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 2018–2028 using two methods of accounting: current revenue effects and present value effects. The present value approach provides estimates of the revenue 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 July 1, 2018 and reflect the economic assumptions from the Mid-Session Review of the 2018 Budget. In some cases, expired or repealed provisions are listed if their revenue effects occur in fiscal year 2018 or later.

The total revenue effects for tax expenditures for fiscal years 2018–2028 are displayed according to the Budget's functional categories in Table 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 revenue effects for these items are zero using the reference tax rules. The alternative baseline concepts are discussed in detail below.

Tables 2A and 2B report separately the respective portions of the total revenue 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 3 ranks the major tax expenditures by the size of their 2019–2028 revenue effect. The first column provides the number of the provision in order to cross reference this table to Tables 1, 2A, and 2B, as well as to the descriptions below.

Interpreting Tax Expenditure Estimates

The estimates shown for individual tax expenditures in Tables 1 through 3 do not necessarily equal the increase in Federal revenues (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 of other tax provisions or Government programs. For example, if capital gains were taxed at ordinary rates, capital gain realizations would be expected to decline, resulting in lower tax receipts. Such behavioral effects are not reflected in the estimates.

Second, tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the tax revenues associated with other provisions. For example, even if behavior does not change,

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[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.

repeal of an itemized deduction could increase the revenue costs from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the revenue 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 1 are the totals of individual and corporate income tax revenue effects reported in Tables 2A and 2B, and do not reflect any possible interactions between individual and corporate income tax receipts. For this reason, the estimates in Table 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 4. Cash-based estimates reflect the difference between taxes deferred in the current year and incoming revenues 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. 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 revenue effects are presented in Table 4 for certain provisions that involve tax deferrals or other long-term revenue effects. These estimates complement the cash-based tax expenditure estimates presented in the other tables.

The present-value estimates represent the revenue effects, net of future tax payments that follow from activities undertaken during calendar year 2018 which cause the deferrals or other long-term revenue effects. For instance, a pension contribution in 2018 would cause a deferral of tax payments on wages in 2018 and on pension fund earnings on this contribution (e.g., interest) in later years. In some future year, however, the 2018 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 law tax expenditures are limited to special exceptions from a generally provided tax rule that serve programmatic functions in a way that is analogous to spending programs. Provisions under the reference law baseline are generally tax expenditures under the normal tax baseline, but the reverse is not always true.

Both the normal and reference tax baselines allow several major departures from a pure comprehensive income tax. For example, under the normal and reference tax 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 law and normal tax baselines are generally similar, areas of difference include (but are not limited to):

Tax rates. The separate schedules applying to the various taxpaying units are included in the reference law baseline convention, the Alternative Minimum Tax is treated as part of the baseline rate structure under both the reference 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 rules, 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 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 July 1, 2018.

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 from U.S.

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[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.

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. ***Inventory property sales source rules exception.***— Under the baseline tax system, worldwide income forms the tax base of U.S. corporations. For foreign source income taxed by the United states, taxpayers receive a credit for foreign taxes paid which is limited to the pre-credit U.S. tax on the foreign source income. In contrast, the sales source rules for inventory property under current law allow U.S. exporters to use more foreign tax credits by allowing the exporters to attribute a larger portion of their earnings to foreign sources than would be the case if the allocation of earnings was based on actual economic activity. This exception was repealed for tax years beginning after December 31, 2017. Under the new provision, gains, profits, and income from the sale or exchange of inventory property produced partly in, and partly outside, the United States is allocated and apportioned on the basis of the location of production with respect to the property.

5. ***Reduced tax rate on active income of controlled foreign corporations.***—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 1/1/2018), 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.

6. ***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.

7. ***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 income from exports to be taxes at the qualified dividend rate of 20 percent.

General Science, Space, and Technology

8. ***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 law baseline tax 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.

9. ***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

10. ***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 appro-

priately 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 generous for 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 deduct 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.

11. ***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 offers more generous tax treatment than would cost depletion, which would limit deductions to an investment's cost.

12. ***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, 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. 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

13. ***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 (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.

14. ***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.

15. ***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.

16. ***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, 2020. Facilities that begin construction in 2017 receive 80 percent of the credit, facilities that begin construction in 2018 receive 60 percent of the credit, and facilities that begin construction in 2019 receive 40 percent of the credit. Qualified facilities producing electricity from sources other than wind must begin construction before January 1, 2018. In addition to the electricity production credit, an 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 expired on December 31, 2017.

17. ***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 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. 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 per barrel and is zero for a reference price

that exceeds $18. All dollar amounts are adjusted for inflation from 2004.

18. ***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 micro-turbine power plants, geothermal heat pumps, small wind property 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, and 22 percent for property that begins construction in 2021 and in all cases that is placed in service before January 1, 2024. A 10 percent credit is available for geothermal or qualified solar property placed in service after December 31, 2023. 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.

19. ***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 provided an income tax credit for qualified cellulosic biofuel production which was renamed the Second generation biofuel producer credit. This provision expired on December 31, 2017.

20. ***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 allowed 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 expired on December 31, 2017.

21. ***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.

22. ***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.

23. ***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 which entitles 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.

24. ***Deferral of gain from dispositions of transmission property to implement FERC restructuring policy.***—The baseline tax system generally would tax gains from sale of property when realized. It would not allow an exception for particular activities or individuals. However, the Tax Code allowed electric utilities to defer gains from the sale of their transmission assets to a FERC-approved independent transmission company. The sale of property must have been made prior to January 1, 2018.

25. ***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.

26. ***Temporary 50 percent expensing for equipment used in the refining of liquid fuels.***—The baseline tax system allows the taxpayer to deduct the decline in the economic value of an investment over its economic life. However, the Tax Code provided for an accelerated recovery of the cost of certain investments in refineries by allowing partial expensing of the cost, thereby giving such investments a tax advantage. Qualified refinery property must have been placed in service before January 1, 2014.

