tax rates, or by a specific definition of the taxpaying unit.

The reference tax law baseline is also patterned on a comprehensive income tax, but it is closer to existing law. Reference tax law tax expenditures are limited to special exceptions from a generally provided tax rule that serves programmatic functions in a way that is analogous to spending programs. Provisions under the reference tax law baseline are generally tax expenditures under the normal tax baseline, but the reverse is not always true.

Both the normal tax and reference tax law baselines allow several major departures from a pure comprehensive income tax. For example, under the normal tax and reference tax law baselines:

- Income is taxable only when it is realized in exchange. Thus, the deferral of tax on unrealized capital gains is not regarded as a tax expenditure. Accrued income would be taxed under a comprehensive income tax.
- There is a separate corporate income tax.
- Tax rates on noncorporate business income vary by level of income.
- Individual tax rates, including brackets, standard deduction, and personal exemptions, are allowed to vary with marital status.
- Values of assets and debt are not generally adjusted for inflation. A comprehensive income tax would adjust the cost basis of capital assets and debt for changes in the general price level. Thus, under a comprehensive income tax baseline, the failure to take account of inflation in measuring depreciation, capital gains, and interest income would be regarded as a negative tax expenditure (i.e., a tax penalty), and failure to take account of inflation in measuring

interest costs would be regarded as a positive tax expenditure (i.e., a tax subsidy).

- The base erosion and anti-abuse tax (BEAT) for multinational corporations is treated as a minimum tax and considered part of the rate structure.

Although the reference tax law and normal tax baselines are generally similar, areas of difference include:

Tax rates. The separate schedules applying to the various taxpaying units and the Alternative Minimum Tax are treated as part of the baseline rate structure under both the reference tax law and normal tax methods.

Income subject to the tax. Income subject to tax is defined as gross income less the costs of earning that income. Under the reference tax law, gross income does not include gifts defined as receipts of money or property that are not consideration in an exchange nor does gross income include most transfer payments from the Government.[2] The normal tax baseline also excludes gifts between individuals from gross income. Under the normal tax baseline, however, all cash transfer payments from the Government to private individuals are counted in gross income, and exemptions of such transfers from tax are identified as tax expenditures. The costs of earning income are generally deductible in determining taxable income under both the reference tax law and normal tax baselines.[3]

Capital recovery. Under the reference tax law baseline no tax expenditures arise from accelerated depreciation. Under the normal tax baseline, the depreciation allowance for property is computed using estimates of economic depreciation.

Descriptions of Income Tax Provisions

Descriptions of the individual and corporate income tax expenditures reported on in this document follow. These descriptions relate to current law as of December 31,2020. Legislation enacted in 2020 expanded the scope and size of tax expenditures. The Families First Coronavirus Response Act created a tax credit for qualified sick leave and family leave equivalent amounts for self-employed individuals. The Coronavirus Aid, Relief, and Economic Security (CARES) Act introduced a recovery rebate tax credit for eligible individuals and an exclusion for certain loans received under the "Paycheck Protection Program" and subsequently forgiven. CARES also modified a number of tax expenditures. It created an exception to the 10-percent early withdrawal tax for "coronavirus related distributions" from a qualified retirement plan or IRA, and another exception to the required minimum distribution rules. It introduced a partial above-the-line deduction for charitable deductions, and expanded the limits on deductions for charitable contributions. It also included over-the-counter medicines and drugs and menstrual care products as qualified medical expenses for HSAs, Archer MSAs, health FSAs, and HRAs. It also modified a number of other provisions in the tax Code. The Consolidated Appropriations Act (CAA) created another rebate and adjusted several provisions in CARES.

National Defense

1. ***Exclusion of benefits and allowances to armed forces personnel.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. As an example, a rental voucher of $100 is (approximately) equal in value to $100 of cash income. In contrast to this treatment, certain housing and meals, in addition to other benefits provided military personnel, either in cash or in kind, as well as certain amounts of pay related to combat service, are excluded from income subject to tax.

International Affairs

2. ***Exclusion of income earned abroad by U.S. citizens.***—Under the baseline tax system, all compensation received by U.S. citizens and residents is properly included in their taxable income. It makes no difference whether the compensation is a result of working abroad or whether it is labeled as a housing allowance. In contrast to this treatment, U.S. tax law allows U.S. citizens and residents who live abroad, work in the private sector, and satisfy a foreign residency requirement to exclude up to $80,000, plus adjustments for inflation since 2004, in foreign earned income from U.S. taxes. In addition, if these taxpayers are provided housing by their employers, then they may also exclude the cost of such housing from their income to the extent that it exceeds 16 percent of the earned income exclusion limit. This housing exclusion is capped at 30 percent of the earned income exclusion limit, with geographical adjustments. If taxpayers do not receive a specific allowance for housing expenses, they may deduct housing expenses up to the amount by which foreign earned income exceeds their foreign earned income exclusion.

3. ***Exclusion of certain allowances for Federal employees abroad.***—In general, all compensation received by U.S. citizens and residents is properly included in their taxable income. It makes no difference whether the compensation is a result of working abroad or whether it is labeled as an allowance for the high cost of living abroad. In contrast to this treatment, U.S. Federal civilian employees and Peace Corps members who work outside the continental United States are allowed to exclude

[2] Gross income does, however, include transfer payments associated with past employment, such as Social Security benefits.

[3] In the case of individuals who hold "passive" equity interests in businesses, the pro-rata shares of sales and expense deductions reportable in a year are limited. A passive business activity is defined generally to be one in which the holder of the interest, usually a partnership interest, does not actively perform managerial or other participatory functions. The taxpayer may generally report no larger deductions for a year than will reduce taxable income from such activities to zero. Deductions in excess of the limitation may be taken in subsequent years, or when the interest is liquidated. In addition, costs of earning income may be limited under the Alternative Minimum Tax.

Table 10–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030
(In millions of dollars)

	Total from corporations and individuals											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
National Defense												
1 Exclusion of benefits and allowances to armed forces personnel	12,910	13,940	14,460	15,010	13,770	13,890	14,380	14,990	15,660	16,390	17,160	149,650
International affairs:												
2 Exclusion of income earned abroad by U.S. citizens	6,160	6,470	6,790	7,130	7,490	7,860	8,260	8,670	9,100	9,560	10,040	81,370
3 Exclusion of certain allowances for Federal employees abroad	270	280	290	310	320	340	360	370	390	410	430	3,500
4 Reduced tax rate on active income of controlled foreign corporations (normal tax method)	27,570	29,780	32,240	33,980	35,730	37,550	29,390	30,580	30,890	31,370	32,040	323,560
5 Deduction for foreign-derived intangible income dervied from trade or business within the United States	9,450	10,200	11,050	11,650	12,250	12,870	7,620	7,930	8,010	8,140	8,310	98,030
6 Interest Charge Domestic International Sales Corporations (IC-DISCs)	890	1,370	1,440	1,510	1,590	1,690	2,010	2,280	2,410	2,520	2,600	19,420
General science, space, and technology:												
7 Expensing of research and experimentation expenditures (normal tax method)	5,420	3,980	–17,100	–29,140	–22,200	–13,600	–4,180	0	0	0	0	–82,240
8 Credit for increasing research activities	16,940	18,300	19,910	21,360	22,720	24,060	25,420	26,790	28,170	29,600	31,070	247,400
Energy:												
9 Expensing of exploration and development costs, fuels	40	–40	90	230	380	430	460	480	490	500	490	3,510
10 Excess of percentage over cost depletion, fuels	590	600	720	790	830	870	950	1,020	1,090	1,150	1,210	9,230
11 Exception from passive loss limitation for working interests in oil and gas properties	20	20	10	20	20	20	20	20	20	20	20	190
12 Capital gains treatment of royalties on coal	100	70	50	50	50	50	60	60	60	70	70	590
13 Exclusion of interest on energy facility bonds	0	10	10	10	10	10	10	10	10	10	10	100
14 Enhanced oil recovery credit	470	500	560	660	880	1,080	1,190	1,250	1,310	1,360	1,400	10,190
15 Energy production credit [1]	5,020	5,280	5,180	5,420	5,770	6,010	5,740	5,570	5,260	4,870	4,280	53,380
16 Marginal wells credit	150	250	310	280	210	140	90	40	20	0	0	1,340
17 Energy investment credit [1]	6,070	6,330	7,050	6,780	7,380	7,540	6,970	6,880	5,520	4,450	3,180	62,080
18 Alcohol fuel credits [2]	0	10	0	0	0	0	0	0	0	0	0	10
19 Bio-Diesel and small agri-biodiesel producer tax credits [3]	30	40	40	20	0	0	0	0	0	0	0	100
20 Tax credits for clean-fuel burning vehicles and refueling property	570	440	480	440	380	360	330	270	240	230	230	3,400
21 Exclusion of utility conservation subsidies	60	60	50	50	50	40	40	40	30	30	30	420
22 Credit for holding clean renewable energy bonds [4]	70	70	70	70	70	70	70	70	70	70	70	700
23 Credit for investment in clean coal facilities	30	30	20	10	30	30	30	30	40	30	30	280
24 Amortize all geological and geophysical expenditures over 2 years	80	80	90	100	110	110	110	110	110	100	100	1,020
25 Allowance of deduction for certain energy efficient commercial building property	160	190	130	110	110	110	110	110	110	110	110	1,200
26 Credit for construction of new energy efficient homes	320	370	280	260	250	260	270	170	60	20	0	1,940
27 Credit for energy efficiency improvements to existing homes	240	240	120	0	0	0	0	0	0	0	0	360
28 Credit for residential energy efficient property	2,370	2,390	1,980	1,450	420	120	0	0	0	0	0	6,360
29 Qualified energy conservation bonds [5]	30	30	30	30	30	30	30	30	30	30	30	300
30 Advanced Energy Property Credit	10	10	10	10	10	10	10	10	10	10	10	100
31 Advanced nuclear power production credit	0	0	80	180	220	240	270	280	280	270	180	2,000
32 Reduced tax rate for nuclear decommissioning funds	100	110	110	120	120	130	130	140	150	150	160	1,320
Natural resources and environment:												
33 Expensing of exploration and development costs, nonfuel minerals	0	0	10	20	40	40	40	40	50	50	50	340

Table 10–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued
(In millions of dollars)

		Total from corporations and individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
34	Excess of percentage over cost depletion, nonfuel minerals	110	100	120	140	140	160	160	180	200	200	220	1,620
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	270	330	350	350	350	360	370	390	400	430	420	3,750
36	Capital gains treatment of certain timber income	130	130	140	140	150	150	170	190	200	210	220	1,700
37	Expensing of multiperiod timber growing costs	50	60	60	70	70	70	80	80	90	80	80	740
38	Tax incentives for preservation of historic structures	660	610	590	670	820	930	1,000	1,030	1,060	1,070	1,090	8,870
39	Carbon oxide sequestration credit	14	123	277	449	646	873	1,111	1,319	1,511	1,694	1,905	9,908
40	Deduction for endangered species recovery expenditures	30	30	30	30	40	40	40	60	60	60	70	460
	Agriculture:												
41	Expensing of certain capital outlays	80	120	160	160	170	180	220	240	250	260	270	2,030
42	Expensing of certain multiperiod production costs	560	370	340	360	370	390	480	540	560	580	600	4,590
43	Treatment of loans forgiven for solvent farmers	50	50	60	60	60	60	70	70	70	70	70	640
44	Capital gains treatment of certain agriculture income	1,330	1,340	1,370	1,410	1,470	1,540	1,720	1,900	1,990	2,090	2,190	17,020
45	Income averaging for farmers	170	180	200	200	210	220	230	230	230	230	230	2,160
46	Deferral of gain on sale of farm refiners	15	15	15	15	15	20	20	20	20	20	20	180
47	Expensing of reforestation expenditures	50	60	60	70	70	70	80	80	90	80	80	740
	Commerce and housing:												
	Financial institutions and insurance:												
48	Exemption of credit union income	2,140	2,080	2,120	2,170	2,350	2,410	2,450	2,650	2,740	2,790	2,830	24,564
49	Exclusion of life insurance death benefits	11,690	11,560	12,060	12,440	12,870	13,400	14,210	15,160	15,700	16,100	16,580	140,080
50	Exemption or special alternative tax for small property and casualty insurance companies	110	120	120	130	130	130	140	140	150	150	160	1,370
51	Tax exemption of insurance income earned by tax-exempt organizations	320	320	340	350	350	360	360	370	380	380	390	3,600
52	Exclusion of interest spread of financial institutions	4,230	3,110	2,030	2,080	2,150	2,240	2,380	2,500	2,580	2,660	2,740	24,470
	Housing:												
53	Exclusion of interest on owner-occupied mortgage subsidy bonds	710	850	920	900	910	920	980	1,020	1,050	1,110	1,100	9,760
54	Exclusion of interest on rental housing bonds	1,200	1,430	1,550	1,530	1,530	1,560	1,640	1,720	1,770	1,870	1,870	16,470
55	Deductibility of mortgage interest on owner-occupied homes	24,730	25,440	26,170	26,920	28,340	30,250	67,330	89,630	95,150	100,420	106,330	595,980
56	Deductibility of State and local property tax on owner-occupied homes [17]	6,450	6,370	6,450	6,620	6,860	7,130	35,890	52,340	55,090	57,590	60,260	294,600
57	Deferral of income from installment sales	1,480	1,470	1,460	1,510	1,550	1,610	1,670	1,730	1,800	1,870	1,950	16,620
58	Capital gains exclusion on home sales	39,450	40,610	41,800	43,030	44,730	46,340	51,480	55,060	57,070	59,170	61,370	500,660
59	Exclusion of net imputed rental income	123,210	130,590	139,290	148,090	153,210	154,180	176,960	180,390	183,950	187,880	191,440	1,645,980
60	Exception from passive loss rules for $25,000 of rental loss	5,700	5,540	5,870	6,210	6,460	6,860	7,490	7,600	7,700	7,770	7,850	69,350
61	Credit for low-income housing investments	6,310	8,900	11,280	10,540	10,390	10,360	10,430	10,710	10,980	11,270	11,570	106,430
62	Accelerated depreciation on rental housing (normal tax method)	4,250	4,660	4,900	5,060	5,300	5,510	6,250	6,740	6,890	7,040	7,200	59,550
	Commerce:												
63	Discharge of business indebtedness	40	30	40	20	20	10	30	30	30	30	40	280
64	Exceptions from imputed interest rules	60	60	70	70	70	80	80	90	90	100	100	810
65	Treatment of qualified dividends	29,450	30,760	32,130	33,560	34,710	36,250	39,120	42,250	44,290	46,140	48,030	387,240
66	Capital gains (except agriculture, timber, iron ore, and coal)	99,210	99,890	101,950	105,290	109,710	114,910	128,090	141,870	148,780	156,060	163,700	1,270,250
67	Capital gains exclusion of small corporation stock	1,410	1,530	1,640	1,750	1,850	1,930	2,000	2,080	2,160	2,250	2,350	19,540
68	Step-up basis of capital gains at death	35,460	37,780	40,260	42,910	45,510	48,050	50,350	54,840	58,340	61,790	65,620	505,450

Table 10–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from corporations and individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
69	Carryover basis of capital gains on gifts	2,610	3,050	3,560	3,820	4,070	4,090	4,750	5,430	5,270	5,210	5,300	44,550
70	Ordinary income treatment of loss from small business corporation stock sale	70	70	70	70	80	80	80	80	90	90	90	800
71	Deferral of gains from like-kind exchanges	3,030	3,200	3,350	3,520	3,690	3,870	4,070	4,260	4,480	4,710	4,940	40,090
72	Depreciation of buildings other than rental housing (normal tax method)	6,010	4,090	3,990	3,660	3,350	3,120	3,130	2,940	2,830	2,940	3,060	33,110
73	Accelerated depreciation of machinery and equipment (normal tax method)	32,800	31,320	26,390	12,170	–2,370	–14,870	–26,700	–38,830	–30,520	–16,000	–7,310	–66,720
74	Expensing of certain small investments (normal tax method)	–300	–1,630	–830	3,710	7,660	10,170	13,700	17,220	15,710	12,860	11,400	89,970
75	Exclusion of interest on small issue bonds	80	90	90	90	90	90	100	110	110	120	120	1,010
76	Special rules for certain film and TV production	–190	–50	0	100	200	260	–420	–570	–270	–130	–50	–930
77	Allow 20-percent deduction to certain pass-through income	29,195	50,518	52,668	54,406	56,904	60,728	25,001	0	0	0	0	300,225
	Transportation:												
78	Tonnage tax	140	140	140	140	140	140	140	140	140	140	140	1,400
79	Deferral of tax on shipping companies	10	10	10	10	10	10	10	10	10	10	10	100
80	Exclusion of reimbursed employee parking expenses	1,686	1,759	1,861	2,006	2,063	2,130	2,238	2,343	2,448	2,565	2,740	22,153
81	Exclusion for employer-provided transit passes	341	363	397	442	463	487	530	565	609	653	741	5,250
82	Tax credit for certain expenditures for maintaining railroad tracks	140	170	170	130	80	60	40	30	30	20	10	740
83	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	170	160	160	140	140	130	130	120	110	110	100	1,300
	Community and regional development:												
84	Investment credit for rehabilitation of structures (other than historic)	10	0	0	0	0	0	0	0	0	0	0	0
85	Exclusion of interest for airport, dock, and similar bonds	720	850	930	910	920	930	990	1,030	1,060	1,120	1,120	9,860
86	Exemption of certain mutuals' and cooperatives' income	90	90	100	100	100	100	100	110	110	110	110	1,030
87	Empowerment zones	160	130	90	100	110	110	90	60	40	20	20	770
88	New markets tax credit	1,280	1,290	1,320	1,280	1,170	1,110	1,130	1,100	970	780	560	10,710
89	Credit to holders of Gulf Tax Credit Bonds	100	110	120	100	90	90	80	80	70	70	60	870
90	Recovery Zone Bonds [6]	90	90	100	90	80	80	80	70	60	60	50	760
91	Tribal Economic Development Bonds	10	10	10	10	10	10	10	10	10	10	10	100
92	Opportunity Zones	3,770	2,680	2,850	1,960	2,000	1,920	–6,080	–9,170	540	730	900	–1,670
93	Employee retention credit	230	160	140	90	60	60	50	40	40	30	30	700
	Education, training, employment, and social services:												
	Education:												
94	Exclusion of scholarship and fellowship income (normal tax method)	3,510	3,660	3,910	4,180	4,440	4,710	5,270	6,140	6,500	6,870	7,280	52,960
95	Tax credits and deductions for postsecondary education expenses [7]	10,730	10,070	14,140	14,450	14,450	14,310	14,180	14,350	14,130	13,930	13,710	137,720
96	Deductibility of student-loan interest	2,170	2,030	2,150	2,230	2,250	2,340	2,380	2,820	2,970	2,960	3,040	25,170
97	Qualified tuition programs (includes Education IRA)	2,420	2,670	2,950	3,280	3,680	4,160	5,130	6,160	7,320	8,830	10,840	55,020
98	Exclusion of interest on student-loan bonds	140	160	180	180	180	180	190	200	200	220	220	1,910
99	Exclusion of interest on bonds for private nonprofit educational facilities	1,910	2,280	2,480	2,430	2,440	2,480	2,610	2,740	2,810	2,970	2,970	26,210
100	Credit for holders of zone academy bonds [8]	150	130	110	90	80	60	50	50	40	40	40	690
101	Exclusion of interest on savings bonds redeemed to finance educational expenses	30	40	40	40	40	40	50	50	50	50	50	450
102	Parental personal exemption for students age 19 or over	0	0	0	0	0	0	3,570	5,270	5,180	5,090	5,000	24,110

Table 10–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from corporations and individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
103	Deductibility of charitable contributions (education)	4,530	4,880	5,190	5,510	5,820	6,130	7,290	9,370	9,800	10,260	10,430	74,680
104	Exclusion of employer-provided educational assistance	1,190	1,390	1,500	1,620	1,730	1,850	1,640	1,560	1,640	1,720	1,800	16,450
105	Special deduction for teacher expenses	170	170	170	170	170	170	180	210	210	210	220	1,880
106	Discharge of student loan indebtedness	80	80	90	100	110	120	150	170	190	220	240	1,470
107	Qualified school construction bonds [9]	570	540	520	490	470	440	410	390	360	330	320	4,270
	Training, employment, and social services:												
108	Work opportunity tax credit	1,650	1,690	1,780	1,830	1,890	1,950	1,300	530	370	280	200	11,820
109	Employer provided child care exclusion	580	570	570	610	650	690	920	1,060	1,120	1,190	1,260	8,640
110	Employer-provided child care credit	20	20	20	20	20	20	20	20	20	30	30	220
111	Assistance for adopted foster children	620	660	700	750	800	850	900	960	1,020	1,080	1,150	8,870
112	Adoption credit and exclusion	770	790	850	870	900	920	930	940	950	960	970	9,080
113	Exclusion of employee meals and lodging (other than military)	3,290	4,320	6,430	6,100	5,610	5,900	6,940	7,530	7,750	8,030	8,360	66,970
114	Credit for child and dependent care expenses	3,190	3,080	3,300	3,440	3,530	3,580	3,700	3,880	3,970	4,060	4,160	36,700
115	Credit for disabled access expenditures	10	10	10	10	10	10	10	10	10	10	10	100
116	Deductibility of charitable contributions, other than education and health	40,320	43,610	46,410	49,220	52,050	54,810	66,080	86,500	90,570	94,830	99,300	683,380
117	Exclusion of certain foster care payments	490	510	510	520	530	540	540	540	540	560	580	5,370
118	Exclusion of parsonage allowances	900	950	1,000	1,050	1,110	1,170	1,230	1,300	1,370	1,440	1,510	12,130
119	Indian employment credit	70	70	50	30	30	30	20	20	20	10	10	290
120	Credit for employer differential wage payments	0	0	0	0	0	0	10	10	10	20	20	70
Health:													
121	Exclusion of employer contributions for medical insurance premiums and medical care [10]	191,350	197,530	211,550	224,320	235,050	248,420	290,960	322,500	340,250	358,670	377,880	2,807,130
122	Self-employed medical insurance premiums	7,430	7,740	8,150	8,720	9,290	9,930	11,330	12,450	13,140	13,820	14,550	109,120
123	Medical Savings Accounts / Health Savings Accounts	5,330	4,540	4,680	4,890	5,080	5,260	5,970	6,440	6,660	6,890	7,130	57,540
124	Deductibility of medical expenses	7,100	7,960	8,480	9,250	10,050	10,900	16,800	20,970	22,760	24,630	26,610	158,410
125	Exclusion of interest on hospital construction bonds	2,730	3,250	3,540	3,470	3,480	3,540	3,740	3,920	4,010	4,260	4,250	37,460
126	Refundable Premium Assistance Tax Credit [11]	7,960	6,220	6,180	6,380	6,670	6,590	7,520	7,710	8,060	8,390	8,800	72,520
127	Credit for employee health insurance expenses of small business [12]	40	40	30	10	10	0	0	0	0	0	0	90
128	Deductibility of charitable contributions (health)	8,230	8,820	9,350	9,870	10,400	10,910	12,390	14,870	15,560	16,260	16,990	125,420
129	Tax credit for orphan drug research	1,720	2,080	2,500	3,010	3,620	4,380	5,270	6,360	7,660	9,240	11,140	55,260
130	Special Blue Cross/Blue Shield tax benefits	140	190	250	280	300	320	340	360	380	410	440	3,270
131	Tax credit for health insurance purchased by certain displaced and retired individuals [13]	0	0	0	0	0	0	0	0	0	0	0	0
132	Distributions from retirement plans for premiums for health and long-term care insurance	430	450	460	470	490	500	590	630	650	660	670	5,570
133	Credit for family and sick leave taken by self-employed individuals [14]	500	590	90	0	0	0	0	0	0	0	0	680
Income security:													
134	Child credit [15]	70,170	73,320	74,420	76,760	77,170	77,690	55,090	21,160	20,960	20,780	20,570	517,920
135	Exclusion of railroad retirement (Social Security equivalent) benefits	310	290	270	250	240	220	220	210	180	160	140	2,180
136	Exclusion of workers' compensation benefits	9,160	9,200	9,250	9,290	9,330	9,370	9,420	9,460	9,500	9,550	9,590	93,960
137	Exclusion of public assistance benefits (normal tax method)	580	600	620	640	670	680	690	710	720	720	710	6,760
138	Exclusion of special benefits for disabled coal miners	20	30	20	20	20	20	20	20	10	10	10	180
139	Exclusion of military disability pensions	160	160	170	170	170	180	200	210	220	220	220	1,920
	Net exclusion of pension contributions and earnings:												

Table 10–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from corporations and individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
140	Defined benefit employer plans	65,920	67,960	70,030	71,000	73,290	74,470	82,290	82,660	83,330	80,490	77,360	762,880
141	Defined contribution employer plans	80,690	87,610	93,380	98,720	101,970	106,200	126,010	130,550	135,700	141,480	147,230	1,168,850
142	Individual Retirement Accounts	16,510	17,360	17,880	18,940	20,000	20,660	24,770	26,070	27,510	28,820	30,330	232,340
143	Low and moderate income savers credit	1,220	1,220	1,260	1,300	1,270	1,270	1,440	1,410	1,400	1,400	1,390	13,360
144	Self-Employed plans	25,680	28,260	30,120	31,840	32,890	34,260	40,650	42,110	43,770	45,640	47,490	377,030
	Exclusion of other employee benefits:												
145	Premiums on group term life insurance	2,160	2,990	3,160	3,300	3,420	3,530	4,030	4,290	4,430	4,570	4,720	38,440
146	Premiums on accident and disability insurance	330	340	340	340	350	350	350	350	350	350	350	3,470
147	Income of trusts to finance supplementary unemployment benefits	20	10	20	20	30	30	40	50	50	60	60	370
148	Income of trusts to finance voluntary employee benefits associations	1,090	1,070	1,120	1,170	1,230	1,300	1,440	1,510	1,590	1,680	1,760	13,870
149	Special ESOP rules	210	210	220	220	220	230	230	240	240	260	260	2,330
150	Additional deduction for the blind	30	40	40	40	40	40	40	50	50	50	50	440
151	Additional deduction for the elderly	5,680	5,810	5,950	8,390	6,630	7,150	6,060	6,540	6,960	7,320	7,830	68,640
152	Deductibility of casualty losses	0	0	0	0	0	0	623	959	993	1,019	1,048	4,641
153	Earned income tax credit [16]	2,660	700	700	800	850	900	940	2,410	2,530	2,670	2,800	15,300
154	Recovery rebate credits [17]	0	9,110	1,012	0	0	0	0	0	0	0	0	10,122
	Social Security:												
	Exclusion of social security benefits:												
155	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	27,050	27,180	27,970	30,300	31,180	31,520	35,890	41,750	43,880	46,290	48,940	364,900
156	Credit for certain employer contributions to social security	720	990	1,360	1,490	1,590	1,690	1,790	1,890	1,990	2,090	2,190	17,070
	Veterans benefits and services:												
157	Exclusion of veterans death benefits and disability compensation	8,230	9,210	9,520	9,870	10,220	10,590	11,450	12,990	13,480	13,980	14,510	115,820
158	Exclusion of veterans pensions	210	220	220	220	220	220	230	250	250	260	260	2,350
159	Exclusion of GI bill benefits	1,460	1,580	1,590	1,650	1,720	1,780	1,930	2,200	2,290	2,380	2,480	19,600
160	Exclusion of interest on veterans housing bonds	70	80	80	90	80	90	90	100	100	100	110	920
	General purpose fiscal assistance:												
161	Exclusion of interest on public purpose State and local bonds	24,310	28,980	31,500	30,920	31,020	31,500	33,290	34,950	35,730	37,890	37,830	333,610
162	Build America Bonds [18]	0	0	0	0	0	0	0	0	0	0	0	0
163	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes [19]	7,060	6,890	6,990	7,140	7,330	7,520	76,740	107,610	108,740	113,500	118,550	561,020
	Interest:												
164	Deferral of interest on U.S. savings bonds	910	840	830	820	810	800	800	790	780	770	760	8,000
	Addendum: Aid to State and local governments:												
	Deductibility of:												
	Property taxes on owner-occupied homes	6,450	6,370	6,450	6,620	6,860	7,130	35,890	52,340	55,090	57,590	60,260	294,600
	Nonbusiness State and local taxes other than on owner-occupied homes	7,060	6,890	6,990	7,140	7,330	7,520	76,740	107,610	108,740	113,500	118,550	561,020
	Exclusion of interest on State and local bonds for:												
	Public purposes	24,310	28,980	31,500	30,920	31,020	31,500	33,290	34,950	35,730	37,890	37,830	333,610
	Energy facilities	0	10	10	10	10	10	10	10	10	10	10	100
	Water, sewage, and hazardous waste disposal facilities	270	330	350	350	350	360	370	390	400	430	420	3,750
	Small-issues	80	90	90	90	90	90	100	110	110	120	120	1,010
	Owner-occupied mortgage subsidies	710	850	920	900	910	920	980	1,020	1,050	1,110	1,100	9,760

Table 10–1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued
(In millions of dollars)

	Total from corporations and individuals											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
Rental housing	1,200	1,430	1,550	1,530	1,530	1,560	1,640	1,720	1,770	1,870	1,870	16,470
Airports, docks, and similar facilities	720	850	930	910	920	930	990	1,030	1,060	1,120	1,120	9,860
Student loans	140	160	180	180	180	180	190	200	200	220	220	1,910
Private nonprofit educational facilities	1,910	2,280	2,480	2,430	2,440	2,480	2,610	2,740	2,810	2,970	2,970	26,210
Hospital construction	2,730	3,250	3,540	3,470	3,480	3,540	3,740	3,920	4,010	4,260	4,250	37,460
Veterans' housing	70	80	80	90	80	90	90	100	100	100	110	920

[1] Firms can take an energy grant in lieu of the energy production credit or the energy investment credit for facilities whose construction began in 2009, 2010, or 2011. The effect of the grant on outlays (in millions of dollars) is as follows: $0 in 2019 and thereafter.

[2] The alternative fuel mixture credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2020 $550; 2021 $1,020; 2022 $330 and $0 thereafter.

[3] In addition, the biodiesel producer tax credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2020 $5,090; 2021 $3,000; 2022 $2,720; 2023 $1,340 and $0 thereafter.

[4] In addition, the credit for holding clean renewable energy bonds has outlay effects of (in millions of dollars): 2020 $30; 2021 $40; 2022 $40; 2023 $40; 2024 $40; 2025 $40; 2026, $40; 2027 $40; 2028 $40; 2029 $40, and 2030 $40.

[5] In addition, the qualified energy conservation bonds have outlay effects of (in millions of dollars): 2020 $30; 2021 $40; 2022 $40; 2023 $40; 2024 $40; 2025 $40; 2026, $40; 2027 $40; 2028 $40; 2029 $40, and 2030 $40.

[6] In addition, recovery zone bonds have outlay effects (in millions of dollars) as follows: 2020 $90; 2021 $120; 2022 $120; 2023 $120; 2024 $110; 2025 $110; 2026, $110; 2027 $110; 2028 $110; 2029 $110, and 2030 $100.

[7] In addition, the tax credits for postsecondary education expenses have outlay effects of (in millions of dollars): 2020 $2810; 2021 $2950; 2022 $2980; 2023 $3020; 2024 $3010; 2025 $2980; 2026 $2950; 2027 $2920; 2028 $2880; 2029 $2850; and 2030 $2810

[8] In addition, the credit for holders of zone academy bonds has outlay effects of (in millions of dollars): 2020 $30; 2021 $40; 2022 $40; 2023 $40; 2024 $40; 2025 $40; 2026 $40; 2027 $40; 2028 $40; 2029 $40, and 2030 $40.

[9] In addition, the provision for school construction bonds has outlay effects of (in millions of dollars): 2020 $460; 2021 $570; 2022 $560; 2023 $560; 2024 $560; 2025 $550; 2026 $550; 2027 $550; 2028 $540; 2029 $540, and 2030 $540.

[10] In addition, the employer contributions for health have effects on payroll tax receipts (in millions of dollars) as follows: 2020 $120,580; 2021 $131,100; 2022 $140,480; 2023 $147,030; 2024 $153,530; 2025 $161,600; 2026 $170,340; 2027 $179,460; 2028 $189,000; 2029 $198,890; and 2030 $209,140.

[11] In addition, the premium assistance credit provision has outlay effects (in millions of dollars) as follows: 2020 $44,550; 2021 $43,440; 2022 $35,290; 2023 $33,700; 2024 $34,770; 2025 $35,610; 2026 $36,290; 2027 $37,330; 2028 $39,380; 2029 $41,790; and 2030 $43,890.

[12] In addition, the small business credit provision has outlay effects (in millions of dollars) as follows: The outlays round down to zero.

[13] In addition, the effect of the health coverage tax credit on receipts has outlay effects of (in millions of dollars) $10 in 2020 and $0 thereafter.

[14] In addition, the credit for sick and family leave taken by self-employed individuals has outlay effects of (in millions of dollars):

[15] In addition, the effect of the child tax credit on receipts has outlay effects of (in millions of dollars): The child tax credit line also includes the credit for other dependents (in millions of dollars):

[16] In addition, the earned income tax credit on receipts has outlay effects of (in millions of dollars):

[17] In addition, the recovery rebate credits have outlay effects of (in millions of dollars):

[18] In addition, the Build America Bonds have outlay effects of (in millions of dollars):

[19] Because of interactions with the $10,000 cap on state and local tax deductions for the years 2018 through 2025, these estimates understate the combined effects of repealing deductions for both property taxes on owner occupied housing and other non-business taxes. The estimate of repealing both is (in millions of dollars):

Table 10–2A. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030
(In millions of dollars)

	Total from corporations											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
National Defense												
1 Exclusion of benefits and allowances to armed forces personnel	0	0	0	0	0	0	0	0	0	0	0	0
International affairs:												
2 Exclusion of income earned abroad by U.S. citizens	0	0	0	0	0	0	0	0	0	0	0	0
3 Exclusion of certain allowances for Federal employees abroad	0	0	0	0	0	0	0	0	0	0	0	0
4 Reduced tax rate on active income of controlled foreign corporations (normal tax method)	27,390	29,580	32,020	33,760	35,500	37,300	29,190	30,380	30,690	31,160	31,830	321,410
5 Deduction for foreign-derived intangible income dervied from trade or business within the United States	9,450	10,200	11,050	11,650	12,250	12,870	7,620	7,930	8,010	8,140	8,310	98,030
6 Interest Charge Domestic International Sales Corporations (IC-DISCs)	0	0	0	0	0	0	0	0	0	0	0	0
General science, space, and technology:												
7 Expensing of research and experimentation expenditures (normal tax method)	4,240	3,490	–15,250	–23,930	–17,150	–10,250	–3,000	0	0	0	0	–66,090
8 Credit for increasing research activities	15,150	16,370	17,820	19,120	20,340	21,540	22,750	23,960	25,180	26,430	27,710	221,220
Energy:												
9 Expensing of exploration and development costs, fuels	10	–10	20	50	80	90	90	90	90	90	90	680
10 Excess of percentage over cost depletion, fuels	370	360	420	460	480	500	530	560	600	630	670	5,210
11 Exception from passive loss limitation for working interests in oil and gas properties	0	0	0	0	0	0	0	0	0	0	0	0
12 Capital gains treatment of royalties on coal	0	0	0	0	0	0	0	0	0	0	0	0
13 Exclusion of interest on energy facility bonds	0	0	0	0	0	0	0	0	0	0	0	0
14 Enhanced oil recovery credit	450	480	530	630	830	1,030	1,130	1,190	1,240	1,290	1,330	9,680
15 Energy production credit [1]	4,520	4,750	4,660	4,880	5,190	5,410	5,170	5,010	4,730	4,380	3,850	48,030
16 Marginal wells credit	130	210	260	240	180	120	80	30	20	0	0	1,140
17 Energy investment credit [1]	5,560	5,800	6,470	6,220	6,770	6,910	6,390	6,310	5,070	4,100	2,940	56,980
18 Alcohol fuel credits [2]	0	0	0	0	0	0	0	0	0	0	0	0
19 Bio-Diesel and small agri-biodiesel producer tax credits [3]	10	20	20	10	0	0	0	0	0	0	0	50
20 Tax credits for clean-fuel burning vehicles and refueling property	170	140	150	130	110	100	90	70	60	60	70	980
21 Exclusion of utility conservation subsidies	0	0	0	0	0	0	0	0	0	0	0	0
22 Credit for holding clean renewable energy bonds [4]	20	20	20	20	20	20	20	20	20	20	20	200
23 Credit for investment in clean coal facilities	30	30	20	10	30	30	30	30	40	30	30	280
24 Amortize all geological and geophysical expenditures over 2 years	30	30	30	40	40	40	40	40	40	30	30	360
25 Allowance of deduction for certain energy efficient commercial building property	10	40	20	20	20	20	20	20	20	20	20	220
26 Credit for construction of new energy efficient homes	210	230	160	160	150	160	170	110	40	10	0	1,190
27 Credit for energy efficiency improvements to existing homes	0	0	0	0	0	0	0	0	0	0	0	0
28 Credit for residential energy efficient property	0	0	0	0	0	0	0	0	0	0	0	0
29 Qualified energy conservation bonds [5]	10	10	10	10	10	10	10	10	10	10	10	100
30 Advanced Energy Property Credit	10	10	10	10	10	10	10	10	10	10	10	100
31 Advanced nuclear power production credit	0	0	80	180	220	240	270	280	280	270	180	2,000
32 Reduced tax rate for nuclear decommissioning funds	100	110	110	120	120	130	130	140	150	150	160	1,320
Natural resources and environment:												
33 Expensing of exploration and development costs, nonfuel minerals	0	0	0	0	10	10	10	10	10	10	10	70
34 Excess of percentage over cost depletion, nonfuel minerals	70	60	70	80	80	90	90	100	110	110	120	910

Table 10–2A. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued
(In millions of dollars)

		Total from corporations											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	30	50	50	40	40	50	50	60	70	80	70	560
36	Capital gains treatment of certain timber income	0	0	0	0	0	0	0	0	0	0	0	0
37	Expensing of multiperiod timber growing costs	10	10	10	10	10	10	10	10	10	10	10	100
38	Tax incentives for preservation of historic structures	520	480	470	540	660	740	800	820	840	850	870	7,070
39	Carbon oxide sequestration credit	14	123	277	449	646	873	1,111	1,319	1,511	1,694	1,905	9,908
40	Deduction for endangered species recovery expenditures	10	10	10	10	10	10	10	20	20	20	20	140
Agriculture:													
41	Expensing of certain capital outlays	0	0	10	10	10	10	10	10	10	10	10	90
42	Expensing of certain multiperiod production costs	20	10	10	10	10	10	10	20	20	20	20	140
43	Treatment of loans forgiven for solvent farmers	0	0	0	0	0	0	0	0	0	0	0	0
44	Capital gains treatment of certain agriculture income	0	0	0	0	0	0	0	0	0	0	0	0
45	Income averaging for farmers	0	0	0	0	0	0	0	0	0	0	0	0
46	Deferral of gain on sale of farm refiners	0	0	0	0	0	0	0	0	0	0	0	0
47	Expensing of reforestation expenditures	10	10	10	10	10	10	10	10	10	10	10	100
Commerce and housing:													
	Financial institutions and insurance:												
48	Exemption of credit union income	2,135	2,076	2,118	2,173	2,353	2,406	2,446	2,645	2,737	2,785	2,825	24,564
49	Exclusion of life insurance death benefits	1,180	1,190	1,240	1,280	1,310	1,330	1,360	1,380	1,410	1,430	1,460	13,390
50	Exemption or special alternative tax for small property and casualty insurance companies	930	1,000	1,080	1,110	1,140	1,160	1,210	1,240	1,270	1,300	1,350	11,860
51	Tax exemption of insurance income earned by tax-exempt organizations	320	320	340	350	350	360	360	370	380	380	390	3,600
52	Exclusion of interest spread of financial institutions	0	0	0	0	0	0	0	0	0	0	0	0
	Housing:												
53	Exclusion of interest on owner-occupied mortgage subsidy bonds	80	120	130	100	110	120	140	160	180	200	190	1,450
54	Exclusion of interest on rental housing bonds	140	210	220	180	180	210	230	270	300	340	330	2,470
55	Deductibility of mortgage interest on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
56	Deductibility of State and local property tax on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
57	Deferral of income from installment sales	0	0	0	0	0	0	0	0	0	0	0	0
58	Capital gains exclusion on home sales	0	0	0	0	0	0	0	0	0	0	0	0
59	Exclusion of net imputed rental income	0	0	0	0	0	0	0	0	0	0	0	0
60	Exception from passive loss rules for $25,000 of rental loss	0	0	0	0	0	0	0	0	0	0	0	0
61	Credit for low-income housing investments	6,010	8,430	10,720	10,020	9,870	9,840	9,910	10,170	10,430	10,710	10,990	101,090
62	Accelerated depreciation on rental housing (normal tax method)	60	60	60	60	70	80	90	80	90	90	100	780
	Commerce:												
63	Discharge of business indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
64	Exceptions from imputed interest rules	0	0	0	0	0	0	0	0	0	0	0	0
65	Treatment of qualified dividends	0	0	0	0	0	0	0	0	0	0	0	0
66	Capital gains (except agriculture, timber, iron ore, and coal)	0	0	0	0	0	0	0	0	0	0	0	0
67	Capital gains exclusion of small corporation stock	0	0	0	0	0	0	0	0	0	0	0	0
68	Step-up basis of capital gains at death	0	0	0	0	0	0	0	0	0	0	0	0
69	Carryover basis of capital gains on gifts	0	0	0	0	0	0	0	0	0	0	0	0
70	Ordinary income treatment of loss from small business corporation stock sale	0	0	0	0	0	0	0	0	0	0	0	0
71	Deferral of gains from like-kind exchanges	1,060	1,120	1,170	1,230	1,290	1,350	1,420	1,480	1,560	1,640	1,720	13,980