27. ***Natural gas distribution pipelines treated as 15-year property.***—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 depreciation of natural gas distribution pipelines (placed in service between 2005 and 2011) over a 15 year period. These deductions are accelerated relative to deductions based on economic depreciation.

28. ***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.

29. ***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. This provision expired on December 31, 2017.

30. ***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.

31. ***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.

32. ***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, and 22 percent for property placed in service in 2021.

33. ***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.

34. ***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.

35. ***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.

36. ***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

37. ***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.

38. ***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 revenue) 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 offers more generous tax treatment than would cost depletion, which would limit deductions to an investment's cost.

39. ***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.

40. ***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 (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).

41. ***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.

42. ***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.

43. ***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.

44. ***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

45. ***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.

46. ***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.

47. ***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.

48. ***Capital gains treatment of certain agriculture income.***—For individuals, tax rates on regular income vary from 10 percent to 39.6 percent (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.

49. ***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.

50. ***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.

51. ***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.

52. ***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.

53. ***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.

54. ***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 $2.25 million of annual net written premiums generally may elect to pay tax only on their taxable investment income provided certain diversification requirements are met. Their underwriting income (premiums, less insurance losses and expenses) is excluded from tax. The $2.25 million premium limit is indexed for inflation.

55. ***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 such exempt organizations as fraternal societies, voluntary employee benefit associations, and others are exempt from tax.

56. ***Small life insurance company deduction.***— 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 pre-2018 law, small life insurance companies (with gross assets of less than $500 million) could deduct 60 percent of the first $3 million of otherwise taxable income. The deduction phased out for otherwise taxable income between $3 million and $15 million. This provision was repealed by P.L. 115-97, effective for taxable years beginning after December 31, 2017.

57. ***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 added of deposit services.

58. ***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.

59. ***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.

60. ***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.

61. ***Deduction for property taxes on real property.***—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).

62. ***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.

63. ***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.

64. ***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.

65. ***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.

66. ***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 70 percent 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.

67. ***Accelerated depreciation on rental housing.***—Under an 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 law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, in contrast, depreciation allowances reflect estimates of economic depreciation.

68. ***Discharge of mortgage 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 allowed an exclusion from a taxpayer's taxable income for any discharge of indebtedness of up to $2 million ($1 million in the case of a married individual filing a separate return) from a qualified principal residence. The provision applied to debt discharged after January 1, 2007, and before January 1, 2018.

69. ***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.

70. ***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 law but is under normal law. Current law also includes exceptions for certain property worth more than $250,000. These are tax expenditure under reference law and normal law. 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.

71. ***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 (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).

72. ***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 (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).

73. ***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.

74. ***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.

75. ***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.

76. ***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.

77. ***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.

78. ***Depreciation of buildings other than rental housing.***—Under an 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 law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, in contrast, depreciation allowances reflect estimates of economic depreciation.

79. ***Accelerated depreciation of machinery and equipment.***—Under an 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 law rules, and thus do not give rise to tax expenditures under reference law. Under normal law, in contrast depreciation allowances reflect estimates of economic depreciation.

80. ***Expensing of certain small investments.***—Under the reference 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.

81. ***Graduated corporation income tax rate.***—Because the corporate rate schedule is part of reference tax law, it is not considered a tax expenditure under the reference method. A flat corporation income tax rate is taken as the baseline under the normal tax method; therefore the lower rate in effect in 2017 is considered a tax expenditure under this concept.

82. ***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.

83. ***Deduction for U.S. production activities.***—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, through tax year 2017, the Tax Code allowed for a deduction equal to a portion of taxable income attributable to domestic production. This deduction was repealed by P.L. 115-97.

84. ***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 expired at the end of 2016.

85. ***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 twenty percent of income attributable to domestic pass-through businesses, subject to certain limitations. In contrast, for tax years 2018 to 2025, the Tax Code allows for a deduction equal to up to twenty percent of income attributable to domestic pass-through businesses, subject to certain limitations.

Transportation

86. ***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.

87. ***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).

88. ***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 2018, the maximum amount of the parking exclusion is $260 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).

89. ***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 $260 per month in 2018. However, beginning in 2018, transit expenses are no longer deductible to employers (except government).

90. ***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.

91. ***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

92. ***Investment credit for rehabilitation of structures.***—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 for rehabilitation expenditures incurred after December 31, 2017.

93. ***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.

94. ***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 revenues are derived from patron service charges.

95. ***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 allowed qualifying businesses in designated economically depressed areas to receive tax benefits such as an employment credit, increased expensing of investment in equipment, special tax-exempt financing, and certain capital gains incentives. A taxpayer's ability to accrue new tax benefits for empowerment zones expired on December 31, 2017.

96. ***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 $3.5 billion for each calendar year 2000 through 2019, the last year for which credit allocations are authorized.

97. ***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.

98. ***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.

99. ***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.

100. ***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. Opportunity zone designations expire on December 31, 2028.

101. ***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 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 before January 1, 2018 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

102. ***Exclusion of scholarship and fellowship income.***—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 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).

103. ***Tax credits and deductions for post-secondary education expenses.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law in 2018, however, there were two credits for certain post-secondary education expenses. A deduction for post-secondary expenses expired at the end of 2017. 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 2017, the credit is phased out ratably for taxpayers with modified AGI between $114,000 and $134,000 if married filing jointly ($57,000 and $67,000 for other taxpayers), indexed. 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. The deduction for post-secondary education expenses provided a maximum deduction of $4,000 for qualified post-secondary education expenses for taxpayers with modified adjusted gross income up to $130,000 if married filing jointly ($65,000 for other taxpayers). Taxpayers with modified adjusted gross income up to $160,000 if married filing jointly ($80,000 for other taxpayers) could deduct up to $2,000 of qualified post-secondary education expenses. This provision expired on December 31, 2017.