Table 10–2A. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from corporations											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
72	Depreciation of buildings other than rental housing (normal tax method)	1,210	720	590	500	440	390	360	310	320	380	440	4,450
73	Accelerated depreciation of machinery and equipment (normal tax method)	15,970	13,630	9,520	4,610	–2,030	–9,120	–14,500	–18,770	–14,760	–8,380	–4,440	–44,240
74	Expensing of certain small investments (normal tax method)	370	–20	20	110	360	620	800	940	810	600	480	4,720
75	Exclusion of interest on small issue bonds	10	10	10	10	10	10	10	20	20	20	20	140
76	Special rules for certain film and TV production	–110	–30	0	60	110	150	–230	–310	–150	–70	–30	–500
77	Allow 20-percent deduction to certain pass-through income	0	0	0	0	0	0	0	0	0	0	0	0
Transportation:													
78	Tonnage tax	140	140	140	140	140	140	140	140	140	140	140	1,400
79	Deferral of tax on shipping companies	10	10	10	10	10	10	10	10	10	10	10	100
80	Exclusion of reimbursed employee parking expenses	–1,208	–1,255	–1,328	–1,368	–1,419	–1,486	–1,553	–1,621	–1,697	–1,778	–1,814	–15,319
81	Exclusion for employer-provided transit passes	–407	–435	–472	–498	–529	–569	–608	–653	–699	–750	–765	–5,978
82	Tax credit for certain expenditures for maintaining railroad tracks	90	110	110	80	50	40	30	20	20	10	10	480
83	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	40	40	40	30	30	30	30	30	20	20	20	290
Community and regional development:													
84	Investment credit for rehabilitation of structures (other than historic)	10	0	0	0	0	0	0	0	0	0	0	0
85	Exclusion of interest for airport, dock, and similar bonds	90	120	130	100	110	120	140	160	180	200	200	1,460
86	Exemption of certain mutuals' and cooperatives' income	90	90	100	100	100	100	100	110	110	110	110	1,030
87	Empowerment zones	90	80	70	70	80	80	60	40	30	20	20	550
88	New markets tax credit	1,250	1,260	1,290	1,250	1,140	1,080	1,100	1,070	940	760	540	10,430
89	Credit to holders of Gulf Tax Credit Bonds.	10	20	20	10	10	10	10	10	10	10	10	120
90	Recovery Zone Bonds [6]	10	10	10	10	10	10	10	10	10	10	10	100
91	Tribal Economic Development Bonds	0	0	0	0	0	0	0	0	0	0	0	0
92	Opportunity Zones	1,260	1,150	990	780	760	760	–3,560	–2,470	220	300	350	–720
93	Employee retention credit	190	130	110	70	50	50	40	30	30	20	20	550
Education, training, employment, and social services:													
	Education:												
94	Exclusion of scholarship and fellowship income (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
95	Tax credits and deductions for postsecondary education expenses [7]	0	0	0	0	0	0	0	0	0	0	0	0
96	Deductibility of student-loan interest	0	0	0	0	0	0	0	0	0	0	0	0
97	Qualified tuition programs (includes Education IRA)	0	0	0	0	0	0	0	0	0	0	0	0
98	Exclusion of interest on student-loan bonds	20	20	30	20	20	20	30	30	30	40	40	280
99	Exclusion of interest on bonds for private nonprofit educational facilities	230	330	360	280	290	330	370	430	470	540	520	3,920
100	Credit for holders of zone academy bonds [8]	150	130	110	90	80	60	50	50	40	40	40	690
101	Exclusion of interest on savings bonds redeemed to finance educational expenses	0	0	0	0	0	0	0	0	0	0	0	0
102	Parental personal exemption for students age 19 or over	0	0	0	0	0	0	0	0	0	0	0	0
103	Deductibility of charitable contributions (education)	610	630	670	700	740	770	810	840	870	900	940	7,870
104	Exclusion of employer-provided educational assistance	0	0	0	0	0	0	0	0	0	0	0	0
105	Special deduction for teacher expenses	0	0	0	0	0	0	0	0	0	0	0	0
106	Discharge of student loan indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
107	Qualified school construction bonds [9]	140	130	130	120	120	110	100	100	90	80	80	1,060

Table 10–2A. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from corporations											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
	Training, employment, and social services:												
108	Work opportunity tax credit	1,240	1,280	1,340	1,380	1,430	1,470	920	410	290	220	160	8,900
109	Employer provided child care exclusion	0	0	0	0	0	0	0	0	0	0	0	0
110	Employer-provided child care credit	20	20	20	20	20	20	20	20	20	30	30	220
111	Assistance for adopted foster children	0	0	0	0	0	0	0	0	0	0	0	0
112	Adoption credit and exclusion	0	0	0	0	0	0	0	0	0	0	0	0
113	Exclusion of employee meals and lodging (other than military)	–490	–210	–140	–560	–840	–870	–910	–940	–980	–1,020	–1,060	–7,530
114	Credit for child and dependent care expenses	0	0	0	0	0	0	0	0	0	0	0	0
115	Credit for disabled access expenditures	0	0	0	0	0	0	0	0	0	0	0	0
116	Deductibility of charitable contributions, other than education and health	1,230	1,270	1,320	1,370	1,420	1,480	1,550	1,610	1,670	1,730	1,800	15,220
117	Exclusion of certain foster care payments	0	0	0	0	0	0	0	0	0	0	0	0
118	Exclusion of parsonage allowances	0	0	0	0	0	0	0	0	0	0	0	0
119	Indian employment credit	40	40	30	10	10	10	10	10	10	0	0	130
120	Credit for employer differential wage payments	0	0	0	0	0	0	10	10	10	10	10	50
	Health:												
121	Exclusion of employer contributions for medical insurance premiums and medical care [10]	0	0	0	0	0	0	0	0	0	0	0	0
122	Self-employed medical insurance premiums	0	0	0	0	0	0	0	0	0	0	0	0
123	Medical Savings Accounts / Health Savings Accounts	0	0	0	0	0	0	0	0	0	0	0	0
124	Deductibility of medical expenses	0	0	0	0	0	0	0	0	0	0	0	0
125	Exclusion of interest on hospital construction bonds	330	470	510	400	420	470	530	620	670	780	750	5,620
126	Refundable Premium Assistance Tax Credit [11]	0	0	0	0	0	0	0	0	0	0	0	0
127	Credit for employee health insurance expenses of small business [12]	10	10	10	0	0	0	0	0	0	0	0	20
128	Deductibility of charitable contributions (health)	3,880	4,110	4,330	4,540	4,760	4,980	5,200	5,420	5,660	5,890	6,130	51,020
129	Tax credit for orphan drug research	1,710	2,070	2,490	3,000	3,610	4,360	5,250	6,340	7,640	9,220	11,120	55,100
130	Special Blue Cross/Blue Shield tax benefits	140	190	250	280	300	320	340	360	380	410	440	3,270
131	Tax credit for health insurance purchased by certain displaced and retired individuals [13]	0	0	0	0	0	0	0	0	0	0	0	0
132	Distributions from retirement plans for premiums for health and long-term care insurance	0	0	0	0	0	0	0	0	0	0	0	0
133	Credit for family and sick leave taken by self-employed individuals [14]	0	0	0	0	0	0	0	0	0	0	0	0
	Income security:												
134	Child credit [14]	0	0	0	0	0	0	0	0	0	0	0	0
135	Exclusion of railroad retirement (Social Security equivalent) benefits	0	0	0	0	0	0	0	0	0	0	0	0
136	Exclusion of workers' compensation benefits	0	0	0	0	0	0	0	0	0	0	0	0
137	Exclusion of public assistance benefits (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
138	Exclusion of special benefits for disabled coal miners	0	0	0	0	0	0	0	0	0	0	0	0
139	Exclusion of military disability pensions	0	0	0	0	0	0	0	0	0	0	0	0
	Net exclusion of pension contributions and earnings:												
140	Defined benefit employer plans	0	0	0	0	0	0	0	0	0	0	0	0
141	Defined contribution employer plans	0	0	0	0	0	0	0	0	0	0	0	0
142	Individual Retirement Accounts	0	0	0	0	0	0	0	0	0	0	0	0
143	Low and moderate income savers credit	0	0	0	0	0	0	0	0	0	0	0	0
144	Self-Employed plans	0	0	0	0	0	0	0	0	0	0	0	0
	Exclusion of other employee benefits:												
145	Premiums on group term life insurance	0	0	0	0	0	0	0	0	0	0	0	0
146	Premiums on accident and disability insurance	0	0	0	0	0	0	0	0	0	0	0	0

Table 10–2A. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from corporations											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
147	Income of trusts to finance supplementary unemployment benefits	0	0	0	0	0	0	0	0	0	0	0	0
148	Income of trusts to finance voluntary employee benefits associations	1,090	1,070	1,120	1,170	1,230	1,300	1,440	1,510	1,590	1,680	1,760	13,870
149	Special ESOP rules	180	180	190	190	190	200	200	210	210	220	220	2,010
150	Additional deduction for the blind	0	0	0	0	0	0	0	0	0	0	0	0
151	Additional deduction for the elderly	0	0	0	0	0	0	0	0	0	0	0	0
152	Deductibility of casualty losses	0	0	0	0	0	0	0	0	0	0	0	0
153	Earned income tax credit [15]	0	0	0	0	0	0	0	0	0	0	0	0
154	Recovery rebate credits [16]	0	0	0	0	0	0	0	0	0	0	0	0
Social Security:													
	Exclusion of social security benefits:												
155	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	0	0	0	0	0	0	0	0	0	0	0	0
156	Credit for certain employer contributions to social security	150	210	290	320	340	360	380	400	420	440	460	3,620
Veterans benefits and services:													
157	Exclusion of veterans death benefits and disability compensation	0	0	0	0	0	0	0	0	0	0	0	0
158	Exclusion of veterans pensions	0	0	0	0	0	0	0	0	0	0	0	0
159	Exclusion of GI bill benefits	0	0	0	0	0	0	0	0	0	0	0	0
160	Exclusion of interest on veterans housing bonds	10	10	10	10	10	10	10	20	20	20	20	140
General purpose fiscal assistance:													
161	Exclusion of interest on public purpose State and local bonds	2,900	4,210	4,520	3,540	3,710	4,160	4,720	5,520	5,990	6,910	6,650	49,930
162	Build America Bonds [16]	0	0	0	0	0	0	0	0	0	0	0	0
163	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
Interest:													
164	Deferral of interest on U.S. savings bonds	0	0	0	0	0	0	0	0	0	0	0	0
Addendum: Aid to State and local governments:													
	Deductibility of:												
	Property taxes on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
	Nonbusiness State and local taxes other than on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
	Exclusion of interest on State and local bonds for:												
	Public purposes	2,900	4,210	4,520	3,540	3,710	4,160	4,720	5,520	5,990	6,910	6,650	49,930
	Energy facilities	0	0	0	0	0	0	0	0	0	0	0	0
	Water, sewage, and hazardous waste disposal facilities	30	50	50	40	40	50	50	60	70	80	70	560
	Small-issues	10	10	10	10	10	10	10	20	20	20	20	140
	Owner-occupied mortgage subsidies	80	120	130	100	110	120	140	160	180	200	190	1,450
	Rental housing	140	210	220	180	180	210	230	270	300	340	330	2,470
	Airports, docks, and similar facilities	90	120	130	100	110	120	140	160	180	200	200	1,460
	Student loans	20	20	30	20	20	20	30	30	30	40	40	280
	Private nonprofit educational facilities	230	330	360	280	290	330	370	430	470	540	520	3,920
	Hospital construction	330	470	510	400	420	470	530	620	670	780	750	5,620
	Veterans' housing	10	10	10	10	10	10	10	20	20	20	20	140

See Table 10–1 footnotes for specific table information

Table 10–2B. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030

(In millions of dollars)

	Total from individuals											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
National Defense												
1 Exclusion of benefits and allowances to armed forces personnel	12,910	13,940	14,460	15,010	13,770	13,890	14,380	14,990	15,660	16,390	17,160	149,650
International affairs:												
2 Exclusion of income earned abroad by U.S. citizens	6,160	6,470	6,790	7,130	7,490	7,860	8,260	8,670	9,100	9,560	10,040	81,370
3 Exclusion of certain allowances for Federal employees abroad	270	280	290	310	320	340	360	370	390	410	430	3,500
4 Reduced tax rate on active income of controlled foreign corporations (normal tax method)	180	200	210	230	240	250	200	200	210	210	210	2,150
5 Deduction for foreign-derived intangible income dervied from trade or business within the United States	0	0	0	0	0	0	0	0	0	0	0	0
6 Interest Charge Domestic International Sales Corporations (IC-DISCs)	890	1,370	1,440	1,510	1,590	1,690	2,010	2,280	2,410	2,520	2,600	19,420
General science, space, and technology:												
7 Expensing of research and experimentation expenditures (normal tax method)	1,180	490	–1,850	–5,210	–5,050	–3,350	–1,180	0	0	0	0	–16,150
8 Credit for increasing research activities	1,790	1,930	2,090	2,240	2,380	2,520	2,670	2,830	2,990	3,170	3,360	26,180
Energy:												
9 Expensing of exploration and development costs, fuels	30	–30	70	180	300	340	370	390	400	410	400	2,830
10 Excess of percentage over cost depletion, fuels	220	240	300	330	350	370	420	460	490	520	540	4,020
11 Exception from passive loss limitation for working interests in oil and gas properties	20	20	10	20	20	20	20	20	20	20	20	190
12 Capital gains treatment of royalties on coal	100	70	50	50	50	50	60	60	60	70	70	590
13 Exclusion of interest on energy facility bonds	0	10	10	10	10	10	10	10	10	10	10	100
14 Enhanced oil recovery credit	20	20	30	30	50	50	60	60	70	70	70	510
15 Energy production credit [1]	500	530	520	540	580	600	570	560	530	490	430	5,350
16 Marginal wells credit	20	40	50	40	30	20	10	10	0	0	0	200
17 Energy investment credit [1]	510	530	580	560	610	630	580	570	450	350	240	5,100
18 Alcohol fuel credits [2]	0	10	0	0	0	0	0	0	0	0	0	10
19 Bio-Diesel and small agri-biodiesel producer tax credits [3]	20	20	20	10	0	0	0	0	0	0	0	50
20 Tax credits for clean-fuel burning vehicles and refueling property	400	300	330	310	270	260	240	200	180	170	160	2,420
21 Exclusion of utility conservation subsidies	60	60	50	50	50	40	40	40	30	30	30	420
22 Credit for holding clean renewable energy bonds [4]	50	50	50	50	50	50	50	50	50	50	50	500
23 Credit for investment in clean coal facilities	0	0	0	0	0	0	0	0	0	0	0	0
24 Amortize all geological and geophysical expenditures over 2 years	50	50	60	60	70	70	70	70	70	70	70	660
25 Allowance of deduction for certain energy efficient commercial building property	150	150	110	90	90	90	90	90	90	90	90	980
26 Credit for construction of new energy efficient homes	110	140	120	100	100	100	100	60	20	10	0	750
27 Credit for energy efficiency improvements to existing homes	240	240	120	0	0	0	0	0	0	0	0	360
28 Credit for residential energy efficient property	2,370	2,390	1,980	1,450	420	120	0	0	0	0	0	6,360
29 Qualified energy conservation bonds [5]	20	20	20	20	20	20	20	20	20	20	20	200
30 Advanced Energy Property Credit	0	0	0	0	0	0	0	0	0	0	0	0
31 Advanced nuclear power production credit	0	0	0	0	0	0	0	0	0	0	0	0
32 Reduced tax rate for nuclear decommissioning funds	0	0	0	0	0	0	0	0	0	0	0	0
Natural resources and environment:												
33 Expensing of exploration and development costs, nonfuel minerals	0	0	10	20	30	30	30	30	40	40	40	270
34 Excess of percentage over cost depletion, nonfuel minerals	40	40	50	60	60	70	70	80	90	90	100	710

Table 10–2B. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	240	280	300	310	310	310	320	330	330	350	350	3,190
36	Capital gains treatment of certain timber income	130	130	140	140	150	150	170	190	200	210	220	1,700
37	Expensing of multiperiod timber growing costs	40	50	50	60	60	60	70	70	80	70	70	640
38	Tax incentives for preservation of historic structures	140	130	120	130	160	190	200	210	220	220	220	1,800
39	Carbon oxide sequestration credit	0	0	0	0	0	0	0	0	0	0	0	0
40	Deduction for endangered species recovery expenditures	20	20	20	20	30	30	30	40	40	40	50	320
Agriculture:													
41	Expensing of certain capital outlays	80	120	150	150	160	170	210	230	240	250	260	1,940
42	Expensing of certain multiperiod production costs	540	360	330	350	360	380	470	520	540	560	580	4,450
43	Treatment of loans forgiven for solvent farmers	50	50	60	60	60	60	70	70	70	70	70	640
44	Capital gains treatment of certain agriculture income	1,330	1,340	1,370	1,410	1,470	1,540	1,720	1,900	1,990	2,090	2,190	17,020
45	Income averaging for farmers	170	180	200	200	210	220	230	230	230	230	230	2,160
46	Deferral of gain on sale of farm refiners	15	15	15	15	15	20	20	20	20	20	20	180
47	Expensing of reforestation expenditures	40	50	50	60	60	60	70	70	80	70	70	640
Commerce and housing:													
	Financial institutions and insurance:												
48	Exemption of credit union income	0	0	0	0	0	0	0	0	0	0	0	0
49	Exclusion of life insurance death benefits	10,510	10,370	10,820	11,160	11,560	12,070	12,850	13,780	14,290	14,670	15,120	126,690
50	Exemption or special alternative tax for small property and casualty insurance companies	0	0	0	0	0	0	0	0	0	0	0	0
51	Tax exemption of insurance income earned by tax-exempt organizations	0	0	0	0	0	0	0	0	0	0	0	0
52	Exclusion of interest spread of financial institutions	4,230	3,110	2,030	2,080	2,150	2,240	2,380	2,500	2,580	2,660	2,740	24,470
	Housing:												
53	Exclusion of interest on owner-occupied mortgage subsidy bonds	630	730	790	800	800	800	840	860	870	910	910	8,310
54	Exclusion of interest on rental housing bonds	1,060	1,220	1,330	1,350	1,350	1,350	1,410	1,450	1,470	1,530	1,540	14,000
55	Deductibility of mortgage interest on owner-occupied homes	24,730	25,440	26,170	26,920	28,340	30,250	67,330	89,630	95,150	100,420	106,330	595,980
56	Deductibility of State and local property tax on owner-occupied homes	6,450	6,370	6,450	6,620	6,860	7,130	35,890	52,340	55,090	57,590	60,260	294,600
57	Deferral of income from installment sales	1,480	1,470	1,460	1,510	1,550	1,610	1,670	1,730	1,800	1,870	1,950	16,620
58	Capital gains exclusion on home sales	39,450	40,610	41,800	43,030	44,730	46,340	51,480	55,060	57,070	59,170	61,370	500,660
59	Exclusion of net imputed rental income	123,210	130,590	139,290	148,090	153,210	154,180	176,960	180,390	183,950	187,880	191,440	1,645,980
60	Exception from passive loss rules for $25,000 of rental loss	5,700	5,540	5,870	6,210	6,460	6,860	7,490	7,600	7,700	7,770	7,850	69,350
61	Credit for low-income housing investments	300	470	560	520	520	520	520	540	550	560	580	5,340
62	Accelerated depreciation on rental housing (normal tax method)	4,190	4,600	4,840	5,000	5,230	5,430	6,160	6,660	6,800	6,950	7,100	58,770
	Commerce:												
63	Discharge of business indebtedness	40	30	40	20	20	10	30	30	30	30	40	280
64	Exceptions from imputed interest rules	60	60	70	70	70	80	80	90	90	100	100	810
65	Treatment of qualified dividends	29,450	30,760	32,130	33,560	34,710	36,250	39,120	42,250	44,290	46,140	48,030	387,240
66	Capital gains (except agriculture, timber, iron ore, and coal)	99,210	99,890	101,950	105,290	109,710	114,910	128,090	141,870	148,780	156,060	163,700	1,270,250
67	Capital gains exclusion of small corporation stock	1,410	1,530	1,640	1,750	1,850	1,930	2,000	2,080	2,160	2,250	2,350	19,540
68	Step-up basis of capital gains at death	35,460	37,780	40,260	42,910	45,510	48,050	50,350	54,840	58,340	61,790	65,620	505,450
69	Carryover basis of capital gains on gifts	2,610	3,050	3,560	3,820	4,070	4,090	4,750	5,430	5,270	5,210	5,300	44,550
70	Ordinary income treatment of loss from small business corporation stock sale	70	70	70	70	80	80	80	80	90	90	90	800
71	Deferral of gains from like-kind exchanges	1,970	2,080	2,180	2,290	2,400	2,520	2,650	2,780	2,920	3,070	3,220	26,110

Table 10–2B. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
72	Depreciation of buildings other than rental housing (normal tax method)	4,800	3,370	3,400	3,160	2,910	2,730	2,770	2,630	2,510	2,560	2,620	28,660
73	Accelerated depreciation of machinery and equipment (normal tax method)	16,830	17,690	16,870	7,560	–340	–5,750	–12,200	–20,060	–15,760	–7,620	–2,870	–22,480
74	Expensing of certain small investments (normal tax method)	–670	–1,610	–850	3,600	7,300	9,550	12,900	16,280	14,900	12,260	10,920	85,250
75	Exclusion of interest on small issue bonds	70	80	80	80	80	80	90	90	90	100	100	870
76	Special rules for certain film and TV production	–80	–20	0	40	90	110	–190	–260	–120	–60	–20	–430
77	Allow 20-percent deduction to certain pass-through income	29,195	50,518	52,668	54,406	56,904	60,728	25,001	0	0	0	0	300,225
Transportation:													
78	Tonnage tax	0	0	0	0	0	0	0	0	0	0	0	0
79	Deferral of tax on shipping companies	0	0	0	0	0	0	0	0	0	0	0	0
80	Exclusion of reimbursed employee parking expenses	2,894	3,014	3,189	3,374	3,482	3,616	3,791	3,964	4,145	4,343	4,554	37,472
81	Exclusion for employer-provided transit passes	748	798	869	940	992	1,056	1,138	1,218	1,308	1,403	1,506	11,228
82	Tax credit for certain expenditures for maintaining railroad tracks	50	60	60	50	30	20	10	10	10	10	0	260
83	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	130	120	120	110	110	100	100	90	90	90	80	1,010
Community and regional development:													
84	Investment credit for rehabilitation of structures (other than historic)	0	0	0	0	0	0	0	0	0	0	0	0
85	Exclusion of interest for airport, dock, and similar bonds	630	730	800	810	810	810	850	870	880	920	920	8,400
86	Exemption of certain mutuals' and cooperatives' income	0	0	0	0	0	0	0	0	0	0	0	0
87	Empowerment zones	70	50	20	30	30	30	30	20	10	0	0	220
88	New markets tax credit	30	30	30	30	30	30	30	30	30	20	20	280
89	Credit to holders of Gulf Tax Credit Bonds.	90	90	100	90	80	80	70	70	60	60	50	750
90	Recovery Zone Bonds [6]	80	80	90	80	70	70	70	60	50	50	40	660
91	Tribal Economic Development Bonds	10	10	10	10	10	10	10	10	10	10	10	100
92	Opportunity Zones	2,510	1,530	1,860	1,180	1,240	1,160	–2,520	–6,700	320	430	550	–950
93	Employee retention credit	40	30	30	20	10	10	10	10	10	10	10	150
Education, training, employment, and social services:													
	Education:												
94	Exclusion of scholarship and fellowship income (normal tax method)	3,510	3,660	3,910	4,180	4,440	4,710	5,270	6,140	6,500	6,870	7,280	52,960
95	Tax credits and deductions for postsecondary education expenses [7]	10,730	10,070	14,140	14,450	14,450	14,310	14,180	14,350	14,130	13,930	13,710	137,720
96	Deductibility of student-loan interest	2,170	2,030	2,150	2,230	2,250	2,340	2,380	2,820	2,970	2,960	3,040	25,170
97	Qualified tuition programs (includes Education IRA)	2,420	2,670	2,950	3,280	3,680	4,160	5,130	6,160	7,320	8,830	10,840	55,020
98	Exclusion of interest on student-loan bonds	120	140	150	160	160	160	160	170	170	180	180	1,630
99	Exclusion of interest on bonds for private nonprofit educational facilities	1,680	1,950	2,120	2,150	2,150	2,150	2,240	2,310	2,340	2,430	2,450	22,290
100	Credit for holders of zone academy bonds [8]	0	0	0	0	0	0	0	0	0	0	0	0
101	Exclusion of interest on savings bonds redeemed to finance educational expenses	30	40	40	40	40	40	50	50	50	50	50	450
102	Parental personal exemption for students age 19 or over	0	0	0	0	0	0	3,570	5,270	5,180	5,090	5,000	24,106
103	Deductibility of charitable contributions (education)	3,920	4,250	4,520	4,810	5,080	5,360	6,480	8,530	8,930	9,360	9,490	66,810
104	Exclusion of employer-provided educational assistance	1,190	1,390	1,500	1,620	1,730	1,850	1,640	1,560	1,640	1,720	1,800	16,450
105	Special deduction for teacher expenses	170	170	170	170	170	170	180	210	210	210	220	1,880
106	Discharge of student loan indebtedness	80	80	90	100	110	120	150	170	190	220	240	1,470

Table 10–2B. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
107	Qualified school construction bonds [9]	430	410	390	370	350	330	310	290	270	250	240	3,210
	Training, employment, and social services:												
108	Work opportunity tax credit	410	410	440	450	460	480	380	120	80	60	40	2,920
109	Employer provided child care exclusion	580	570	570	610	650	690	920	1,060	1,120	1,190	1,260	8,640
110	Employer-provided child care credit	0	0	0	0	0	0	0	0	0	0	0	0
111	Assistance for adopted foster children	620	660	700	750	800	850	900	960	1,020	1,080	1,150	8,870
112	Adoption credit and exclusion	770	790	850	870	900	920	930	940	950	960	970	9,080
113	Exclusion of employee meals and lodging (other than military)	3,780	4,530	6,570	6,660	6,450	6,770	7,850	8,470	8,730	9,050	9,420	74,500
114	Credit for child and dependent care expenses	3,190	3,080	3,300	3,440	3,530	3,580	3,700	3,880	3,970	4,060	4,160	36,700
115	Credit for disabled access expenditures	10	10	10	10	10	10	10	10	10	10	10	100
116	Deductibility of charitable contributions, other than education and health	39,090	42,340	45,090	47,850	50,630	53,330	64,530	84,890	88,900	93,100	97,500	668,160
117	Exclusion of certain foster care payments	490	510	510	520	530	540	540	540	540	560	580	5,370
118	Exclusion of parsonage allowances	900	950	1,000	1,050	1,110	1,170	1,230	1,300	1,370	1,440	1,510	12,130
119	Indian employment credit	30	30	20	20	20	20	10	10	10	10	10	160
120	Credit for employer differential wage payments	0	0	0	0	0	0	0	0	0	10	10	20
Health:													
121	Exclusion of employer contributions for medical insurance premiums and medical care [10]	191,350	197,530	211,550	224,320	235,050	248,420	290,960	322,500	340,250	358,670	377,880	2,807,130
122	Self-employed medical insurance premiums	7,430	7,740	8,150	8,720	9,290	9,930	11,330	12,450	13,140	13,820	14,550	109,120
123	Medical Savings Accounts / Health Savings Accounts	5,330	4,540	4,680	4,890	5,080	5,260	5,970	6,440	6,660	6,890	7,130	57,540
124	Deductibility of medical expenses	7,100	7,960	8,480	9,250	10,050	10,900	16,800	20,970	22,760	24,630	26,610	158,410
125	Exclusion of interest on hospital construction bonds	2,400	2,780	3,030	3,070	3,060	3,070	3,210	3,300	3,340	3,480	3,500	31,840
126	Refundable Premium Assistance Tax Credit [11]	7,960	6,220	6,180	6,380	6,670	6,590	7,520	7,710	8,060	8,390	8,800	72,520
127	Credit for employee health insurance expenses of small business [12]	30	30	20	10	10	0	0	0	0	0	0	70
128	Deductibility of charitable contributions (health)	4,350	4,710	5,020	5,330	5,640	5,930	7,190	9,450	9,900	10,370	10,860	74,400
129	Tax credit for orphan drug research	10	10	10	10	10	20	20	20	20	20	20	160
130	Special Blue Cross/Blue Shield tax benefits	0	0	0	0	0	0	0	0	0	0	0	0
131	Tax credit for health insurance purchased by certain displaced and retired individuals [13]	0	0	0	0	0	0	0	0	0	0	0	0
132	Distributions from retirement plans for premiums for health and long-term care insurance	430	450	460	470	490	500	590	630	650	660	670	5,570
133	Credit for family and sick leave taken by self-employed individuals [14]	500	590	90	0	0	0	0	0	0	0	0	680
Income security:													
134	Child credit [14]	70,170	73,320	74,420	76,760	77,170	77,690	55,090	21,160	20,960	20,780	20,570	517,920
135	Exclusion of railroad retirement (Social Security equivalent) benefits	310	290	270	250	240	220	220	210	180	160	140	2,180
136	Exclusion of workers' compensation benefits	9,160	9,200	9,250	9,290	9,330	9,370	9,420	9,460	9,500	9,550	9,590	93,960
137	Exclusion of public assistance benefits (normal tax method)	580	600	620	640	670	680	690	710	720	720	710	6,760
138	Exclusion of special benefits for disabled coal miners	20	30	20	20	20	20	20	20	10	10	10	180
139	Exclusion of military disability pensions	160	160	170	170	170	180	200	210	220	220	220	1,920
	Net exclusion of pension contributions and earnings:	0	0	0	0	0	0	0	0	0	0	0	0
140	Defined benefit employer plans	65,920	67,960	70,030	71,000	73,290	74,470	82,290	82,660	83,330	80,490	77,360	762,880
141	Defined contribution employer plans	80,690	87,610	93,380	98,720	101,970	106,200	126,010	130,550	135,700	141,480	147,230	1,168,850
142	Individual Retirement Accounts	16,510	17,360	17,880	18,940	20,000	20,660	24,770	26,070	27,510	28,820	30,330	232,340
143	Low and moderate income savers credit	1,220	1,220	1,260	1,300	1,270	1,270	1,440	1,410	1,400	1,400	1,390	13,360
144	Self-Employed plans	25,680	28,260	30,120	31,840	32,890	34,260	40,650	42,110	43,770	45,640	47,490	377,030
	Exclusion of other employee benefits:	0	0	0	0	0	0	0	0	0	0	0	0
145	Premiums on group term life insurance	2,160	2,990	3,160	3,300	3,420	3,530	4,030	4,290	4,430	4,570	4,720	38,440

Table 10–2B. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2020–2030—Continued

(In millions of dollars)

		Total from individuals											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021–2030
146	Premiums on accident and disability insurance	330	340	340	340	350	350	350	350	350	350	350	3,470
147	Income of trusts to finance supplementary unemployment benefits	20	10	20	20	30	30	40	50	50	60	60	370
148	Income of trusts to finance voluntary employee benefits associations	0	0	0	0	0	0	0	0	0	0	0	0
149	Special ESOP rules	30	30	30	30	30	30	30	30	30	40	40	320
150	Additional deduction for the blind	30	40	40	40	40	40	40	50	50	50	50	440
151	Additional deduction for the elderly	5,680	5,810	5,950	8,390	6,630	7,150	6,060	6,540	6,960	7,320	7,830	68,640
152	Deductibility of casualty losses	0	0	0	0	0	0	620	960	990	1,020	1,050	4,640
153	Earned income tax credit [15]	2,660	700	700	800	850	900	940	2,410	2,530	2,670	2,800	15,300
154	Recovery rebate credits [16]	0	9,110	1,012	0	0	0	0	0	0	0	0	10,122
	Social Security:												
	Exclusion of social security benefits:												
155	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	27,050	27,180	27,970	30,300	31,180	31,520	35,890	41,750	43,880	46,290	48,940	364,900
156	Credit for certain employer contributions to social security	570	780	1,070	1,170	1,250	1,330	1,410	1,490	1,570	1,650	1,730	13,450
	Veterans benefits and services:												
157	Exclusion of veterans death benefits and disability compensation	8,230	9,210	9,520	9,870	10,220	10,590	11,450	12,990	13,480	13,980	14,510	115,820
158	Exclusion of veterans pensions	210	220	220	220	220	220	230	250	250	260	260	2,350
159	Exclusion of GI bill benefits	1,460	1,580	1,590	1,650	1,720	1,780	1,930	2,200	2,290	2,380	2,480	19,600
160	Exclusion of interest on veterans housing bonds	60	70	70	80	70	80	80	80	80	80	90	780
	General purpose fiscal assistance:												
161	Exclusion of interest on public purpose State and local bonds	21,410	24,770	26,980	27,380	27,310	27,340	28,570	29,430	29,740	30,980	31,180	283,680
162	Build America Bonds [16]	0	0	0	0	0	0	0	0	0	0	0	0
163	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes [17]	7,060	6,890	6,990	7,140	7,330	7,520	76,740	107,610	108,740	113,500	118,550	561,020
	Interest:												
164	Deferral of interest on U.S. savings bonds	910	840	830	820	810	800	800	790	780	770	760	8,000
	Addendum: Aid to State and local governments:												
	Deductibility of:												
	Property taxes on owner-occupied homes	6,450	6,370	6,450	6,620	6,860	7,130	35,890	52,340	55,090	57,590	60,260	294,600
	Nonbusiness State and local taxes other than on owner-occupied homes	7,060	6,890	6,990	7,140	7,330	7,520	76,740	107,610	108,740	113,500	118,550	561,020
	Exclusion of interest on State and local bonds for:												
	Public purposes	21,410	24,770	26,980	27,380	27,310	27,340	28,570	29,430	29,740	30,980	31,180	283,680
	Energy facilities	0	10	10	10	10	10	10	10	10	10	10	100
	Water, sewage, and hazardous waste disposal facilities	240	280	300	310	310	310	320	330	330	350	350	3,190
	Small-issues	70	80	80	80	80	80	90	90	90	100	100	870
	Owner-occupied mortgage subsidies	630	730	790	800	800	800	840	860	870	910	910	8,310
	Rental housing	1,060	1,220	1,330	1,350	1,350	1,350	1,410	1,450	1,470	1,530	1,540	14,000
	Airports, docks, and similar facilities	630	730	800	810	810	810	850	870	880	920	920	8,400
	Student loans	120	140	150	160	160	160	160	170	170	180	180	1,630
	Private nonprofit educational facilities	1,680	1,950	2,120	2,150	2,150	2,150	2,240	2,310	2,340	2,430	2,450	22,290
	Hospital construction	2,400	2,780	3,030	3,070	3,060	3,070	3,210	3,300	3,340	3,480	3,500	31,840
	Veterans' housing	60	70	70	80	70	80	80	80	80	80	90	780

See Table 10–1 footnotes for specific table information

Table 10–3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2021–2030 PROJECTED REVENUE EFFECT
(In millions of dollars)

	Provision	2020	2021	2021–2030
121	Exclusion of employer contributions for medical insurance premiums and medical care [10]	191,350	197,530	2,807,130
59	Exclusion of net imputed rental income	123,210	130,590	1,645,980
66	Capital gains (except agriculture, timber, iron ore, and coal)	99,210	99,890	1,270,250
141	Defined contribution employer plans	80,690	87,610	1,168,850
140	Defined benefit employer plans	65,920	67,960	762,880
116	Deductibility of charitable contributions, other than education and health	40,320	43,610	683,380
55	Deductibility of mortgage interest on owner-occupied homes	24,730	25,440	595,980
163	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes [19]	7,060	6,890	561,020
134	Child credit [15]	70,170	73,320	517,920
68	Step-up basis of capital gains at death	35,460	37,780	505,450
58	Capital gains exclusion on home sales	39,450	40,610	500,660
65	Treatment of qualified dividends	29,450	30,760	387,240
144	Self-Employed plans	25,680	28,260	377,030
155	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	27,050	27,180	364,900
161	Exclusion of interest on public purpose State and local bonds	24,310	28,980	333,610
4	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	27,570	29,780	323,560
77	Allow 20-percent deduction to certain pass-through income	29,195	50,518	300,225
56	Deductibility of State and local property tax on owner-occupied homes [17]	6,450	6,370	294,600
8	Credit for increasing research activities	16,940	18,300	247,400
142	Individual Retirement Accounts	16,510	17,360	232,340
124	Deductibility of medical expenses	7,100	7,960	158,410
1	Exclusion of benefits and allowances to armed forces personnel	12,910	13,940	149,650
49	Exclusion of life insurance death benefits	11,690	11,560	140,080
95	Tax credits and deductions for postsecondary education expenses [7]	10,730	10,070	137,720
128	Deductibility of charitable contributions (health)	8,230	8,820	125,420
157	Exclusion of veterans death benefits and disability compensation	8,230	9,210	115,820
122	Self-employed medical insurance premiums	7,430	7,740	109,120
61	Credit for low-income housing investments	6,310	8,900	106,430
5	Deduction for foreign-derived intangible income dervied from trade or business within the United States	9,450	10,200	98,030
136	Exclusion of workers' compensation benefits	9,160	9,200	93,960
74	Expensing of certain small investments (normal tax method)	–300	–1,630	89,970
2	Exclusion of income earned abroad by U.S. citizens	6,160	6,470	81,370
103	Deductibility of charitable contributions (education)	4,530	4,880	74,680
126	Refundable Premium Assistance Tax Credit [11]	7,960	6,220	72,520
60	Exception from passive loss rules for $25,000 of rental loss	5,700	5,540	69,350
151	Additional deduction for the elderly	5,680	5,810	68,640
113	Exclusion of employee meals and lodging (other than military)	3,290	4,320	66,970
17	Energy investment credit [1]	6,070	6,330	62,080
62	Accelerated depreciation on rental housing (normal tax method)	4,250	4,660	59,550
123	Medical Savings Accounts / Health Savings Accounts	5,330	4,540	57,540
129	Tax credit for orphan drug research	1,720	2,080	55,260
97	Qualified tuition programs (includes Education IRA)	2,420	2,670	55,020
15	Energy production credit [1]	5,020	5,280	53,380
94	Exclusion of scholarship and fellowship income (normal tax method)	3,510	3,660	52,960
69	Carryover basis of capital gains on gifts	2,610	3,050	44,550
71	Deferral of gains from like-kind exchanges	3,030	3,200	40,090
145	Premiums on group term life insurance	2,160	2,990	38,440
125	Exclusion of interest on hospital construction bonds	2,730	3,250	37,460
114	Credit for child and dependent care expenses	3,190	3,080	36,700
72	Depreciation of buildings other than rental housing (normal tax method)	6,010	4,090	33,110
99	Exclusion of interest on bonds for private nonprofit educational facilities	1,910	2,280	26,210
96	Deductibility of student-loan interest	2,170	2,030	25,170
48	Exemption of credit union income	2,140	2,080	24,564
52	Exclusion of interest spread of financial institutions	4,230	3,110	24,470
102	Parental personal exemption for students age 19 or over	0	0	24,110

Table 10–3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2021–2030 PROJECTED REVENUE EFFECT—Continued

(In millions of dollars)