104. ***Education Individual Retirement Accounts (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. While contributions to an education IRA are not tax-deductible under current law, investment income earned by education IRAs is not taxed when earned, and investment income from an education IRA is tax-exempt when withdrawn to pay for a student's education expenses. The maximum contribution to an education IRA is $2,000 per beneficiary. In 2018, the maximum contribution is phased down ratably for taxpayers with modified AGI between $190,000 and $220,000 if married filing jointly ($95,000 and $110,000 for other taxpayers).

105. ***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 2018, the maximum deduction is phased down ratably for taxpayers with modified AGI between $135,000 and $165,000 if married filing jointly ($65,000 and $80,000 for other taxpayers).

106. ***Qualified tuition programs.***—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.

107. ***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.

108. ***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.

109. ***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.

110. ***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 $117,250 and $147,250 if married filing jointly ($78,150 and $93,150 for other taxpayers) in 2018.

111. ***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). In absence of 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.

112. ***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.

113. ***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 they represent 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.

114. ***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).

115. ***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.

116. ***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.

117. ***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, 2019 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.

118. ***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, under current law 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.

119. ***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.

120. ***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.

121. ***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.

122. ***Exclusion of employee meals and lodging.***—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 50 percent of the expenses of employer-provided meals. Employer-provided lodging is fully deductible by the employer, in general.

123. ***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 parents who work or attend school and who have child and dependent care expenses a tax credit. 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.

124. ***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.

125. ***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 of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

126. ***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.

127. ***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.

128. ***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 he or she 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, 2017.

129. 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

130. ***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) are not included in employee gross income even though they are deducted as a business expense by the employee.

131. ***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.

132. ***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 2018, $3,350 for taxpayers with individual coverage and $6,750 for taxpayers with family coverage). Thus, HSAs have largely replaced MSAs.

133. ***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 turns 65 before the end of the taxable year, the threshold remains at 7.5 percent of adjusted income. Beginning in 2017, the 10 percent threshold will apply to all taxpayers, including those over 65.

134. ***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.

135. ***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.

136. ***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.

137. ***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.

138. ***Tax credit for orphan drug research.***—The baseline tax system would not allow credits for particular activities, invest-

ments, 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.

139. ***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. Qualifying insurers may take as a deduction 100 percent of any net increase in their unearned premium reserves, instead of the 80 percent allowed other insurers. Qualifying insurers are also allowed a special deduction equal to the amount by which 25 percent of an insurer's 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.

140. ***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.

141. ***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.

Income Security

142. ***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 an 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

143. ***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 158, Social Security benefits for retired workers, for discussion of the threshold.

144. ***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.

145. ***Exclusion of public assistance benefits.***—Under the reference law baseline tax system, 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.

146. ***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.

147. ***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.

148. ***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.

149. ***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 2018, an employee could exclude up to $18,500 of wages from AGI under a qualified arrangement with an employer's 401(k) plan. Employees age 50 or over could exclude up to $24,500 in contributions. The defined contribution plan limit, including both employee and employer contributions, is $55,000 in 2018. The tax on contributions made by both employees and employers and the investment income earned by these plans is deferred until withdrawn.

150. ***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 $5,500 in 2018; 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 who, or whose 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.

151. ***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 $63,000 for joint filers, $47,500 for head of household filers, and $31,500 for other filers in 2018.

152. ***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 $55,000 in 2018. 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.

153. ***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.

154. ***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.

155. ***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.

156. ***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.

157. ***Special Employee Stock Ownership Plan (ESOP) rules.***—ESOPs are a special type of tax-exempt employee benefit plan. 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 his payment (deductible by him) 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.

158. ***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 $1,600 standard deduction if single, or $1,300 if married in 2018.

159. ***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 $1,600 standard deduction if single, or $1,300 if married in 2018.

160. ***Tax credit for the elderly and disabled.***—Under the baseline tax system, a credit targeted at a specific group within a given filing status or for particular activities would not be allowed. In contrast, the Tax Code allows taxpayers who are 65 years of age or older, or who are permanently disabled, to claim a non-refundable tax credit equal to 15 percent of the sum of their earned and retirement income. The amount to which the 15 percent rate is applied is limited to no more than $5,000 for single individuals or married couples filing a joint return where only one spouse is 65 years of age or older or disabled, and up to $7,500 for joint returns where both spouses are 65 years of age or older or disabled. These limits are reduced by one-half of the taxpayer's adjusted gross income over $7,500 for single individuals and $10,000 for married couples filing a joint return.

161. ***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.

162. ***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 2018, for a family with one qualifying child, the credit is 34 percent of the first $10,180 of earned income. The credit is 40 percent of the first $14,290 of income for a family with two qualifying children, and it is 45 percent of the first $14,14290 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 $6,780 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 2018, the phase-down for married filers begins at incomes $5,690 ($5,680 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. This change is permanent.

Social Security

163. ***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 138, Exclusion of railroad Social Security equivalent benefits.

164. ***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

165. ***Exclusion of veterans death benefits and disability compensation.***—Under the baseline tax system, all compensation, in-

cluding 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.

166. ***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.

167. ***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.

168. ***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

169. ***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.

170. ***Build America Bonds.***—The baseline tax system would not allow credits for particular activities or targeted at specific group. 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.

171. ***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 61.) 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

172. ***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.

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations and individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
National Defense													
1	Exclusion of benefits and allowances to armed forces personnel	12,030	12,450	11,220	11,240	11,590	12,050	12,550	13,090	13,660	14,270	14,920	127,040
International affairs:													
2	Exclusion of income earned abroad by U.S. citizens	6,930	7,280	7,640	8,020	8,420	8,840	9,290	9,750	10,240	10,750	11,290	91,520
3	Exclusion of certain allowances for Federal employees abroad	240	250	260	280	290	300	320	330	350	370	390	3,140
4	Inventory property sales source rules exception	1,250	0	0	0	0	0	0	0	0	0	0	0
5	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	63,400	34,490	38,950	41,870	43,500	34,020	20,510	9,410	45,150	73,890	77,270	419,060
6	Deduction for foreign-derived intangible income dervied from trade or business within the U.S.	4,290	7,420	7,970	9,730	10,990	11,440	11,950	12,490	9,090	6,880	7,220	95,180
7	Interest Charge Domestic International Sales Corporations (IC-DISCs)	1,220	1,280	1,340	1,410	1,480	1,560	1,630	1,720	1,800	1,890	1,990	16,100
General science, space, and technology:													
8	Expensing of research and experimentation expenditures (normal tax method)	8,510	6,750	7,430	8,420	-26,470	-46,290	-33,850	-20,540	-6,300	0	0	-110,850
9	Credit for increasing research activities	13,310	14,480	15,870	17,310	18,710	20,080	21,480	22,930	24,390	25,890	27,420	208,560
Energy:													
10	Expensing of exploration and development costs, fuels	970	850	820	750	710	710	710	740	1,010	1,230	1,270	8,800
11	Excess of percentage over cost depletion, fuels	350	290	410	530	590	620	660	700	810	890	920	6,420
12	Exception from passive loss limitation for working interests in oil and gas properties	10	0	0	0	10	10	10	10	10	10	10	70
13	Capital gains treatment of royalties on coal	160	140	130	130	140	140	150	150	170	190	200	1,540
14	Exclusion of interest on energy facility bonds	10	10	10	10	10	10	10	10	10	20	20	120
15	Enhanced oil recovery credit	390	520	570	620	660	750	810	850	850	840	810	7,280
16	Energy production credit 1/	3,150	3,240	3,320	3,510	3,680	3,760	3,710	3,570	3,110	2,720	2,360	32,980
17	Marginal wells credit	0	0	70	70	90	140	190	230	270	300	330	1,690
18	Energy investment credit 1/	3,180	4,300	5,100	5,250	4,650	3,620	2,460	1,700	1,230	1,030	970	30,310
19	Alcohol fuel credits 2/	10	0	0	0	0	0	0	0	0	0	0	0
20	Bio-Diesel and small agri-biodiesel producer tax credits 3/	20	0	0	0	0	0	0	0	0	0	0	0
21	Tax credits for clean-fuel burning vehicles and refueling property	740	640	450	360	360	350	310	240	200	170	160	3,240
22	Exclusion of utility conservation subsidies	430	450	470	490	510	540	570	590	620	650	680	5,570
23	Credit for holding clean renewable energy bonds 4/	70	70	70	70	70	70	70	70	70	70	70	700
24	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	-80	-120	-100	-80	-60	-40	-10	0	0	0	0	-410
25	Credit for investment in clean coal facilities	90	60	30	70	160	430	520	350	210	110	30	1,970
26	Temporary 50% expensing for equipment used in the refining of liquid fuels	-820	-460	-370	-280	-190	-90	-20	0	0	0	0	-1,410
27	Natural gas distribution pipelines treated as 15-year property	100	70	70	50	30	-10	-50	-80	-120	-140	-140	-320
28	Amortize all geological and geophysical expenditures over 2 years	230	180	180	190	210	220	230	250	290	320	340	2,410
29	Allowance of deduction for certain energy efficient commercial building property	40	10	0	0	0	0	0	0	0	0	0	10
30	Credit for construction of new energy efficient homes	120	50	10	0	0	0	0	0	0	0	0	60
31	Credit for energy efficiency improvements to existing homes	260	0	0	0	0	0	0	0	0	0	0	0
32	Credit for residential energy efficient property	1,900	1,530	1,180	770	190	30	0	0	0	0	0	3,700
33	Qualified energy conservation bonds 5/	30	30	30	30	30	30	30	30	30	30	30	300
34	Advanced Energy Property Credit	0	10	10	10	20	20	20	20	20	20	20	170
35	Advanced nuclear power production credit	0	80	200	300	340	340	340	140	0	0	0	1,740
36	Reduced tax rate for nuclear decommissioning funds	90	100	100	110	110	120	120	130	130	140	150	1,210
Natural resources and environment:													
37	Expensing of exploration and development costs, nonfuel minerals	50	20	30	30	50	60	50	30	40	40	50	400