	Provision	2020	2021	2021–2030
80	Exclusion of reimbursed employee parking expenses	1,686	1,759	22,153
159	Exclusion of GI bill benefits	1,460	1,580	19,600
67	Capital gains exclusion of small corporation stock	1,410	1,530	19,540
6	Interest Charge Domestic International Sales Corporations (IC-DISCs)	890	1,370	19,420
156	Credit for certain employer contributions to social security	720	990	17,070
44	Capital gains treatment of certain agriculture income	1,330	1,340	17,020
57	Deferral of income from installment sales	1,480	1,470	16,620
54	Exclusion of interest on rental housing bonds	1,200	1,430	16,470
104	Exclusion of employer-provided educational assistance	1,190	1,390	16,450
153	Earned income tax credit [16]	2,660	700	15,300
148	Income of trusts to finance voluntary employee benefits associations	1,090	1,070	13,870
143	Low and moderate income savers credit	1,220	1,220	13,360
118	Exclusion of parsonage allowances	900	950	12,130
108	Work opportunity tax credit	1,650	1,690	11,820
88	New markets tax credit	1,280	1,290	10,710
14	Enhanced oil recovery credit	470	500	10,190
154	Recovery rebate credits [17]	0	9,110	10,122
39	Carbon oxide sequestration credit	14	123	9,908
85	Exclusion of interest for airport, dock, and similar bonds	720	850	9,860
53	Exclusion of interest on owner-occupied mortgage subsidy bonds	710	850	9,760
10	Excess of percentage over cost depletion, fuels	590	600	9,230
112	Adoption credit and exclusion	770	790	9,080
38	Tax incentives for preservation of historic structures	660	610	8,870
111	Assistance for adopted foster children	620	660	8,870
109	Employer provided child care exclusion	580	570	8,640
164	Deferral of interest on U.S. savings bonds	910	840	8,000
137	Exclusion of public assistance benefits (normal tax method)	580	600	6,760
28	Credit for residential energy efficient property	2,370	2,390	6,360
132	Distributions from retirement plans for premiums for health and long-term care insurance	430	450	5,570
117	Exclusion of certain foster care payments	490	510	5,370
81	Exclusion for employer-provided transit passes	341	363	5,250
152	Deductibility of casualty losses	0	0	4,641
42	Expensing of certain multiperiod production costs	560	370	4,590
107	Qualified school construction bonds [9]	570	540	4,270
35	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	270	330	3,750
51	Tax exemption of insurance income earned by tax-exempt organizations	320	320	3,600
9	Expensing of exploration and development costs, fuels	40	–40	3,510
3	Exclusion of certain allowances for Federal employees abroad	270	280	3,500
146	Premiums on accident and disability insurance	330	340	3,470
20	Tax credits for clean-fuel burning vehicles and refueling property	570	440	3,400
130	Special Blue Cross/Blue Shield tax benefits	140	190	3,270
158	Exclusion of veterans pensions	210	220	2,350
149	Special ESOP rules	210	210	2,330
135	Exclusion of railroad retirement (Social Security equivalent) benefits	310	290	2,180
45	Income averaging for farmers	170	180	2,160
41	Expensing of certain capital outlays	80	120	2,030
31	Advanced nuclear power production credit	0	0	2,000
26	Credit for construction of new energy efficient homes	320	370	1,940
139	Exclusion of military disability pensions	160	160	1,920
98	Exclusion of interest on student-loan bonds	140	160	1,910
105	Special deduction for teacher expenses	170	170	1,880
36	Capital gains treatment of certain timber income	130	130	1,700
34	Excess of percentage over cost depletion, nonfuel minerals	110	100	1,620
106	Discharge of student loan indebtedness	80	80	1,470
78	Tonnage tax	140	140	1,400

Table 10–3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2021–2030 PROJECTED REVENUE EFFECT—Continued
(In millions of dollars)

	Provision	2020	2021	2021–2030
50	Exemption or special alternative tax for small property and casualty insurance companies	110	120	1,370
16	Marginal wells credit	150	250	1,340
32	Reduced tax rate for nuclear decommissioning funds	100	110	1,320
83	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	170	160	1,300
25	Allowance of deduction for certain energy efficient commercial building property	160	190	1,200
86	Exemption of certain mutuals' and cooperatives' income	90	90	1,030
24	Amortize all geological and geophysical expenditures over 2 years	80	80	1,020
75	Exclusion of interest on small issue bonds	80	90	1,010
160	Exclusion of interest on veterans housing bonds	70	80	920
89	Credit to holders of Gulf Tax Credit Bonds.	100	110	870
64	Exceptions from imputed interest rules	60	60	810
70	Ordinary income treatment of loss from small business corporation stock sale	70	70	800
87	Empowerment zones	160	130	770
90	Recovery Zone Bonds [6]	90	90	760
37	Expensing of multiperiod timber growing costs	50	60	740
47	Expensing of reforestation expenditures	50	60	740
82	Tax credit for certain expenditures for maintaining railroad tracks	140	170	740
22	Credit for holding clean renewable energy bonds [4]	70	70	700
93	Employee retention credit	230	160	700
100	Credit for holders of zone academy bonds [8]	150	130	690
133	Credit for family and sick leave taken by self-employed individuals [14]	500	590	680
43	Treatment of loans forgiven for solvent farmers	50	50	640
12	Capital gains treatment of royalties on coal	100	70	590
40	Deduction for endangered species recovery expenditures	30	30	460
101	Exclusion of interest on savings bonds redeemed to finance educational expenses	30	40	450
150	Additional deduction for the blind	30	40	440
21	Exclusion of utility conservation subsidies	60	60	420
147	Income of trusts to finance supplementary unemployment benefits	20	10	370
27	Credit for energy efficiency improvements to existing homes	240	240	360
33	Expensing of exploration and development costs, nonfuel minerals	0	0	340
29	Qualified energy conservation bonds [5]	30	30	300
119	Indian employment credit	70	70	290
23	Credit for investment in clean coal facilities	30	30	280
63	Discharge of business indebtedness	40	30	280
110	Employer-provided child care credit	20	20	220
11	Exception from passive loss limitation for working interests in oil and gas properties	20	20	190
46	Deferral of gain on sale of farm refiners	15	15	180
138	Exclusion of special benefits for disabled coal miners	20	30	180
13	Exclusion of interest on energy facility bonds	0	10	100
19	Bio-Diesel and small agri-biodiesel producer tax credits [3]	30	40	100
30	Advanced Energy Property Credit	10	10	100
79	Deferral of tax on shipping companies	10	10	100
91	Tribal Economic Development Bonds	10	10	100
115	Credit for disabled access expenditures	10	10	100
127	Credit for employee health insurance expenses of small business [12]	40	40	90
120	Credit for employer differential wage payments	0	0	70
18	Alcohol fuel credits [2]	0	10	10
84	Investment credit for rehabilitation of structures (other than historic)	10	0	0
131	Tax credit for health insurance purchased by certain displaced and retired individuals [13]	0	0	0
162	Build America Bonds [18]	0	0	0
76	Special rules for certain film and TV production	–190	–50	–930
92	Opportunity Zones	3,770	2,680	–1,670
73	Accelerated depreciation of machinery and equipment (normal tax method)	32,800	31,320	–66,720
7	Expensing of research and experimentation expenditures (normal tax method)	5,420	3,980	–82,240

See Table 10–1 footnotes for specific table information

Table 10–4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 2020
(In millions of dollars)

	Provision	2020 Present Value of Revenue Loss
7	Expensing of research and experimentation expenditures (normal tax method)	740
22	Credit for holding clean renewable energy bonds	0
9	Expensing of exploration and development costs - fuels	140
33	Expensing of exploration and development costs - nonfuels	10
37	Expensing of multiperiod timber growing costs	60
42	Expensing of certain multiperiod production costs - agriculture	–260
41	Expensing of certain capital outlays - agriculture	–110
47	Expensing of reforestation expenditures	20
62	Accelerated depreciation on rental housing	–4,860
72	Depreciation of buildings other than rental	–1,250
73	Accelerated depreciation of machinery and equipment	–23,620
74	Expensing of certain small investments (normal tax method)	0
100	Credit for holders of zone academy bonds	0
61	Credit for low-income housing investments	8,680
97	Qualified tuition programs	5,720
140	Defined benefit employer plans	46,030
141	Defined contribution employer plans	120,610
142	Exclusion of IRA contributions and earnings	2,870
142	Exclusion of Roth earnings and distributions	6,620
142	Exclusion of non-deductible IRA earnings	790
144	Exclusion of contributions and earnings for Self-Employed plans	7,630
162	Exclusion of interest on public-purpose bonds	11,140
	Exclusion of interest on non-public purpose bonds [1]	4,450
165	Deferral of interest on U.S. savings bonds	70

[1] Includes all components, other than public purpose, listed under ‘Exclusion of interest on State and local bonds’ in the Addendum to Table 10–1.

from U.S. taxable income certain special allowances they receive to compensate them for the relatively high costs associated with living overseas. The allowances supplement wage income and cover expenses such as rent, education, and the cost of travel to and from the United States.

4. ***Reduced tax rate on active income of controlled foreign corporations (normal tax method).***—Under the baseline tax system, worldwide income forms the tax base of U.S. corporations. In contrast, U.S. tax law exempts or preferentially taxes certain portions of this income. Prior to the passage of the Tax Cuts and Jobs Act TCJA (effective January 1, 2018), active foreign income was generally taxed only upon repatriation. TCJA changed these rules, so that certain active income (called “global intangible low tax income” or “GILTI”) is taxed currently, even if it is not distributed. However, U.S. corporations generally receive a 50 percent deduction from U.S. tax on their GILTI (the deduction decreases to 37.5 percent in 2026), resulting in a substantially reduced rate of tax. In addition, some active income is excluded from tax, and distributions out of active income are no longer taxed upon repatriation. These reductions and exemptions from U.S. taxation are considered tax expenditures. However, U.S. shareholders of specified foreign corporations must include their pro rata share of accumulated post-1986 deferred foreign income (as of the last taxable year before January 1, 2018) in U.S. taxable income, and this inclusion acts as an offset to the reduced tax rate on CFC income in the years in which the payments are received.

5. ***Deduction for foreign-derived intangible income derived from a trade or business within the United States.***—Under the baseline tax system, the United States taxes income earned by U.S. corporations from serving foreign markets (e.g., exports and royalties) at the full U.S. rate. After the passage of TCJA, domestic corporations are allowed a deduction equal to 37.5 percent of “foreign-derived intangible income,” which is essentially income from serving foreign markets (defined on a formulaic basis). The deduction falls to 21.875 percent in 2026.

6. ***Interest Charge Domestic International Sales Corporations (IC-DISCs).***—Under the baseline tax system, taxpayer earnings are subject to tax using the regular tax rates applied to all taxpayers. In contrast, IC-DISCs allow a portion of income from exports to be taxed at the qualified dividend rate which is no higher than 20 percent (plus a 3.8 percent surtax for high-income taxpayers).

General Science, Space, and Technology

7. ***Expensing of research and experimentation expenditures (normal tax method).***—The baseline tax system allows a deduction for the cost of producing income. It requires taxpayers to capitalize the costs associated with investments over time to better match the streams of income and associated costs. Research and experimentation (R&E) projects can be viewed as investments because, if successful, their benefits accrue for several years. It is often difficult, however, to identify whether a specific R&E project is successful and, if successful, what its expected life will be. Because of this ambiguity, the reference tax law baseline system would allow expensing of R&E expenditures. In contrast, under the normal tax method, the expensing of R&E expenditures is viewed as a tax expenditure. The baseline assumed for the normal tax method is that all R&E expenditures are successful and have an expected life of five years. Current law requires R&E expenditures paid or incurred in taxable years beginning after December 31, 2021, to be capitalized and amortized over 5 years, while allowing R&E expenditures paid or incurred in prior taxable years to be expensed.

8. ***Credit for increasing research activities.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code allows an R&E credit of up to 20 percent of qualified research expenditures in excess of a base amount. The base amount of the credit is generally determined by multiplying a "fixed-base percentage" by the average amount of the company's gross receipts for the prior four years. The taxpayer's fixed base percentage generally is the ratio of its research expenses to gross receipts for 1984 through 1988. Taxpayers can elect the alternative simplified credit regime, which equals 14 percent of qualified research expenses that exceed 50 percent of the average qualified research expenses for the three preceding taxable years.

Energy

9. ***Expensing of exploration and development costs, fuels.***—Under the baseline tax system, the costs of exploring and developing oil and gas wells and coal mines or other natural fuel deposits would be capitalized and then amortized (or depreciated) over an estimate of the economic life of the property. This insures that the net income from the well or mine is measured appropriately each year. In contrast to this treatment, current law allows immediate deduction, i.e., expensing, of intangible drilling costs for successful investments in domestic oil and gas wells (such as wages, the cost of using machinery for grading and drilling, and the cost of unsalvageable materials used in constructing wells). Current law also allows immediate deduction of eligible exploration and development costs for domestic coal mines and other natural fuel deposits. Because expensing allows recovery of costs sooner, it is more advantageous to the taxpayer than amortization. Expensing provisions for exploration expenditures apply only to properties for which a deduction for percentage depletion is allowable. For oil and gas wells, integrated oil companies may expense only 70 percent of intangible drilling costs and must amortize the remaining 30 percent over five years. Non-integrated oil companies may expense all such costs.

10. ***Excess of percentage over cost depletion, fuels.***—The baseline tax system would allow recovery of the costs of developing certain oil, gas, and mineral fuel properties using cost depletion. Cost depletion is similar in concept to depreciation, in that the costs of developing or acquiring the asset are capitalized and then gradually reduced over an estimate of the asset's economic life, as is appropriate for measuring net income. In contrast, the Tax Code generally allows independent fuel producers and royalty owners to take percentage depletion deductions rather than cost depletion on limited quantities of output. Under percentage depletion, taxpayers deduct a percentage of gross income from fossil fuel production. In certain cases the deduction is limited to a fraction of the asset's net income. Over the life of an investment, percentage depletion deductions can exceed the cost of the investment. Consequently, percentage depletion may provide more advantageous tax treatment than would cost depletion, which limits deductions to an investment's cost.

11. ***Exception from passive loss limitation for working interests in oil and gas properties.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct losses from passive activities against nonpassive income (e.g., wages, interest, and dividends). Passive activities generally are defined as those in which the taxpayer does not materially participate, though there are numerous additional considerations brought to bear on the determination of which activities are passive for a given taxpayer. Losses are limited in an attempt to limit tax sheltering activities. Passive losses that are unused may be carried forward and applied against future passive income. An exception from the passive loss limitation is provided for a working interest in an oil or gas property that the taxpayer holds directly or through an entity that does not limit the liability of the taxpayer with respect to the interest. Thus, taxpayers can deduct losses from such working interests against nonpassive income without regard to whether they materially participate in the activity.

12. ***Capital gains treatment of royalties on coal.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. For individuals, tax rates on regular income vary from 10 percent to 39.6 percent in the budget window (plus a 3.8 percent surtax on high income taxpayers), depending on the taxpayer's income. In contrast, current law allows capital gains realized by individuals to be taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax). Certain sales of coal under royalty contracts qualify for taxation as capital gains rather than ordinary income, and so benefit from the preferentially low 20 percent maximum tax rate on capital gains.

13. ***Exclusion of interest on energy facility bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance construction of certain energy facilities to be exempt from tax. These bonds are generally subject to the State private-activity-bond annual volume cap.

14. ***Enhanced oil recovery credit.***—A credit is provided equal to 15 percent of the taxpayer's costs for enhanced oil recovery on U.S. projects. The credit is reduced in proportion to the ratio of the reference price of oil for the previous calendar year minus $28 (adjusted for inflation from 1990) to $6.

15. ***Energy production credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides a credit for certain electricity produced from wind energy, biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, or qualified hydropower and sold to an unrelated party. Wind facilities must have begun construction before January 1, 2022. Facilities that begin construction in 2017 receive 80 percent of the credit, facilities that begin construction in 2018 receive 60 percent of the credit, facilities that begin construction in 2019 receive 40 percent of the credit, and facilities that begin construction in 2020-2021 receive 60 percent of the credit. Qualified facilities producing electricity from sources other than wind must begin construction before January 1, 2022. In addition to the electricity production credit, a ten-year income tax credit is allowed for the production of refined coal for facilities placed in service before January 1, 2012. The Tax Code also provided an income tax credit for Indian coal facilities. The Indian coal facilities credit expires on December 31, 2021.

16. ***Marginal wells credit.***—A credit is provided for crude oil and natural gas produced from a qualified marginal well. A marginal well is one that does not produce more than 1,095 barrel-of-oil equivalents per year, with this limit adjusted proportionately for the number of days the well is in production. The credit is no more than $3.00 per barrel of qualified crude oil production and $0.50 per thousand cubic feet of qualified natural gas production. The credit for natural gas is reduced in proportion to the amount by which the reference price of natural gas at the wellhead for the previous calendar year exceeds $1.67 per thousand cubic feet and is zero for a reference price that exceeds $2.00. The credit for crude oil is reduced in proportion to the amount by which the reference price of oil for the previous calendar year exceeds $15.00 per barrel and is zero for a reference price that exceeds $18.00. All dollar amounts are adjusted for inflation from 2004.

17. ***Energy investment credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code provides credits for investments in solar and geothermal energy property, qualified fuel cell power plants, stationary microturbine power plants, geothermal heat pumps, waste energy recovery property, small wind property, offshore wind, and combined heat and power property. The credit is 30 percent for property that begins construction before 2020, 26 percent for property that begins construction in 2020-2022, and 22 percent for property that begins construction in 2023 and in all cases that is placed in service before January 1, 2026. The credit for offshore wind is 30 percent for facilities placed in service before January 1, 2026. A 10 percent credit is available for geothermal or qualified solar property placed in service after December 31, 2025. Owners of renewable power facilities that qualify for the energy production credit may instead elect to take an energy investment credit at a rate specified by law.

18. ***Alcohol fuel credits.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides an income tax credit for qualified cellulosic biofuel production which was renamed the Second generation biofuel producer credit. This provision expires on December 31, 2021.

19. ***Bio-diesel and small agri-biodiesel producer tax credits.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code allows an income tax credit for Bio-diesel and for Bio-diesel derived from virgin sources. In lieu of the Bio-diesel credit, the taxpayer could claim a refundable excise tax credit. In addition, small agri-biodiesel producers were eligible for a separate income tax credit for biodiesel production, and a separate credit was available for qualified renewable diesel fuel mixtures. This provision expires on December 31, 2022.

20. ***Tax credits for clean-fuel burning vehicles and refueling property.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows credits for plug-in electric-drive motor vehicles, alternative fuel vehicle refueling property, two-wheeled plug-in electric vehicles, and fuel cell motor vehicles. These provisions, except for the plug-in electric-drive motor vehicle credit, expired after December 31, 2017.

21. ***Exclusion of utility conservation subsidies.***—The baseline tax system generally takes a comprehensive view of taxable income that includes a wide variety of (measurable) accretions to wealth. In certain circumstances, public utilities offer rate subsidies to non-business customers who invest in energy conservation measures. These rate subsidies are equivalent to payments from the utility to its customer, and so represent accretions to wealth, income that would be taxable to the customer under the baseline tax system. In contrast, the Tax Code exempts these subsidies from the non-business customer's gross income.

22. ***Credit for holding clean renewable energy bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides for the issuance of Clean Renewable Energy Bonds that entitle the bond holder to a Federal income tax credit in lieu of interest. As of March 2010, issuers of the unused authorization of such bonds could opt to receive direct payment with the yield becoming fully taxable.

23. ***Credit for investment in clean coal facilities.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides investment tax credits for clean coal facilities producing electricity and for industrial gasification combined cycle projects.

24. ***Amortize all geological and geophysical expenditures over two years.***—The baseline tax system allows taxpayers to deduct the decline in the economic value of an investment over its economic life. However, the Tax Code allows geological and geophysical expenditures incurred in connection with oil and gas exploration in the United States to be amortized over two years for non-integrated oil companies, a span of time that is generally shorter than the economic life of the assets.

25. ***Allowance of deduction for certain energy efficient commercial building property.***—The baseline tax system would not allow deductions in lieu of normal depreciation allowances for particular investments in particular industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a deduction for certain energy efficient commercial building property. The basis of such property is reduced by the amount of the deduction. Starting in 2021, the maximum deduction amount per square foot will be increased by a cost-of -living adjustment.

26. ***Credit for construction of new energy efficient homes.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code allowed contractors a tax credit of $2,000 for the construction of a qualified new energy-efficient home that had an annual level of heating and cooling energy consumption at least 50 percent below the annual consumption under the 2006 International Energy Conservation Code. The credit equaled $1,000 in the case of a new manufactured home that met a 30 percent standard or requirements for EPA's Energy Star homes. This provision expired on December 31, 2017.

27. ***Credit for energy efficiency improvements to existing homes.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code provided an investment tax credit for expenditures made on insulation, exterior windows, and doors that improved the energy efficiency of homes and met certain standards. The Tax Code also provided a credit for purchases of advanced main air circulating fans, natural gas, propane, or oil furnaces or hot water boilers, and other qualified energy efficient property. This provision expired on December 31, 2017. But legislation enacted in 2020 allowed taxpayers to claim tax credits retroactively for three years.

28. ***Credit for residential energy efficient property.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code provides a credit for the purchase of a qualified photovoltaic property and solar water heating property, as well as for fuel cell power plants, geothermal heat pumps, and small wind property used in or placed on a residence. The credit is 30 percent for property placed in service before January 1, 2020, 26 percent for property placed in service in 2020- 2022, and 22 percent for property placed in service in 2023.

29. ***Credit for qualified energy conservation bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code provides for the issuance of energy conservation bonds which entitle the bond holder to a Federal income tax credit in lieu of interest. As of March 2010, issuers of the unused authorization of such bonds could opt to receive direct payment with the yield becoming fully taxable.

30. ***Advanced energy property credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code provides a 30 percent investment credit for property used in a qualified advanced energy manufacturing project. The Treasury Department may award up to $2.3 billion in tax credits for qualified investments.