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations and individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
38	Excess of percentage over cost depletion, nonfuel minerals	330	250	250	250	250	260	270	280	310	330	330	2,780
39	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	320	340	350	370	410	440	460	470	500	530	540	4,410
40	Capital gains treatment of certain timber income	160	140	130	130	140	140	150	150	170	190	200	1,540
41	Expensing of multiperiod timber growing costs	220	200	210	220	230	250	250	270	290	320	340	2,580
42	Tax incentives for preservation of historic structures	290	140	240	350	470	520	530	550	560	570	590	4,520
43	Carbon oxide sequestration credit	200	110	70	120	190	260	350	440	540	630	720	3,430
44	Deduction for endangered species recovery expenditures	30	30	30	30	30	30	40	40	40	60	60	390
Agriculture:													
45	Expensing of certain capital outlays	160	150	160	170	180	190	190	200	250	280	290	2,060
46	Expensing of certain multiperiod production costs	260	250	270	280	290	310	320	340	420	460	480	3,420
47	Treatment of loans forgiven for solvent farmers	30	30	30	30	40	40	40	40	70	70	70	460
48	Capital gains treatment of certain agriculture income	1,590	1,380	1,330	1,340	1,370	1,410	1,470	1,540	1,720	1,900	1,990	15,450
49	Income averaging for farmers	100	110	110	120	120	130	130	140	230	230	230	1,550
50	Deferral of gain on sale of farm refiners	15	15	15	15	15	15	20	20	20	20	20	175
51	Expensing of reforestation expenditures	50	50	60	70	70	80	80	80	90	100	100	780
Commerce and housing:													
	Financial institutions and insurance:												
52	Exemption of credit union income	2,380	1,861	2,010	2,097	2,214	2,340	2,411	2,511	2,692	2,865	3,016	24,017
53	Exclusion of life insurance death benefits	13,510	14,350	15,550	16,600	17,520	18,460	19,390	20,340	21,690	23,480	24,630	192,010
54	Exemption or special alternative tax for small property and casualty insurance companies	30	40	40	40	40	50	50	50	60	60	60	490
55	Tax exemption of insurance income earned by tax-exempt organizations	480	320	330	340	350	360	370	380	400	410	420	3,680
56	Small life insurance company deduction	10	0	0	0	0	0	0	0	0	0	0	0
57	Exclusion of interest spread of financial institutions	3,900	2,250	1,170	1,210	1,240	1,280	1,310	1,350	1,420	1,480	1,530	14,240
	Housing:												
58	Exclusion of interest on owner-occupied mortgage subsidy bonds	890	920	960	1,020	1,110	1,200	1,260	1,300	1,380	1,440	1,490	12,080
59	Exclusion of interest on rental housing bonds	910	960	990	1,060	1,160	1,250	1,310	1,340	1,430	1,490	1,550	12,540
60	Deductibility of mortgage interest on owner-occupied homes	37,160	26,850	29,820	33,090	36,340	39,480	42,480	45,170	93,380	121,910	129,090	597,610
61	Deductibility of State and local property tax on owner-occupied homes 6/	15,360	6,250	6,650	7,100	7,520	7,930	8,300	8,630	42,220	61,210	65,030	220,840
62	Deferral of income from installment sales	1,700	1,720	1,750	1,790	1,840	1,910	2,000	2,090	2,190	2,290	2,400	19,980
63	Capital gains exclusion on home sales	43,760	44,380	46,600	49,000	51,470	54,020	56,690	59,430	67,070	72,600	76,070	577,330
64	Exclusion of net imputed rental income	116,590	121,070	125,610	129,970	134,030	138,090	142,130	146,710	188,840	199,400	210,190	1,536,040
65	Exception from passive loss rules for $25,000 of rental loss	5,720	6,030	6,390	6,750	7,090	7,400	7,720	8,380	9,330	9,690	10,060	78,840
66	Credit for low-income housing investments	9,140	9,040	9,070	9,230	9,410	9,620	9,870	10,130	10,430	10,740	10,960	98,500
67	Accelerated depreciation on rental housing (normal tax method)	2,460	2,810	3,410	4,130	4,890	5,600	6,260	6,920	8,500	9,690	10,500	62,710
68	Discharge of mortgage indebtedness	210	0	0	0	0	0	0	0	0	0	0	0
	Commerce:												
69	Discharge of business indebtedness	-50	10	50	50	40	30	20	20	40	50	50	360
70	Exceptions from imputed interest rules	50	60	60	70	70	70	70	70	90	90	90	740
71	Treatment of qualified dividends	29,690	28,730	29,820	31,190	32,860	34,850	37,130	39,690	45,080	50,720	54,050	384,120
72	Capital gains (except agriculture, timber, iron ore, and coal)	118,630	102,910	99,210	99,890	101,950	105,290	109,710	114,910	128,090	141,870	148,780	1,152,610
73	Capital gains exclusion of small corporation stock	1,010	1,240	1,410	1,530	1,640	1,750	1,850	1,930	2,000	2,080	2,160	17,590
74	Step-up basis of capital gains at death	46,730	49,920	51,840	53,630	56,160	58,980	62,450	66,040	69,900	74,220	79,050	622,190
75	Carryover basis of capital gains on gifts	3,330	3,040	3,030	2,930	2,830	2,740	2,710	2,720	2,950	3,180	3,220	29,350
76	Ordinary income treatment of loss from small business corporation stock sale	70	70	70	70	70	70	80	80	80	80	90	760
77	Deferral of gains from like-kind exchanges	6,800	2,850	2,980	3,140	3,290	3,460	3,630	3,810	4,000	4,190	4,400	35,750
78	Depreciation of buildings other than rental housing (normal tax method)	-8,130	-7,600	-8,110	-8,630	-9,170	-9,710	-10,320	-10,780	-11,940	-12,800	-13,460	-102,520
79	Accelerated depreciation of machinery and equipment (normal tax method)	67,820	68,750	65,410	63,890	63,550	43,830	21,700	4,830	-10,750	-25,410	-10,380	285,420
80	Expensing of certain small investments (normal tax method)	1,430	1,660	2,290	2,690	3,000	4,540	6,350	7,870	10,280	12,270	11,930	62,880

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations and individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
81	Graduated corporation income tax rate (normal tax method)	380	0	0	0	0	0	0	0	0	0	0	0
82	Exclusion of interest on small issue bonds	120	120	120	130	140	150	160	170	180	190	200	1,560
83	Deduction for US production activities	3,610	0	0	0	0	0	0	0	0	0	0	0
84	Special rules for certain film and TV production	1,330	-250	-240	-200	-190	-200	-150	-60	-20	-10	-10	-1,330
85	Allow 20-percent deduction to certain pass-through income	34,065	53,273	57,429	61,260	64,855	68,493	72,260	76,707	25,831	0	0	480,108
Transportation:													
86	Tonnage tax	80	90	90	90	100	100	110	110	120	130	130	1,070
87	Deferral of tax on shipping companies	12	12	12	12	12	12	12	12	12	12	12	120
88	Exclusion of reimbursed employee parking expenses	2,120	2,201	2,271	2,343	2,449	2,495	2,555	2,639	2,717	2,793	2,874	25,337
89	Exclusion for employer-provided transit passes	340	363	383	407	435	453	475	505	532	562	592	4,707
90	Tax credit for certain expenditures for maintaining railroad tracks	130	40	40	20	20	10	10	10	0	0	0	150
91	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	190	170	170	160	160	140	140	130	130	120	110	1,430
Community and regional development:													
92	Investment credit for rehabilitation of structures (other than historic)	10	10	0	0	0	0	0	0	0	0	0	10
93	Exclusion of interest for airport, dock, and similar bonds	560	570	610	640	700	760	790	820	870	910	930	7,600
94	Exemption of certain mutuals' and cooperatives' income	110	90	90	100	100	100	100	110	110	110	110	1,020
95	Empowerment zones	110	50	40	10	10	10	10	10	0	0	0	140
96	New markets tax credit	1,410	1,320	1,280	1,210	1,090	880	570	290	80	-120	-250	6,350
97	Credit to holders of Gulf Tax Credit Bonds.	170	170	170	160	170	170	160	160	150	150	130	1,590
98	Recovery Zone Bonds 7/	90	90	90	90	90	100	90	90	80	70	70	860
99	Tribal Economic Development Bonds	10	10	10	10	10	10	10	10	10	10	10	100
100	Opportunity Zones	460	1,980	2,510	1,850	1,730	1,340	1,390	1,320	-4,040	-5,930	490	2,640
101	Employee retention credit	460	200	60	40	40	30	30	30	20	20	10	480
Education, training, employment, and social services:													
	Education:												
102	Exclusion of scholarship and fellowship income (normal tax method)	3,070	2,840	2,960	3,100	3,250	3,400	3,550	3,720	4,110	4,730	4,920	36,580
103	Tax credits and deductions for postsecondary education expenses 8/	17,450	16,300	16,360	16,490	16,550	16,590	16,550	16,440	16,490	17,220	17,280	166,270
104	Education Individual Retirement Accounts	30	40	40	40	40	40	40	30	30	30	30	360
105	Deductibility of student-loan interest	2,300	1,980	2,030	2,060	2,090	2,110	2,150	2,190	2,280	2,700	2,730	22,320
106	Qualified tuition programs	2,090	2,200	2,420	2,650	2,920	3,240	3,630	4,110	5,050	6,050	7,170	39,440
107	Exclusion of interest on student-loan bonds	240	250	260	280	300	330	340	350	380	390	410	3,290
108	Exclusion of interest on bonds for private nonprofit educational facilities	1,830	1,900	1,990	2,110	2,310	2,500	2,620	2,690	2,860	3,000	3,080	25,060
109	Credit for holders of zone academy bonds 9/	180	170	150	130	110	90	80	60	50	50	40	930
110	Exclusion of interest on savings bonds	30	30	30	40	40	40	40	40	50	50	50	410
111	Parental personal exemption for students age 19 or over	2,860	0	0	0	0	0	0	0	5,820	8,790	8,940	23,550
112	Deductibility of charitable contributions (education)	5,400	4,140	4,450	4,790	5,100	5,410	5,720	6,020	7,160	9,200	9,620	61,610
113	Exclusion of employer-provided educational assistance	880	890	940	990	1,040	1,090	1,140	1,200	1,410	1,560	1,640	11,900
114	Special deduction for teacher expenses	210	180	180	190	220	220	220	230	240	270	270	2,220
115	Discharge of student loan indebtedness	90	90	90	90	90	100	100	100	110	120	130	1,020
116	Qualified school construction bonds 10/	620	600	570	540	520	490	470	440	410	390	360	4,790
	Training, employment, and social services:												
117	Work opportunity tax credit	1,450	1,520	1,100	510	320	240	190	140	100	80	60	4,260
118	Employer provided child care exclusion	720	680	720	780	840	910	990	1,070	1,400	1,610	490	9,490
119	Employer-provided child care credit	10	20	20	20	20	20	20	20	20	20	20	200
120	Assistance for adopted foster children	550	630	680	740	810	880	950	1,020	1,110	1,190	1,290	9,300
121	Adoption credit and exclusion	630	630	700	710	760	780	800	800	810	820	830	7,640
122	Exclusion of employee meals and lodging (other than military)	4,640	4,260	4,390	4,530	4,700	4,890	5,080	5,400	6,340	6,920	7,200	53,710
123	Credit for child and dependent care expenses	4,560	4,360	4,460	4,560	4,690	4,870	4,970	5,100	5,330	5,550	5,610	49,500
124	Credit for disabled access expenditures	10	10	10	10	10	10	10	10	10	10	10	100
125	Deductibility of charitable contributions, other than education and health	45,956	36,660	39,540	42,760	45,510	48,270	51,040	53,750	64,790	84,810	88,800	555,930
126	Exclusion of certain foster care payments	480	500	520	530	540	550	560	570	570	580	580	5,500
127	Exclusion of parsonage allowances	839	850	896	943	993	1,046	1,101	1,160	1,221	1,285	1,353	10,848
128	Indian employment credit	40	30	20	20	20	20	10	10	10	10	10	160