31. ***Advanced nuclear power facilities production credit.***—The baseline tax system would not allow credits or deductions for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a tax credit equal to 1.8 cents times the number of kilowatt hours of electricity produced at a qualifying advanced nuclear power facility. A taxpayer may claim no more than $125 million per 1,000 megawatts of capacity. The Treasury Department may allocate up to 6,000 megawatts of credit-eligible capacity. Any unutilized national capacity limitation shall be allocated after December 31, 2020, according to prioritization rules set forth by statute.

32. ***Reduced tax rate for nuclear decommissioning funds.***—The baseline tax system would uniformly tax all returns to investments and not allow special rates for particular activities, investments, or industries. In contrast, the Tax Code provides a special 20 percent tax rate for investments made by Nuclear Decommissioning Reserve Funds.

Natural Resources and Environment

33. ***Expensing of exploration and development costs, nonfuel minerals.***—The baseline tax system

allows the taxpayer to deduct the depreciation of an asset according to the decline in its economic value over time. However, certain capital outlays associated with exploration and development of nonfuel minerals may be expensed rather than depreciated over the life of the asset.

34. ***Excess of percentage over cost depletion, nonfuel minerals.***—The baseline tax system allows the taxpayer to deduct the decline in the economic value of an investment over time. Under current law, however, most nonfuel mineral extractors may use percentage depletion (whereby the deduction is fixed as a percentage of receipts) rather than cost depletion, with percentage depletion rates ranging from 22 percent for sulfur to 5 percent for sand and gravel. Over the life of an investment, percentage depletion deductions can exceed the cost of the investment. Consequently, percentage depletion may provide more advantageous tax treatment than would cost depletion, which limits deductions to an investment's cost.

35. ***Exclusion of interest on bonds for water, sewage, and hazardous waste facilities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance construction of sewage, water, or hazardous waste facilities to be exempt from tax. These bonds are generally subject to the State private-activity bond annual volume cap.

36. ***Capital gains treatment of certain timber.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. However, under current law certain timber sales can be treated as a capital gain rather than ordinary income and therefore subject to the lower capital-gains tax rate. For individuals, tax rates on regular income vary from 10 percent to 39.6 percent in the budget window (plus a 3.8 percent surtax on high income taxpayers), depending on the taxpayer's income. In contrast, current law allows capital gains to be taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax).

37. ***Expensing of multi-period timber growing costs.***—The baseline tax system requires the taxpayer to capitalize costs associated with investment property. However, most of the production costs of growing timber may be expensed under current law rather than capitalized and deducted when the timber is sold, thereby accelerating cost recovery.

38. ***Tax incentives for preservation of historic structures.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, expenditures to preserve and restore certified historic structures qualify for an investment tax credit of 20 percent for certified rehabilitation activities. The taxpayer's recoverable basis must be reduced by the amount of the credit. The credit must be claimed ratably over the five years after the property is placed in service, for property placed in service after December 31, 2017.

39. ***Carbon oxide sequestration credit***.—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code allows a credit for qualified carbon oxide captured at a qualified facility and disposed of in secure geological storage. In addition, the provision allows a credit for qualified carbon oxide that is captured at a qualified facility and used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project. The credit differs according to whether the carbon was captured using equipment which was originally placed in service before February 9, 2018, or thereafter.

40. ***Deduction for endangered species recovery expenditures.***—The baseline tax system would not allow deductions in addition to normal depreciation allowances for particular investments in particular industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, under current law farmers can deduct up to 25 percent of their gross income for expenses incurred as a result of site and habitat improvement activities that will benefit endangered species on their farm land, in accordance with site specific management actions included in species recovery plans approved pursuant to the Endangered Species Act of 1973.

Agriculture

41. ***Expensing of certain capital outlays.***—The baseline tax system requires the taxpayer to capitalize costs associated with investment property. However, farmers may expense certain expenditures for feed and fertilizer, for soil and water conservation measures, and certain other capital improvements under current law.

42. ***Expensing of certain multiperiod production costs.***—The baseline tax system requires the taxpayer to capitalize costs associated with an investment over time. However, the production of livestock and crops with a production period greater than two years is exempt from the uniform cost capitalization rules (e.g., for costs for establishing orchards or structure improvements), thereby accelerating cost recovery.

43. ***Treatment of loans forgiven for solvent farmers.***—Because loan forgiveness increases a debtors net worth the baseline tax system requires debtors to include the amount of loan forgiveness as income or else reduce their recoverable basis in the property related to the loan. If the amount of forgiveness exceeds the basis, the excess forgiveness is taxable if the taxpayer is not insolvent. For bankrupt debtors, the amount of loan forgiveness reduces carryover losses, unused credits, and then basis, with the remainder of the forgiven debt excluded from taxation. Qualified farm debt that is forgiven, however, is excluded from income even when the taxpayer is solvent.

44. ***Capital gains treatment of certain agriculture income.***—For individuals, tax rates on regular income vary from 10 percent to 39.6 percent in the budget

window (plus a 3.8 percent surtax on high income taxpayers), depending on the taxpayer's income. The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, current law allows capital gains to be taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax). Certain agricultural income, such as unharvested crops, qualify for taxation as capital gains rather than ordinary income, and so benefit from the preferentially low 20 percent maximum tax rate on capital gains.

45. ***Income averaging for farmers.***—The baseline tax system generally taxes all earned income each year at the rate determined by the income tax. However, taxpayers may average their taxable income from farming and fishing over the previous three years.

46. ***Deferral of gain on sales of farm refiners.***—The baseline tax system generally subjects capital gains to taxes the year that they are realized. However, the Tax Code allows a taxpayer who sells stock in a farm refiner to a farmers' cooperative to defer recognition of the gain if the proceeds are re-invested in a qualified replacement property.

47. ***Expensing of reforestation expenditures***.—The baseline tax system requires the taxpayer to capitalize costs associated with an investment over time. In contrast, the Tax Code provides for the expensing of the first $10,000 in reforestation expenditures with 7-year amortization of the remaining expenses.

Commerce and Housing

This category includes a number of tax expenditure provisions that also affect economic activity in other functional categories. For example, provisions related to investment, such as accelerated depreciation, could be classified under the energy, natural resources and environment, agriculture, or transportation categories.

48. ***Exemption of credit union income.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. However, in the Tax Code the earnings of credit unions not distributed to members as interest or dividends are exempt from the income tax.

49. ***Exclusion of life insurance death benefits.***—Under the baseline tax system, individuals and corporations would pay taxes on their income when it is (actually or constructively) received or accrued. Nevertheless, current law generally excludes from tax amounts received under life insurance contracts if such amounts are paid by reason of the death of the insured.

50. ***Exclusion or special alternative tax for small property and casualty insurance companies.***—The baseline tax system would require corporations to pay taxes on their profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, however, stock non-life insurance companies are generally exempt from tax if their gross receipts for the taxable year do not exceed $600,000 and more than 50 percent of such gross receipts consist of premiums. Mutual non-life insurance companies are generally tax-exempt if their annual gross receipts do not exceed $150,000 and more than 35 percent of gross receipts consist of premiums. Also, non-life insurance companies with no more than a specified level of annual net written premiums generally may elect to pay tax only on their taxable investment income provided certain ownership diversification requirements are met. The underwriting income (premiums, less insurance losses and expenses) of electing companies is excluded from tax. The specified premium limit is indexed for inflation; for 2021, the premium limit is $2.4 million.

51. ***Tax exemption of insurance income earned by tax-exempt organizations.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. The baseline tax system would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Generally the income generated by life and property and casualty insurance companies is subject to tax, albeit under special rules. However, income from insurance operations conducted by certain tax-exempt organizations, such as fraternal societies, voluntary employee benefit associations, and others are exempt from tax.

52. ***Exclusion of interest spread of financial institutions.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Consumers pay for some deposit-linked services, such as check cashing, by accepting a below-market interest rate on their demand deposits. If they received a market rate of interest on those deposits and paid explicit fees for the associated services, they would pay taxes on the full market rate and (unlike businesses) could not deduct the fees. The Government thus foregoes tax on the difference between the risk-free market interest rate and below-market interest rates on demand deposits, which under competitive conditions should equal the value of deposit services.

53. ***Exclusion of interest on owner-occupied mortgage subsidy bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance homes purchased by first-time, low-to-moderate-income buyers to be exempt from tax. These bonds are generally subject to the State private-activity-bond annual volume cap.

54. ***Exclusion of interest on rental housing bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local government bonds used to finance multifamily rental housing projects to be tax-exempt.

55. ***Mortgage interest expense on owner-occupied residences.***—Under the baseline tax system, expenses incurred in earning income would be deductible. However, such expenses would not be deductible when the income or the return on an investment is not taxed. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for the value of owner-occupied housing services and also allows the owner-occupant to deduct mortgage interest paid on his or her primary residence and one secondary residence as an itemized non-business deduction. In general, the mortgage interest deduction is limited to interest on debt no greater than the owner's basis in the residence, and is also limited to interest on debt of no more than $1 million. Interest on up to $100,000 of other debt secured by a lien on a principal or second residence is also deductible, irrespective of the purpose of borrowing, provided the total debt does not exceed the fair market value of the residence. As an alternative to the deduction, holders of qualified Mortgage Credit Certificates issued by State or local governmental units or agencies may claim a tax credit equal to a proportion of their interest expense. In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, (1) the $1 million limit is reduced to $750,000 for indebtedness incurred after December 15, 2017, and (2) the deduction for interest on home equity indebtedness is disallowed.

56. ***Deductibility of State and local property tax on owner-occupied homes.***—Under the baseline tax system, expenses incurred in earning income would be deductible. However, such expenses would not be deductible when the income or the return on an investment is not taxed. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for the value of owner-occupied housing services and also allows the owner-occupant to deduct property taxes paid on real property. In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, (1) the deduction for foreign real property taxes paid is disallowed and (2) the deduction for taxes paid in any taxable year, which includes the deduction for property taxes on real property, is limited to $10,000 ($5,000 in the case of a married individual filing a separate return).

57. ***Deferral of income from installment sales.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates, or deferral of tax, to apply to certain types or sources of income. Dealers in real and personal property (i.e., sellers who regularly hold property for sale or resale) cannot defer taxable income from installment sales until the receipt of the loan repayment. Nondealers (i.e., sellers of real property used in their business) are required to pay interest on deferred taxes attributable to their total installment obligations in excess of $5 million. Only properties with sales prices exceeding $150,000 are includable in the total. The payment of a market rate of interest eliminates the benefit of the tax deferral. The tax exemption for nondealers with total installment obligations of less than $5 million is, therefore, a tax expenditure.

58. ***Capital gains exclusion on home sales.***—The baseline tax system would not allow deductions and exemptions for certain types of income. In contrast, the Tax Code allows homeowners to exclude from gross income up to $250,000 ($500,000 in the case of a married couple filing a joint return) of the capital gains from the sale of a principal residence. To qualify, the taxpayer must have owned and used the property as the taxpayer's principal residence for a total of at least two of the five years preceding the date of sale. In addition, the exclusion may not be used more than once every two years.

59. ***Exclusion of net imputed rental income.***—Under the baseline tax system, the taxable income of a taxpayer who is an owner-occupant would include the implicit value of gross rental income on housing services earned on the investment in owner-occupied housing and would allow a deduction for expenses, such as interest, depreciation, property taxes, and other costs, associated with earning such rental income. In contrast, the Tax Code allows an exclusion from taxable income for the implicit gross rental income on housing services, while in certain circumstances allows a deduction for some costs associated with such income, such as for mortgage interest and property taxes.

60. ***Exception from passive loss rules for $25,000 of rental loss.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct losses from passive activities against nonpassive income (e.g., wages, interest, and dividends). Passive activities generally are defined as those in which the taxpayer does not materially participate, and there are numerous additional considerations brought to bear on the determination of which activities are passive for a given taxpayer. Losses are limited in an attempt to limit tax sheltering activities. Passive losses that are unused may be carried forward and applied against future passive income. In contrast to the general restrictions on passive losses, the Tax Code exempts certain owners of rental real estate activities from "passive income" limitations. The exemption is limited to $25,000 in losses and phases out for taxpayers with income between $100,000 and $150,000.

61. ***Credit for low-income housing investments.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, under current law taxpayers who invest in certain low-income housing are eligible for a tax credit. The credit rate is set so that the present value of the credit is equal to at least 70 percent of the building's qualified basis for new construction and 30 percent for (1) housing receiving other Federal benefits (such as tax-exempt bond financing) or (2) substantially rehabilitated existing housing. The credit can exceed these levels in certain statutorily defined and State designated areas where project development costs are higher. The credit is allowed in equal amounts over 10 years and is generally subject to a volume cap.

62. ***Accelerated depreciation on rental housing (normal tax method).***—Under a comprehensive economic income tax, the costs of acquiring a building are capitalized and depreciated over time in accordance with

the decline in the property's economic value due to wear and tear or obsolescence. This insures that the net income from the rental property is measured appropriately each year. Current law allows depreciation that is accelerated relative to economic depreciation. However, the depreciation provisions of the Tax Code are part of the reference tax law, and thus do not give rise to tax expenditures under reference tax law. Under normal tax baseline, in contrast, depreciation allowances reflect estimates of economic depreciation.

63. ***Discharge of business indebtedness.***—Under the baseline tax system, all income would generally be taxed under the regular tax rate schedule. The baseline tax system would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for any discharge of qualified real property business indebtedness by taxpayers other than a C corporation. If the canceled debt is not reported as current income, however, the basis of the underlying property must be reduced by the amount canceled.

64. ***Exceptions from imputed interest rules.***—Under the baseline tax system, holders (issuers) of debt instruments are generally required to report interest earned (paid) in the period it accrues, not when received. In addition, the amount of interest accrued is determined by the actual price paid, not by the stated principal and interest stipulated in the instrument. But under current law, any debt associated with the sale of property worth less than $250,000 is exempted from the general interest accounting rules. This general $250,000 exception is not a tax expenditure under reference tax law but is under normal tax baseline. Current law also includes exceptions for certain property worth more than $250,000. These are tax expenditure under reference tax law and normal tax baselines. These exceptions include, sales of personal residences worth more than $250,000, and sales of farms and small businesses worth between $250,000 and $1 million.

65. ***Treatment of qualified dividends.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. For individuals, tax rates on regular income vary from 10 percent to 39.6 percent in the budget window (plus a 3.8 percent surtax on high income taxpayers), depending on the taxpayer's income. In contrast, under current law, qualified dividends are taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax).

66. ***Capital gains (except agriculture, timber, iron ore, and coal).***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. For individuals, tax rates on regular income vary from 10 percent to 39.6 percent in the budget window (plus a 3.8 percent surtax on high income taxpayers), depending on the taxpayer's income. In contrast, under current law, capital gains on assets held for more than one year are taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax).

67. ***Capital gains exclusion of small corporation stock.***—The baseline tax system would not allow deductions and exemptions or provide preferential treatment of certain sources of income or types of activities. In contrast, the Tax Code provided an exclusion of 50 percent, applied to ordinary rates with a maximum of a 28 percent tax rate, for capital gains from qualified small business stock held by individuals for more than 5 years; 75 percent for stock issued after February 17, 2009 and before September 28, 2010; and 100 percent for stock issued after September 27, 2010. A qualified small business is a corporation whose gross assets do not exceed $50 million as of the date of issuance of the stock.

68. ***Step-up basis of capital gains at death.***—Under the baseline tax system, unrealized capital gains would be taxed when assets are transferred at death. It would not allow for exempting gains upon transfer of the underlying assets to the heirs. In contrast, capital gains on assets held at the owner's death are not subject to capital gains tax under current law. The cost basis of the appreciated assets is adjusted to the market value at the owner's date of death which becomes the basis for the heirs.

69. ***Carryover basis of capital gains on gifts.***—Under the baseline tax system, unrealized capital gains would be taxed when assets are transferred by gift. In contrast, when a gift of appreciated asset is made under current law, the donor's basis in the transferred property (the cost that was incurred when the transferred property was first acquired) carries over to the donee. The carryover of the donor's basis allows a continued deferral of unrealized capital gains.

70. ***Ordinary income treatment of loss from small business corporation stock sale.***—The baseline tax system limits to $3,000 the write-off of losses from capital assets, with carryover of the excess to future years. In contrast, the Tax Code allows up to $100,000 in losses from the sale of small business corporate stock (capitalization less than $1 million) to be treated as ordinary losses and fully deducted.

71. ***Deferral of capital gains from like-kind exchanges.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates, or deferral of tax, to apply to certain types or sources of income. In contrast, current law allows the deferral of accrued gains on assets transferred in qualified like-kind exchanges.

72. ***Depreciation of buildings other than rental housing (normal tax method).***—Under a comprehensive economic income tax, the costs of acquiring a building are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This insures that the net income from the property is measured appropriately each year. Current law allows depreciation deductions that differ from those under economic depreciation. However, the depreciation provisions of the Tax Code are part of the reference tax law, and thus do not give rise to tax expenditures under reference tax law. Under normal tax baseline,

in contrast, depreciation allowances reflect estimates of economic depreciation.

73. ***Accelerated depreciation of machinery and equipment (normal tax method).***—Under a comprehensive economic income tax, the costs of acquiring machinery and equipment are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This insures that the net income from the property is measured appropriately each year. Current law allows depreciation deductions that are accelerated relative to economic depreciation. In particular, through 2022, 100 percent of the purchase cost of qualified property is eligible to be expensed immediately; this percentage phases out to zero through 2027. The depreciation provisions of the Tax Code are part of the reference tax law, and thus do not give rise to tax expenditures under reference tax law. Under the normal tax baseline, in contrast, depreciation allowances reflect estimates of economic depreciation.

74. ***Expensing of certain small investments (normal tax method).***—Under the reference tax law baseline, the costs of acquiring tangible property and computer software would be depreciated using the Tax Code's depreciation provisions. Under the normal tax baseline, depreciation allowances are estimates of economic depreciation. However, subject to investment limitations, the Tax Code allows up to $1 million (indexed for inflation) in qualifying investments in tangible property and certain computer software to be expensed rather than depreciated over time.

75. ***Exclusion of interest on small issue bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on small issue industrial development bonds (IDBs) issued by State and local governments to finance manufacturing facilities to be tax exempt. Depreciable property financed with small issue IDBs must be depreciated, however, using the straight-line method. The annual volume of small issue IDBs is subject to the unified volume cap discussed in the mortgage housing bond section above.

76. ***Special rules for certain film and TV production.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow deductions and exemptions or preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allowed taxpayers to deduct up to $15 million per production ($20 million in certain distressed areas) in non-capital expenditures incurred during the year. This provision is scheduled to expire at the end of 2025.

77. ***Allow 20-percent deduction to certain pass-through income.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow deductions and exemptions or preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, for tax years 2018 to 2025, the Tax Code allows for a deduction equal to up to 20 percent of income attributable to domestic pass-through businesses, subject to certain limitations.

Transportation

78. ***Tonnage tax.***—The baseline tax system generally would tax all profits and income under the regular tax rate schedule. U.S. shipping companies may choose to be subject to a tonnage tax based on gross shipping weight in lieu of an income tax, in which case profits would not be subject to tax under the regular tax rate schedule.

79. ***Deferral of tax on shipping companies.***—The baseline tax system generally would tax all profits and income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows certain companies that operate U.S. flag vessels to defer income taxes on that portion of their income used for shipping purposes (e.g., primarily construction, modernization and major repairs to ships, and repayment of loans to finance these investments).

80. ***Exclusion of reimbursed employee parking expenses.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, would be included in taxable income. Dedicated payments and in-kind benefits represent accretions to wealth that do not differ materially from cash wages. In contrast, the Tax Code allows an exclusion from taxable income for employee parking expenses that are paid for by the employer or that are received by the employee in lieu of wages. In 2021, the maximum amount of the parking exclusion is $270 per month. The tax expenditure estimate does not include any subsidy provided through employer-owned parking facilities. However, beginning in 2018, parking expenses are no longer deductible to employers (except government).

81. ***Exclusion for employer-provided transit passes.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, would be included in taxable income. Dedicated payments and in-kind benefits represent accretions to wealth that do not differ materially from cash wages. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for passes, tokens, fare cards, and vanpool expenses that are paid for by an employer or that are received by the employee in lieu of wages to defray an employee's commuting costs. Due to a parity to parking provision, the maximum amount of the transit exclusion is $270 per month in 2021. However, beginning in 2018, transit expenses are no longer deductible to employers (except government).

82. ***Tax credit for certain expenditures for maintaining railroad tracks.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code allowed eligible taxpayers to claim a credit equal to the lesser of 50 percent of maintenance expenditures and the product of $3,500 and the number of miles of railroad track owned or leased. This provision applies to maintenance expenditures in taxable years beginning before January 1, 2017.

83. ***Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code provides for $15 billion of tax-exempt bond authority to finance qualified highway or surface freight transfer facilities.