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations and individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
129	Credit for employer differential wage payments	0	0	0	0	10	10	20	20	20	20	20	120
Health:													
130	Exclusion of employer contributions for medical insurance premiums and medical	205,080	203,290	214,950	227,350	239,620	253,230	268,240	284,210	333,840	370,750	391,420	2,786,900
131	Self-employed medical insurance premiums	7,420	7,430	7,910	8,440	8,970	9,450	10,010	10,590	12,520	13,870	14,600	103,790
132	Medical Savings Accounts / Health Savings Accounts	7,410	7,810	8,460	9,080	9,760	10,360	10,880	11,450	13,110	14,240	14,740	109,890
133	Deductibility of medical expenses	8,840	6,890	7,130	7,880	8,740	9,690	10,680	11,700	17,820	22,170	24,200	126,900
134	Exclusion of interest on hospital construction bonds	2,700	2,810	2,930	3,120	3,410	3,680	3,860	3,960	4,210	4,420	4,550	36,950
135	Refundable Premium Assistance Tax Credit 12/	6,790	5,900	5,930	6,000	6,340	6,710	7,050	7,510	8,610	9,330	9,960	73,340
136	Credit for employee health insurance expenses of small business 13/	80	70	50	40	20	20	10	10	10	10	10	250
137	Deductibility of charitable contributions (health)	4,890	3,960	4,270	4,620	4,930	5,230	5,530	5,820	7,050	9,270	9,710	60,390
138	Tax credit for orphan drug research	1,960	1,550	1,880	2,290	2,780	3,370	4,090	4,960	6,020	7,310	8,840	43,090
139	Special Blue Cross/Blue Shield tax benefits	270	290	310	340	360	390	410	440	460	490	520	4,010
140	Tax credit for health insurance purchased by certain displaced and retired individuals 14/	20	10	0	0	0	0	0	0	0	0	0	10
141	Distributions from retirement plans for premiums for health and long-term care	430	420	430	450	460	470	490	500	590	630	650	5,090
Income security:													
142	Child credit 15/	30,450	76,010	76,930	77,910	78,890	79,910	80,780	81,640	57,830	21,450	21,220	652,570
143	Exclusion of railroad retirement (Social Security equivalent) benefits	250	220	210	200	190	180	170	160	160	170	170	1,830
144	Exclusion of workers' compensation benefits	9,590	9,680	9,780	9,880	9,970	10,070	10,170	10,270	10,370	10,480	10,580	101,250
145	Exclusion of public assistance benefits (normal tax method)	580	580	600	620	640	660	670	700	720	740	690	6,620
146	Exclusion of special benefits for disabled coal miners	20	20	20	10	10	10	10	10	10	10	10	120
147	Exclusion of military disability pensions	160	160	160	170	170	180	180	180	210	220	220	1,850
	Net exclusion of pension contributions and earnings:												
148	Defined benefit employer plans	69,910	71,430	73,540	75,290	75,840	76,400	76,830	76,380	77,840	76,440	75,560	755,550
149	Defined contribution employer plans	72,260	75,720	84,590	90,670	97,200	104,080	111,230	118,850	142,180	155,000	164,490	1,144,010
150	Individual Retirement Accounts	19,680	20,620	23,590	24,730	26,510	28,150	29,930	32,000	37,340	40,760	44,170	307,800
151	Low and moderate income savers credit	1,180	1,170	1,180	1,180	1,200	1,190	1,200	1,210	1,330	1,320	1,320	12,300
152	Self-Employed plans	24,940	24,120	26,680	29,680	32,720	35,890	39,260	42,660	50,790	63,450	69,680	414,930
	Exclusion of other employee benefits:												
153	Premiums on group term life insurance	2,810	2,810	2,930	3,060	3,190	3,330	3,470	3,630	4,130	4,410	4,590	35,550
154	Premiums on accident and disability insurance	330	330	330	340	340	340	350	350	350	350	350	3,430
155	Income of trusts to finance supplementary unemployment benefits	30	30	40	40	50	50	50	50	60	60	60	490
156	Income of trusts to finance voluntary employee benefits associations	1,080	1,150	1,230	1,310	1,400	1,490	1,570	1,670	1,860	1,970	2,080	15,730
157	Special ESOP rules	2,020	2,070	2,130	2,180	2,240	2,300	2,370	2,430	2,500	2,560	2,630	23,410
158	Additional deduction for the blind	30	40	40	40	40	40	50	50	50	50	60	460
159	Additional deduction for the elderly	4,230	4,920	5,220	5,590	6,030	6,340	6,750	7,150	6,720	6,690	7,170	62,580
160	Tax credit for the elderly and disabled	0	0	0	0	0	0	0	0	0	0	0	0
161	Deductibility of casualty losses	110	0	0	0	0	0	0	0	390	610	650	1,650
162	Earned income tax credit 16/	8,050	8,110	2,660	2,710	2,780	2,850	2,940	3,020	3,100	10,520	10,770	49,460
Social Security:													
	Exclusion of social security benefits:												
163	Social Security benefits for retired and disabled workers and spouses, dependents	32,970	29,980	31,020	32,090	33,340	34,870	35,460	35,530	40,840	48,030	49,850	371,010
164	Credit for certain employer contributions to social security	1,080	1,140	1,200	1,270	1,330	1,400	1,460	1,540	1,610	1,690	1,780	14,420
Veterans benefits and services:													
165	Exclusion of veterans death benefits and disability compensation	8,240	8,180	8,710	9,060	9,400	9,750	10,100	10,480	11,340	12,860	13,340	103,220
166	Exclusion of veterans pensions	450	420	430	450	470	480	500	520	560	640	660	5,130
167	Exclusion of GI bill benefits	1,650	1,610	1,700	1,780	1,870	1,960	2,050	2,140	2,340	2,680	2,810	20,940
168	Exclusion of interest on veterans housing bonds	40	30	30	40	40	40	40	50	50	50	50	420
General purpose fiscal assistance:													
169	Exclusion of interest on public purpose State and local bonds	23,130	24,080	25,100	26,740	29,270	31,550	33,060	33,950	36,120	37,870	38,990	316,730

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations and individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
170	Build America Bonds 17/	0	0	0	0	0	0	0	0	0	0	0	0
171	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes 6/	22,330	4,610	7,520	8,000	8,460	8,880	9,280	9,590	84,070	125,130	132,330	397,870
Interest:													
172	Deferral of interest on U.S. savings bonds	950	850	840	840	830	820	810	800	790	890	900	8,370
Addendum: Aid to State and local governments:													
	Deductibility of:												
	Property taxes on owner-occupied homes	15,360	6,250	6,650	7,100	7,520	7,930	8,300	8,630	42,220	61,210	65,030	220,840
	Nonbusiness State and local taxes other than on owner-occupied homes	22,330	4,610	7,520	8,000	8,460	8,880	9,280	9,590	84,070	125,130	132,330	397,870
	Exclusion of interest on State and local bonds for:												
	Public purposes	23,130	24,080	25,100	26,740	29,270	31,550	33,060	33,950	36,120	37,870	38,990	316,730
	Energy facilities	10	10	10	10	10	10	10	10	10	20	20	120
	Water, sewage, and hazardous waste disposal facilities	320	340	350	370	410	440	460	470	500	530	540	4,410
	Small-issues	120	120	120	130	140	150	160	170	180	190	200	1,560
	Owner-occupied mortgage subsidies	890	920	960	1,020	1,110	1,200	1,260	1,300	1,380	1,440	1,490	12,080
	Rental housing	910	960	990	1,060	1,160	1,250	1,310	1,340	1,430	1,490	1,550	12,540
	Airports, docks, and similar facilities	560	570	610	640	700	760	790	820	870	910	930	7,600
	Student loans	240	250	260	280	300	330	340	350	380	390	410	3,290
	Private nonprofit educational facilities	1,830	1,900	1,990	2,110	2,310	2,500	2,620	2,690	2,860	3,000	3,080	25,060
	Hospital construction	2,700	2,810	2,930	3,120	3,410	3,680	3,860	3,960	4,210	4,420	4,550	36,950
	Veterans' housing	40	30	30	40	40	40	40	50	50	50	50	420

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: 2018 $48; and $0 thereafter.