Community and Regional Development

84. ***Investment credit for rehabilitation of structures (other than historic).***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. Under prior law, the Tax Code allowed a 10 percent investment tax credit for the rehabilitation of buildings that are used for business or productive activities and that were erected before 1936 for other than residential purposes. The taxpayer's recoverable basis must be reduced by the amount of the credit. The credit is repealed for rehabilitation expenditures incurred after December 31, 2017.

85. ***Exclusion of interest for airport, dock, and similar bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds issued to finance high-speed rail facilities and Government-owned airports, docks, wharves, and sport and convention facilities to be tax-exempt. These bonds are not subject to a volume cap.

86. ***Exemption of certain mutuals' and cooperatives' income.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. In contrast, the Tax Code provides for the incomes of mutual and cooperative telephone and electric companies to be exempt from tax if at least 85 percent of their receipts are derived from patron service charges.

87. ***Empowerment zones.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income, tax credits, and write-offs faster than economic depreciation. In contrast, the Tax Code allows qualifying businesses in designated economically depressed areas to receive tax benefits such as an employment credit and special tax-exempt financing. A taxpayer's ability to accrue new tax benefits for empowerment zones expires on December 31, 2025.

88. ***New markets tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code allows taxpayers who make qualified equity investments in a community development entity (CDE), which then make qualified investments in low-income communities, to be eligible for a tax credit that is received over 7 years. The total equity investment available for the credit across all CDEs is generally $5 billion for each calendar year 2020 through 2025, the last year for which credit allocations are authorized.

89. ***Credit to holders of Gulf and Midwest Tax Credit Bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, under current law taxpayers that own Gulf and Midwest Tax Credit bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income.

90. ***Recovery Zone Bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In addition, it would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allowed local governments to issue up $10 billion in taxable Recovery Zone Economic Development Bonds in 2009 and 2010 and receive a direct payment from Treasury equal to 45 percent of interest expenses. In addition, local governments could issue up to $15 billion in tax exempt Recovery Zone Facility Bonds. These bonds financed certain kinds of business development in areas of economic distress.

91. ***Tribal Economic Development Bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code was modified in 2009 to allow Indian tribal governments to issue tax exempt "tribal economic development bonds." There is a national bond limitation of $2 billion on such bonds.

92. ***Opportunity Zones.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow deferral or exclusion from income for investments made within certain geographic regions. In contrast, the Tax Code allows the temporary deferral of the recognition of capital gain if reinvested prior to December 31, 2026, in a qualifying opportunity fund which in turn invests in qualifying low-income communities designated as opportunity zones. For qualifying investments held at least 5 years, 10 percent of the deferred gain is excluded from income; this exclusion increases to 15 percent for investments held for at least 7 years. In addition, capital gains from the sale or exchange of an investment in a qualified opportunity fund held for at least 10 years are excluded from gross income.

93. ***Disaster Employee Retention Credit***.—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides employers located in certain presidentially declared disaster areas during the years 2017 through 2020 a 40 percent credit for up to $6,000 in wages paid to each eligible employee while the business was inoperable as a result of the disaster. Only wages paid after the disaster occurred and within 150 days of the last day of the incident period are eligible for the credit. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

Education, Training, Employment, and Social Services

94. ***Exclusion of scholarship and fellowship income (normal tax method).***—Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income. From an economic point of view, scholarships and fellowships are either gifts not conditioned on the performance of services, or they are rebates of educational costs. Thus, under the baseline tax system of the reference tax law method, this exclusion is not a tax expenditure because this method does not include either gifts or price reductions in a taxpayer's gross income. The exclusion, however, is considered a tax expenditure under the normal tax method, which includes gift-like transfers of Government funds in gross income. (Many scholarships are derived directly or indirectly from Government funding.)

95. ***Tax credits for post-secondary education expenses.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law in 2020, however, there are two credits for certain post-secondary education expenses. The American Opportunity Tax Credit allows a partially refundable credit of up to $2,500 per eligible student for qualified tuition and related expenses paid during each of the first four years of the student's post-secondary education. The credit is phased out for taxpayers with modified adjusted gross income between $160,000 and $180,000 if married filing jointly ($80,000 and $90,000 for other taxpayers), not indexed. The Lifetime Learning Credit allows a non-refundable credit for 20 percent of an eligible student's qualified tuition and fees, up to a maximum credit per return of $2,000. In Tax Year 2020, the credit is phased out ratably for taxpayers with modified AGI between $118,000 and $138,000 if married filing jointly ($59,000 and $69,000 for other taxpayers). Beginning with Tax Year 2021, the phaseout ranges for the Lifetime Learning credit are raised to conform to the ranges for the American Opportunity Tax Credit and indexing is eliminated. The Lifetime Learning credit can be claimed in any year in which post-secondary education expenses are incurred. Only one credit can be claimed per qualifying student. Married individuals filing separate returns cannot claim either credit. For tax years ending before December 31, 2020, certain taxpayers could choose to claim an above the line deduction for qualified tuition and related expenses rather than either of the two credits.

96. ***Deductibility of student loan interest.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct non-business interest expenses. In contrast, taxpayers may claim an above-the-line deduction of up to $2,500 on interest paid on an education loan. In Tax Year 2020, the maximum deduction is phased down ratably for taxpayers with modified AGI between $140,000 and $170,000 if married filing jointly ($70,000 and $85,000 for other taxpayers). Married individuals filing separate returns cannot claim the deduction.

97. ***Qualified tuition programs (includes Education IRA).***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Some States have adopted prepaid tuition plans, prepaid room and board plans, and college savings plans, which allow persons to pay in advance or save for college expenses for designated beneficiaries. Under current law, investment income, or the return on prepayments, is not taxed when earned, and is tax-exempt when withdrawn to pay for qualified expenses. Beginning in 2018, the definition of a qualified expense was expanded to include up to $10,000 per child per year of expenses for primary or secondary education, including tuition at religious schools.

98. ***Exclusion of interest on student-loan bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, interest earned on State and local bonds issued to finance student loans is tax-exempt under current law. The volume of all such private activity bonds that each State may issue annually is limited.

99. ***Exclusion of interest on bonds for private nonprofit educational facilities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local Government bonds issued to finance the construction of facilities used by private nonprofit educational institutions is not taxed.

100. ***Credit for holders of zone academy bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law, however, financial institutions that own zone academy bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income. Proceeds from zone academy bonds may only be used to renovate, but not construct, qualifying schools and for certain other school purposes. The total amount of zone academy bonds that may be issued was limited to $1.4 billion in 2009 and 2010. As of March 2010, issuers of the unused authorization of such bonds could opt to receive direct payment with the yield becoming fully taxable. An additional $0.4 billion of these bonds with a tax credit was authorized to be issued each year in 2011 through 2016.

101. ***Exclusion of interest on savings bonds redeemed to finance educational expenses.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, however, interest earned on U.S. savings bonds issued after December 31, 1989, is tax-exempt if the bonds are transferred to an educational institution to pay for educational expenses. The tax exemption is phased out for taxpayers with AGI

between $123,550 and $153,550 if married filing jointly ($82,350 and $97,350 for other taxpayers) in 2020.

102. ***Parental personal exemption for students age 19 or over.***—Under the baseline tax system, a personal exemption would be allowed for the taxpayer, as well as for the taxpayer's spouse and dependents who do not claim a personal exemption on their own tax returns. These exemptions are repealed for taxable years beginning after December 31, 2017, and before January 1, 2026. However, the definitions regarding eligibility for dependent exemptions for children (and qualifying relatives), which determine eligibility for a number of family-related provisions, remain in place. These provisions include the new $500 credit for dependents other than qualifying children (Other Dependent Credit, or ODP). In general, to be considered a dependent child, a child would have to be under age 19. In contrast, the Tax Code allows taxpayers to consider their children aged 19 to 23 as dependents, as long as the children are full-time students and reside with the taxpayer for over half the year (with exceptions for temporary absences from home, such as for school attendance). Absent this provision, children over 18 would need to meet the more stringent rules for qualified relatives in order to qualify the taxpayer for certain benefits, including the ODP.

103. ***Charitable contributions to educational institutions.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides taxpayers a deduction for contributions to nonprofit educational institutions that are similar to personal expenditures. Moreover, taxpayers who donate capital assets to educational institutions can deduct the asset's current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent (60 percent for tax years 2018 and 2025) of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

104. ***Exclusion of employer-provided educational assistance.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because it represents accretions to wealth that do not materially differ from cash wages. Under current law, however, employer-provided educational assistance is excluded from an employee's gross income, even though the employer's costs for this assistance are a deductible business expense. The maximum exclusion is $5,250 per taxpayer. From March 2020 through December 31, 2025 employer-provided student loan payments are considered eligible educational assistance.

105. ***Special deduction for teacher expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code allowed educators in both public and private elementary and secondary schools, who worked at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide, to subtract up to $250 of qualified expenses, indexed to 2014, when determining their adjusted gross income (AGI).

106. ***Discharge of student loan indebtedness.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, the Tax Code allows certain professionals who perform in underserved areas or specific fields, and as a consequence have their student loans discharged, not to recognize such discharge as income.

107. ***Qualified school construction bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code was modified in 2009 to provide a tax credit in lieu of interest to holders of qualified school construction bonds. The national volume limit is $22.4 billion over 2009 and 2010. As of March 2010, issuers of such bonds could opt to receive direct payment with the yield becoming fully taxable.

108. ***Work opportunity tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides employers with a tax credit for qualified wages paid to individuals. The credit applies to employees who began work on or before December 31, 2025 and who are certified as members of various targeted groups. The amount of the credit that can be claimed is 25 percent of qualified wages for employment less than 400 hours and 40 percent for employment of 400 hours or more. Generally, the maximum credit per employee is $2,400 and can only be claimed on the first year of wages an individual earns from an employer. However, the credit for long-term welfare recipients can be claimed on second year wages as well and has a $9,000 maximum. Also, certain categories of veterans are eligible for a higher maximum credit of up to $9,600. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

109. ***Employer-provided child care exclusion.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, in Taxable Year 2020 up to $5,000 of employer-provided child care is excluded from an employee's gross income even though the employer's costs for the child care are a deductible business expense.

110. ***Employer-provided child care credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, current law provides a credit equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. Employer deductions for such expenses are reduced by the amount of the credit. The maximum total credit is limited to $150,000 per taxable year.

111. ***Assistance for adopted foster children.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Taxpayers who adopt eligible children from the public foster care system can receive

monthly payments for the children's significant and varied needs and a reimbursement of up to $2,000 for nonrecurring adoption expenses; special needs adoptions receive the maximum benefit even if that amount is not spent. These payments are excluded from gross income under current law.

112. ***Adoption credit and exclusion.***—The baseline tax system would not allow credits for particular activities. In contrast, taxpayers can receive a tax credit for qualified adoption expenses under current law. Taxpayers may also exclude qualified adoption expenses provided or reimbursed by an employer from income, subject to the same maximum amounts and phase-out as the credit. The same expenses cannot qualify for tax benefits under both programs; however, a taxpayer may use the benefits of the exclusion and the tax credit for different expenses.

113. ***Exclusion of employee meals and lodging (other than military).***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Furthermore, all compensation would generally be deductible by the employer. In contrast, under current law employer-provided meals and lodging are excluded from an employee's gross income. Additionally, beginning in 2018, employers are allowed a deduction for only 50 percent of the expenses of employer-provided meals, except that in 2021 and 2022, employers are eligible for a full deduction on restaurant meals provided to employees. Employer-provided lodging is fully deductible by the employer, in general.

114. ***Credit for child and dependent care expenses.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides a tax credit to parents who work or attend school and who have child and dependent care expenses. In taxable year 2020 expenditures up to a maximum $3,000 for one dependent and $6,000 for two or more dependents are eligible for the credit. The credit is equal to 35 percent of qualified expenditures for taxpayers with incomes of up to $15,000. The credit is reduced to a minimum of 20 percent by one percentage point for each $2,000 of income in excess of $15,000.

115. ***Credit for disabled access expenditures.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides small businesses (less than $1 million in gross receipts or fewer than 31 full-time employees) a 50 percent credit for expenditures in excess of $250 to remove access barriers for disabled persons. The credit is limited to $5,000.

116. ***Deductibility of charitable contributions, other than education and health.***—The baseline tax system would not allow a deduction for personal expenditures including charitable contributions. In contrast, the Tax Code provides taxpayers a deduction for contributions to charitable, religious, and certain other nonprofit organizations. Taxpayers who donate capital assets to charitable organizations can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent (60 percent between 2018 and 2025) of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

117. ***Exclusion of certain foster care payments.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Foster parents provide a home and care for children who are wards of the State, under contract with the State. Under current law, compensation received for this service is excluded from the gross incomes of foster parents; the expenses they incur are nondeductible.

118. ***Exclusion of parsonage allowances.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, would be included in taxable income. Dedicated payments and in-kind benefits represent accretions to wealth that do not differ materially from cash wages. In contrast, the Tax Code allows an exclusion from a clergyman's taxable income for the value of the clergyman's housing allowance or the rental value of the clergyman's parsonage.

119. ***Indian employment credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides employers with a tax credit for qualified wages paid to employees who are enrolled members of Indian tribes. The amount of the credit that could be claimed is 20 percent of the excess of qualified wages and health insurance costs paid by the employer in the current tax year over the amount of such wages and costs paid by the employer in 1993. Qualified wages and health insurance costs with respect to any employee for the taxable year could not exceed $20,000. Employees have to live on or near the reservation where they work to be eligible for the credit. Employers must reduce their deduction for wages paid by the amount of the credit claimed. The credit does not apply to taxable years beginning after December 31, 2021.

120. ***Credit for employer differential wage payments.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides employers with a 20 percent tax credit for eligible differential wages paid to employees who are members of the uniformed services while on active duty for more than 30 days. The amount of eligible differential wage payments made to a qualified employee in a taxable year is capped at $20,000. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

Health

121. ***Exclusion of employer contributions for medical insurance premiums and medical care.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits,

should be included in taxable income. In contrast, under current law, employer-paid health insurance premiums and other medical expenses (including long-term care or Health Reimbursement Accounts) are not included in employee gross income even though they are deducted as a business expense by the employee.

122. ***Self-employed medical insurance premiums.***—Under the baseline tax system, all compensation and remuneration, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law self-employed taxpayers may deduct their family health insurance premiums. Taxpayers without self-employment income are not eligible for this special deduction. The deduction is not available for any month in which the self-employed individual is eligible to participate in an employer-subsidized health plan and the deduction may not exceed the self-employed individual's earned income from self-employment.

123. ***Medical Savings Accounts and Health Savings Accounts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Also, the baseline tax system would not allow a deduction for personal expenditures and generally would tax investment earnings. In contrast, individual contributions to Archer Medical Savings Accounts (Archer MSAs) and Health Savings Accounts (HSAs) are allowed as a deduction in determining adjusted gross income whether or not the individual itemizes deductions. Employer contributions to Archer MSAs and HSAs are excluded from income and employment taxes. Archer MSAs and HSAs require that the individual have coverage by a qualifying high deductible health plan. Earnings from the accounts are excluded from taxable income. Distributions from the accounts used for medical expenses are not taxable. The rules for HSAs are generally more flexible than for Archer MSAs and the deductible contribution amounts are greater (in 2019, $3,500 for taxpayers with individual coverage and $7,000 for taxpayers with family coverage). Thus, HSAs have largely replaced MSAs.

124. ***Deductibility of medical expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, under current law personal expenditures for medical care (including the costs of prescription drugs) exceeding 7.5 percent of the taxpayer's adjusted gross income are deductible. For tax years beginning after 2012, only medical expenditures exceeding 10 percent of the taxpayer's adjusted gross income are deductible. However, for the years 2013, 2014, 2015 and 2016, if either the taxpayer or the taxpayer's spouse turned 65 before the end of the taxable year, the threshold remained at 7.5 percent of adjusted income. Beginning in 2017, the 10 percent threshold applied to all taxpayers, including those over 65.

125. ***Exclusion of interest on hospital construction bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local government debt issued to finance hospital construction is excluded from income subject to tax.

126. ***Refundable Premium Assistance Tax Credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, for taxable years ending after 2013, the Tax Code provides a premium assistance credit to any eligible taxpayer for any qualified health insurance purchased through a Health Insurance Exchange. In general, an eligible taxpayer is a taxpayer with annual household income between 100 percent and 400 percent of the federal poverty level for a family of the taxpayer's size and that does not have access to affordable minimum essential health care coverage. The amount of the credit equals the lesser of (1) the actual premiums paid by the taxpayer for such coverage or (2) the difference between the cost of a statutorily-identified benchmark plan offered on the exchange and a required payment by the taxpayer that increases with income. The American Rescue Plan Act of 2021 (P.L. 117-2) temporarily increased the Premium Tax Credit in three ways. For 2021 and 2022, the legislation increased the Premium Tax Credit for currently eligible individuals and families, providing access to free plans for those earning 100 to 150 percent of the federal poverty level, and expanded eligibility to newly include individuals and families with income above 400 percent of the federal poverty level. The legislation also expanded eligibility in 2021 to individuals who receive unemployment insurance for any week in 2021. The legislation also eliminated the requirement for individuals to repay any excess advance payments of the Premium Tax Credit for 2020.

127. ***Credit for employee health insurance expenses of small business.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides a tax credit to qualified small employers that make a certain level of non-elective contributions towards the purchase of certain health insurance coverage for its employees. To receive a credit, an employer must have fewer than 25 full-time-equivalent employees whose average annual full-time-equivalent wages from the employer are less than $50,000 (indexed for taxable years after 2013). However, to receive a full credit, an employer must have no more than 10 full-time employees, and the average wage paid to these employees must be no more than $25,000 (indexed for taxable years after 2013). A qualifying employer may claim the credit for any taxable year beginning in 2010, 2011, 2012, and 2013 and for up to two years for insurance purchased through a Health Insurance Exchange thereafter. For taxable years beginning in 2010, 2011, 2012, and 2013, the maximum credit is 35 percent of premiums paid by qualified taxable employers and 25 percent of premiums paid by qualified tax-exempt organizations. For taxable years beginning in 2014 and later years, the maximum tax credit increases to 50 percent of premiums paid by qualified taxable employers and 35 percent of premiums paid by qualified tax-exempt organizations.

128. ***Deductibility of charitable contributions to health institutions.***—The baseline tax system would

not allow a deduction for personal expenditures including charitable contributions. In contrast, the Tax Code provides individuals and corporations a deduction for contributions to nonprofit health institutions. Tax expenditures resulting from the deductibility of contributions to other charitable institutions are listed under the education, training, employment, and social services function.

129. ***Tax credit for orphan drug research.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, under current law drug firms can claim a tax credit of 50 percent of the costs for clinical testing required by the Food and Drug Administration for drugs that treat rare physical conditions or rare diseases. This rate is modified to 25 percent by TCJA for expenditures incurred or paid in tax years beginning after December 31, 2017.

130. ***Special Blue Cross/Blue Shield tax benefits.***—The baseline tax system generally would tax all profits under the regular tax rate schedule using broadly applicable measures of baseline income. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, certain Blue Cross and Blue Shield (BC/BS) health insurance providers and certain other health insurers are provided with special tax benefits, provided that their percentage of total premium revenue expended on reimbursement for clinical services provided to enrollees or for activities that improve health care quality is not less than 85 percent for the taxable year. A qualifying insurer may take as a deduction 100 percent of any net increase in its unearned premium reserves, instead of the 80 percent allowed other insurers. A qualifying insurer is also allowed a special deduction equal to the amount by which 25 percent of its health-claim expenses exceeds its beginning-of-the-year accounting surplus. The deduction is limited to the insurer's taxable income determined without the special deduction.

131. ***Tax credit for health insurance purchased by certain displaced and retired individuals.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides a refundable tax credit of 72.5 percent for the purchase of health insurance coverage by individuals eligible for Trade Adjustment Assistance and certain Pension Benefit Guarantee Corporation pension recipients. This provision will expire on December 31, 2019.

132. ***Distributions from retirement plans for premiums for health and long-term care insurance.***—Under the baseline tax system, all compensation, including dedicated and deferred payments, should be included in taxable income. In contrast, the Tax Code provides for tax-free distributions of up to $3,000 from governmental retirement plans for premiums for health and long term care premiums of public safety officers.

133. ***Credit for family and sick leave taken by self-employed individuals.***—The baseline tax system would not allow credits for particular activities or targeted as specific groups. Under current law, however, self-employed individuals are allowed a refundable credit equal for certain family or sick leave taken. In general, the sick leave credit is equal to 100% of daily self-employment income (equal to self-employment income divided by 260) during a period of qualified sick leave, up to $511 per day for 10 days. The family leave credit is equal to two thirds of daily self-employment income (but no greater than two thirds of $200) during a period of qualified family leave for up to 10 weeks. Under current law, the credit applies to leave taken prior to April 1, 2021.

Income Security

134. ***Child credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. Under current law, however, taxpayers with children under age 17 can qualify for a $2,000 per child partially refundable child credit. Up to $1,400 per child of unclaimed credit due to insufficient tax liability may be refundable—taxpayers may claim a refund for 15 percent of earnings in excess of a $2,500 floor, up to the lesser of the amount of unused credit or $1,400 per child. To be eligible for the child credit, the child must have a Social Security Number (SSN). A taxpayer may also claim a nonrefundable credit of $500 for each qualifying child not eligible for the $2,000 credit (those over sixteen and those without SSNs) and for each dependent relative. The total combined child and other dependent credit is phased out for taxpayers at the rate of $50 per $1,000 of modified AGI above $400,000 ($200,000 for single or head of household filers and $200,000 for married taxpayers filing separately). For tax years beginning after December 31, 2025, the credit returns to its pre-TCJA value of $1,000. At that time, up to the full value of the credit (subject to a phase-in of 15 percent of earnings in excess of $3,000) will be refundable and the $500 other dependent credit will expire. The credit will once again phase out at the rate of $50 per $1,000 of modified AGI above $110,000 ($75,000 for single or head of household filers and $55,000 for married taxpayers filing separately). The social security requirement will remain in place.

135. ***Exclusion of railroad Social Security equivalent benefits.***—Under the baseline tax system, all compensation, including dedicated and deferred payments, should be included in taxable income. In contrast, the Social Security Equivalent Benefit paid to railroad retirees is not generally subject to the income tax unless the recipient's gross income reaches a certain threshold under current law. See provision number 156, Social Security benefits for retired workers, for discussion of the threshold.

136. ***Exclusion of workers' compensation benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. However, workers compensation is not subject to the income tax under current law.

137. ***Exclusion of public assistance benefits (normal tax method).***—Under the reference tax law baseline, gifts and transfers are not treated as income to the recipients. In contrast, the normal tax method considers cash transfers from the Government as part of the recipients' income, and thus, treats the exclusion

for public assistance benefits under current law as a tax expenditure.

138. ***Exclusion of special benefits for disabled coal miners.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. However, disability payments to former coal miners out of the Black Lung Trust Fund, although income to the recipient, are not subject to the income tax.

139. ***Exclusion of military disability pensions.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, most of the military disability pension income received by current disabled military retirees is excluded from their income subject to tax.

140. ***Defined benefit employer plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law certain contributions to defined benefit pension plans are excluded from an employee's gross income even though employers can deduct their contributions. In addition, the tax on the investment income earned by defined benefit pension plans is deferred until the money is withdrawn.

141. ***Defined contribution employer plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law individual taxpayers and employers can make tax-preferred contributions to employer-provided 401(k) and similar plans (e.g. 403(b) plans and the Federal Government's Thrift Savings Plan). In 2020, an employee could exclude up to $19,500 of wages from AGI under a qualified arrangement with an employer's 401(k) plan. Employees age 50 or over could exclude up to $26,000 in contributions. The defined contribution plan limit, including both employee and employer contributions, is $57,000 in 2020. The tax on contributions made by both employees and employers and the investment income earned by these plans is deferred until withdrawn.

142. ***Individual Retirement Accounts (IRAs).***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law individual taxpayers can take advantage of traditional and Roth IRAs to defer or otherwise reduce the tax on the return to their retirement savings. The IRA contribution limit is $6,000 in 2020; taxpayers age 50 or over are allowed to make additional "catch-up" contributions of $1,000. Contributions to a traditional IRA are generally deductible but the deduction is phased out for workers with incomes above certain levels if the workers or their spouses are active participants in an employer-provided retirement plan. Contributions and account earnings are includible in income when withdrawn from traditional IRAs. Roth IRA contributions are not deductible, but earnings and withdrawals are exempt from taxation. Income limits also apply to Roth IRA contributions.

143. ***Low and moderate-income savers' credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides an additional incentive for lower-income taxpayers to save through a nonrefundable credit of up to 50 percent on IRA and other retirement contributions of up to $2,000. This credit is in addition to any deduction or exclusion. The credit is completely phased out by $65,000 for joint filers, $48,750 for head of household filers, and $32,500 for other filers in 2020.

144. ***Self-employed plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law self-employed individuals can make deductible contributions to their own retirement plans equal to 25 percent of their income, up to a maximum of $57,000 in 2020. Total plan contributions are limited to 25 percent of a firm's total wages. The tax on the investment income earned by self-employed SEP, SIMPLE, and qualified plans is deferred until withdrawn.

145. ***Premiums on group term life insurance.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law employer-provided life insurance benefits are excluded from an employee's gross income (to the extent that the employer's share of the total costs does not exceed the cost of $50,000 of such insurance) even though the employer's costs for the insurance are a deductible business expense.

146. ***Premiums on accident and disability insurance.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law employer-provided accident and disability benefits are excluded from an employee's gross income even though the employer's costs for the benefits are a deductible business expense.

147. ***Exclusion of investment income from Supplementary Unemployment Benefit Trusts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In addition, investment income would be taxed as earned. Under current law, employers may establish trusts to pay supplemental unemployment benefits to employees separated from employment. Investment income earned by such trusts is exempt from taxation.

148. ***Exclusion of investment income from Voluntary Employee Benefit Associations trusts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Under current law, employers may establish associations, or VEBAs, to pay employee benefits, which may include health benefit plans, life insurance, and disability insurance, among other employee benefits. Investment income earned by such trusts is exempt from taxation.

149. ***Special Employee Stock Ownership Plan (ESOP) rules.***— Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, employer-paid contributions (the value of stock issued to the ESOP) are deductible by the employer as part of employee compensation costs. They are not included in the employees' gross income for tax purposes, however, until they are paid out as benefits. In addition, the following special income tax provisions for ESOPs are intended to increase ownership of corporations by their employees: (1) annual employer contributions are subject to less restrictive limitations than other qualified retirement plans; (2) ESOPs may borrow to purchase employer stock, guaranteed by their agreement with the employer that the debt will be serviced by the payment (deductible by firm) of a portion of wages (excludable by the employees) to service the loan; (3) employees who sell appreciated company stock to the ESOP may defer any taxes due until they withdraw benefits; (4) dividends paid to ESOP-held stock are deductible by the employer; and (5) earnings are not taxed as they accrue.

150. ***Additional deduction for the blind.***—Under the baseline tax system, the standard deduction is allowed. An additional standard deduction for a targeted group within a given filing status would not be allowed. In contrast, the Tax Code allows taxpayers who are blind to claim an additional $1,700 standard deduction if single, or $1,350 if married in 2019.

151. ***Additional deduction for the elderly.***—Under the baseline tax system, the standard deduction is allowed. An additional standard deduction for a targeted group within a given filing status would not be allowed. In contrast, the Tax Code allows taxpayers who are 65 years or older to claim an additional $1,700 standard deduction if single, or $1,350 if married in 2020.

152. ***Deductibility of casualty losses.***—Under the baseline tax system, neither the purchase of property nor insurance premiums to protect the property's value are deductible as costs of earning income. Therefore, reimbursement for insured loss of such property is not included as a part of gross income, and uninsured losses are not deductible. In contrast, the Tax Code provides a deduction for uninsured casualty and theft losses of more than $100 each, to the extent that total losses during the year exceed 10 percent of the taxpayer's adjusted gross income. In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, personal casualty losses are deductible only to the extent they are attributable to a Federally declared disaster area.

153. ***Earned income tax credit (EITC).***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides an EITC to low-income workers at a maximum rate of 45 percent of income. In 2020, for a family with one qualifying child, the credit is 34 percent of the first $10,540 of earned income. The credit is 40 percent of the first $14,800 of income for a family with two qualifying children, and it is 45 percent of the first $14,800 of income for a family with three or more qualifying children. Low-income workers with no qualifying children are eligible for a 7.65 percent credit on the first $7,030 of earned income. The credit plateaus and then phases out with the greater of AGI or earnings at income levels and rates which depend upon how many qualifying children are eligible and marital status. In 2020, the phase-down for married filers begins at incomes $5,890 ($5,800 for filers without children) greater than for otherwise similar unmarried filers. Earned income tax credits in excess of tax liabilities owed through the individual income tax system are refundable to individuals. Beginning in 2018, the parameters of the EITC are indexed by the chained CPI, which results in a smaller inflation adjustment than previously. This change is permanent.

154. ***Recovery rebate credits.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided rebates of $1,200 ($2,400 for married couples filing jointly) and 500 per child. The total rebate amount begins phasing out at adjusted gross income over $75,000 ($150,000 for married couples filing jointly, $112,500 heads of household). This was followed by the Consolidated Appropriations Act which provided rebates of $600 per eligible taxpayer ($1,200 for married couples filing jointly) plus an additional $600 per child, with phase out features similar to CARES.

Social Security

155. ***Social Security benefits for retired and disabled workers and spouses, dependents, and survivors.***—The baseline tax system would tax Social Security benefits to the extent that contributions to Social Security were not previously taxed. Thus, the portion of Social Security benefits that is attributable to employer contributions and to earnings on employer and employee contributions (and not attributable to employee contributions which are taxed at the time of contribution) would be subject to tax. In contrast, the Tax Code may not tax all of the Social Security benefits that exceed the beneficiary's contributions from previously taxed income. Actuarially, previously taxed contributions generally do not exceed 15 percent of benefits, even for retirees receiving the highest levels of benefits. Therefore, up to 85 percent of recipients' Social Security and Railroad Social Security Equivalent retirement benefits are included in (phased into) the income tax base if the recipient's provisional income exceeds certain base amounts. (Provisional income is equal to other items included in adjusted gross income plus foreign or U.S. possession income, tax-exempt interest, and one half of Social Security and Railroad Social Security Equivalent retirement benefits.) The untaxed portion of the benefits received by taxpayers who are below the income amounts at which 85 percent of the benefits are taxable is counted as a tax expenditure. Benefits paid to disabled workers and to spouses, dependents, and survivors are treated in a similar manner. Railroad Social Security Equivalent benefits are treated like Social Security benefits. See

also provision number 136, Exclusion of railroad Social Security equivalent benefits.

156. ***Credit for certain employer social security contributions.***—Under the baseline tax system, employer contributions to Social Security represent labor cost and are deductible expenses. Under current law, however, certain employers are allowed a tax credit, instead of a deduction, against taxes paid on tips received from customers in connection with the providing, delivering, or serving of food or beverages for consumption. The tip credit equals the full amount of the employer's share of FICA taxes paid on the portion of tips, when added to the employee's non-tip wages, in excess of $5.15 per hour. The credit is available only with respect to FICA taxes paid on tips.

Veterans Benefits and Services

157. ***Exclusion of veterans death benefits and disability compensation.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. In contrast, all compensation due to death or disability paid by the Veterans Administration is excluded from taxable income under current law.

158. ***Exclusion of veterans pensions.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, pension payments made by the Veterans Administration are excluded from gross income.

159. ***Exclusion of G.I. Bill benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, G.I. Bill benefits paid by the Veterans Administration are excluded from gross income.

160. ***Exclusion of interest on veterans housing bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law, interest earned on general obligation bonds issued by State and local governments to finance housing for veterans is excluded from taxable income.

General Government

161. ***Exclusion of interest on public purpose State and local bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local government bonds issued to finance public-purpose construction (e.g., schools, roads, sewers), equipment acquisition, and other public purposes is tax-exempt. Interest on bonds issued by Indian tribal governments for essential governmental purposes is also tax-exempt.

162. ***Build America Bonds.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code in 2009 allowed State and local governments to issue taxable bonds through 2010 and receive a direct payment from Treasury equal to 35 percent of interest expenses. Alternatively, State and local governments could issue taxable bonds and the private lenders receive the 35 percent credit which is included in taxable income.

163. ***Deductibility of nonbusiness State and local taxes other than on owner-occupied homes.***—Under the baseline tax system, a deduction for personal consumption expenditures would not be allowed. In contrast, the Tax Code allows taxpayers who itemize their deductions to claim a deduction for State and local income taxes (or, at the taxpayer's election, State and local sales taxes) and property taxes, even though these taxes primarily pay for services that, if purchased directly by taxpayers, would not be deductible. (The estimates for this tax expenditure do not include the estimates for the deductibility of State and local property tax on owner-occupied homes. See item 57.) In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, (1) the deduction for foreign real property taxes paid is disallowed and (2) the deduction for taxes paid in any taxable year, which includes the deduction for property taxes on real property, is limited to $10,000 ($5,000 in the case of a married individual filing a separate return).

Interest

164. ***Deferral of interest on U.S. savings bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow an exemption or deferral for particular activities, investments, or industries. In contrast, taxpayers may defer paying tax on interest earned on U.S. savings bonds until the bonds are redeemed.

APPENDIX

Performance Measures and the Economic Effects of Tax Expenditures

The Government Performance and Results Act of 1993 (GPRA) directs Federal agencies to develop annual and strategic plans for their programs and activities. These plans set out performance objectives to be achieved over a specific time period. Most of these objectives are achieved through direct expenditure programs. Tax expenditures—spending programs implemented through the tax code by reducing tax obligations for certain activities—contribute to achieving these goals in a manner similar to direct expenditure programs.

Tax expenditures by definition work through the tax system and, particularly, the income tax. Thus, they may be relatively advantageous policy approaches when the benefit or incentive is related to income and is intended to be widely available. Because there is an existing public administrative and private compliance structure for the tax system, income-based programs that require little oversight might be efficiently run through the tax system. In addition, some tax expenditures actually simplify the operation of the tax system. Tax expenditures also implicitly subsidize certain activities in a manner similar to direct expenditures. For example, exempting employer-sponsored health insurance from income taxation is equivalent to a direct spending subsidy equal to the forgone tax obligations for this type of compensation. Spending, regulatory or tax-disincentive policies can also modify behavior, but may have different economic effects. Finally, a variety of tax expenditure tools can be used, e.g., deductions, credits, exemptions, deferrals, floors, ceilings, phase-ins, phase-outs, and these can be dependent on income, expenses, or demographic characteristics (age, number of family members, etc.). This wide range of policy instruments means that tax expenditures can be flexible and can have very different economic effects.

Tax expenditures also have limitations. In many cases they add to the complexity of the tax system, which raises both administrative and compliance costs. For example, exemptions, deductions, credits, and phase-outs can complicate filing and decision-making. The income tax system may have little or no contact with persons who have no or very low incomes, and does not require information on certain characteristics of individuals used in some spending programs, such as wealth or duration of employment. These features may reduce the effectiveness of tax expenditures for addressing socioeconomic disparities. Tax expenditures also generally do not enable the same degree of agency discretion as an outlay program. For example, grant or direct Federal service delivery programs can prioritize activities to be addressed with specific resources in a way that is difficult to emulate with tax expenditures.

Outlay programs have advantages where the direct provision of government services is particularly warranted, such as equipping and maintaining the armed forces or administering the system of justice. Outlay programs may also be specifically designed to meet the needs of low-income families who would not otherwise be subject to income taxes or need to file a tax return. Outlay programs may also receive more year-to-year oversight and fine tuning through the legislative and executive budget process. In addition, many different types of spending programs include direct Government provision; credit programs; and payments to State and local governments, the private sector, or individuals in the form of grants or contracts, which provide flexibility for policy design. On the other hand, certain outlay programs may rely less directly on economic incentives and private-market provision than tax incentives, thereby reducing the relative efficiency of spending programs for some goals. Finally, spending programs, particularly on the discretionary side, may respond less rapidly to changing activity levels and economic conditions than tax expenditures.

Regulations may have more direct and immediate effects than outlay and tax-expenditure programs because regulations apply directly and immediately to the regulated party (i.e., the intended actor), generally in the private sector. Regulations can also be fine-tuned more quickly than tax expenditures because they can often be changed as needed by the Executive Branch without legislation. Like tax expenditures, regulations often rely largely on voluntary compliance, rather than detailed inspections and policing. As such, the public administrative costs tend to be modest relative to the private resource costs associated with modifying activities. Historically, regulations have tended to rely on proscriptive measures, as opposed to economic incentives. This reliance can diminish their economic efficiency, although this feature can also promote full compliance where (as in certain safety-related cases) policymakers believe that trade-offs with economic considerations are not of paramount importance. Also, regulations generally do not directly affect Federal outlays or receipts. Thus, like tax expenditures, they may escape the degree of scrutiny that outlay programs receive.

A Framework for Evaluating the Effectiveness of Tax Expenditures

Across all major budgetary categories—from housing and health to space, technology, agriculture, and national defense—tax expenditures make up a significant portion of Federal activity and affect every area of the economy. For these reasons, a comprehensive evaluation framework that examines incentives, direct results, and spillover effects will benefit the budgetary process by informing decisions on tax expenditure policy.

As described above, tax expenditures, like spending and regulatory programs, have a variety of objectives and economic effects. These include encouraging certain types of activities (e.g., saving for retirement or investing in certain sectors); increasing certain types of after-tax income (e.g., favorable tax treatment of Social Security income); and reducing private compliance costs and Government administrative costs (e.g., the exclusion for up to $500,000 of capital gains on home sales). Some of these objectives are well-suited to quantitative measurement and evaluation, while others are less well-suited.

Performance measurement is generally concerned with inputs, outputs, and outcomes. In the case of tax expenditures, the principal input is usually the revenue effect. Outputs are quantitative or qualitative measures of goods and services, or changes in income and investment, directly produced by these inputs. Outcomes, in turn, represent the changes in the economy, society, or environment that are the ultimate goals of programs. Evaluations assess whether programs are meeting intended goals, but may also encompass analyzing whether initiatives are superior to other policy alternatives.

Similar to prior years, the Administration is working towards examining the objectives and effects of the wide range of tax expenditures in the President's Budget, despite challenges related to data availability, measurement, and analysis. Evaluations include an assessment of whether tax expenditures are achieving intended policy results in an efficient manner, with minimal burdens on individual taxpayers, consumers, and firms, and an examination of possible unintended effects and their consequences.

As an illustration of how evaluations can inform budgetary decisions, consider education, and research investment credits.

Education. There are millions of individuals taking advantage of tax credits designed to help pay for educational expenses. There are a number of different credits available as well as other important forms of Federal support for higher education such as subsidized student loans and grants. An evaluation would explore the possible relationships between use of the credits and the use of student loans and grants, seeking to answer, for example, whether the use of credits reduces or increases the likelihood of students applying for loans. Such an evaluation would allow stakeholders to determine the need for programs—whether they involve tax credits, subsidized loans, or grants.

Investment. A series of tax expenditures reduce the cost of investment, both in specific activities such as research and experimentation, extractive industries, and certain financial activities, and more generally throughout the economy, through accelerated depreciation for plant and equipment. These provisions can be evaluated along a number of dimensions. For example, it is useful to consider the strength of the incentives by measuring their effects on the cost of capital (the return which investments must yield to cover their costs) and effective tax rates. The impact of these provisions on the amount of corresponding forms of investment (e.g., research spending, exploration activity, equipment) might also be estimated. In some cases, such as research, there is evidence that this private investment can provide significant positive externalities—that is, economic benefits that are not reflected in the market transactions between private parties. It could be useful to quantify these externalities and compare them with the size of tax expenditures. Measures could also indicate the effects on production from these investments such as numbers or values of patents, energy production and reserves, and industrial production. Issues to be considered include the extent to which the preferences increase production (as opposed to benefiting existing output) and their cost-effectiveness relative to other policies. Analysis could also consider objectives that are more difficult to measure but could be ultimate goals, such as promoting energy security or economic growth. Such an assessment is likely to involve tax analysis as well as consideration of non-tax matters such as market structure, scientific, and other information.

The tax proposals subject to these analyses include items that indirectly affect the estimated value of tax expenditures (such as changes in income tax rates), proposals that make reforms to improve tax compliance and administration, as well as proposals which would change, add, or delete tax expenditures.

Barriers to Evaluation. Developing a framework that is sufficiently comprehensive, accurate, and flexible is a significant challenge. Evaluations are constrained by the availability of appropriate data and challenges in economic modeling:

- Data availability—Data may not exist, or may not exist in an analytically appropriate form, to conduct rigorous evaluations of certain types of expenditures. For example, measuring the effects of tax expenditures designed to achieve tax neutrality for individuals and firms earning income abroad, and foreign firms could require data from foreign governments or firms which are not readily available.

- Analytical constraints—Evaluations of tax expenditures face analytical constraints even when data are available. For example, individuals might have access to several tax expenditures and programs aimed at improving the same outcome. Isolating the effect of a single tax credit is challenging absent a well-specified research design.

- Resources—Tax expenditure analyses are seriously constrained by staffing considerations. Evaluations typically require expert analysts who are often engaged in other areas of work related to the budget.

The Executive Branch is focused on addressing these challenges to lay the foundation for the analysis of tax expenditures comprehensively, alongside evaluations of the effectiveness of direct spending initiatives.