2/ The alternative fuel mixture credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2018 $710 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: 2018 $3,410 and $0 thereafter.

4/ In addition, the credit for holding clean renewable energy bonds has outlay effects of (in millions of dollars):
2018 $40; 2019 $40; 2020 $40; 2021 $40; 2022 $40; 2023 $40; 2024 $40; 2025, $40; 2026 $40; 2017 $40; and 2028 $40.

5/ In addition, the qualified energy conservation bonds have outlay effects of (in millions of dollars):
2018 $40; 2019 $40; 2020 $40; 2021 $40; 2022 $40; 2023 $40; 2024 $40; 2025, $40; 2026 $40; 2027 $40; and 2028 $40.

6/ 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 owner occupied housing and other taxes. The estimate of repealing both is (in millions of dollars): 2018 $41,090; 2019 $17,360; 2020 $21,470; 2021 $23,310; 2022 $25,200; 2023 $27,060; 2024 $28,880; 2025 $30,540; 2026 $131,460; 2027 $187,990; and 2028 $199,290.

7/ In addition, recovery zone bonds have outlay effects (in millions of dollars) as follows:
2018 $290; 2019 $290; 2020 $290; 2021 $290; 2022 $290; 2023 $290; 2024 $290; 2025, $290; 2026 $290; 2027 $290; and 2028 $290.

8/ In addition, the tax credits and deductions for postsecondary education expenses have outlay effects of (in millions of dollars):
2018 $3860; 2019 $4040; 2020 $4000; 2021 $3870; 2022 $3760; 2023 $3730; 2024 $3720; 2025 $3700; 2026 $3670; 2027 $3330; and 2028 $3200.

9/ In addition, the credit for holders of zone academy bonds has outlay effects of (in millions of dollars):
2018 $60; 2019 $60; 2020 $60; 2021 $60; 2022 $60; 2023 $60; 2024 $60; 2025 $60; 2026 $60; 2027 $60; and 2028 $60.

10/ In addition, the provision for school construction bonds has outlay effects of (in millions of dollars):
2018 $795; 2019 $795; 2020 $795; 2021 $795; 2022 $795; 2023 $795; 2024 $795; 2025 $795; 2026 $795; 2027 $795; and 2028 $795.

11/ In addition, the employer contributions for health have effects on payroll tax receipts (in millions of dollars) as follows: 2018 $131850; 2019 $136,880; 2020 $143,060; 2021 $149,500; 2022 $156,100; 2023 $163,730; 2024 $172,170; 2025 $180,970; 2026 $189,960; 2027 $199,570; and 2028 $209,850.

12/ In addition, the premium assistance credit provision has outlay effects (in millions of dollars) as follows: '2018 $39,550; 2019 $37,480; 2020 $36,480; 2021 $37,520; 2022 $39,080; 2023 $40,810; 2024 $42,640; 2025 $44,510; 2026 $45,690; 2027 $47,370; and 2028 $49,350.

13/ In addition, the small business credit provision has outlay effects (in millions of dollars) as follows:
2018 $20; 2019 $20; 2020 $10; 2021 $10; 2022 $10; and $0 thereafter.

14/ In addition, the effect of the health coverage tax credit on receipts has outlay effects of (in millions of dollars)
2018 $30; 2019 $30; 2020 $10; and $0 thereafter.
In addition, the effect of the child tax credit on receipts has outlay effects of (in millions of dollars): 2018 $35,000; 2019 $44,960; 2020 $45,470; 2021 $45,720; 2022 $45,950; 2023 $47,630; 2024 $47,630; 2025 $47,890; 2026 $49,550; 2027 $30,970; and 2028 $30,940.

15/ The child tax credit line also includes the credit for other dependents (in millions of dollars):
2018 $3,980; 2019 $9,560; 2020 $9,750; 2021 $9,920; 2022 $10,060; 2023 $10,280; 2024 $10,380; 2025 $10,430; 2026 $3,180; 2027 $0; and 2028 $0.

16/ In addition, the earned income tax credit on receipts has outlay effects of (in millions of dollars): '2018 $58,500; 2019 $ 60,250; 2020 $66,680; 2021 $67,740; 2022 $68,910; 2023 $70,210; 2024 $71,600; 2025 $72,820; 2026 $73,529; 2027 $67,380; and 2028 68,460.

17/ In addition, the Build America Bonds have outlay effects of (in millions of dollars): 2018 $3,610; 2019 $3,610; 2020 $3,610; 2021 $3,610; 2022 $3,610; 2023 $3,610; 2024 $3,610; 2025, $3,610; 2026 $3,610; 2027 $3,610; and 2028 $3,610.

Note: Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method.
All estimates have been rounded to the nearest $10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Table 2a. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
	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	
3	Exclusion of certain allowances for Federal employees abroad	0	0	0	0	0	0	0	0	0	0	0	
4	Inventory property sales source rules exception	1,250	0	0	0	0	0	0	0	0	0	0	0
5	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	63,400	34,490	38,950	41,870	43,500	34,020	20,510	9,410	45,150	73,890	77,270	419,060
6	Deduction for foreign-derived intangible income dervied from trade or business within the U.S.	4,290	7,420	7,970	9,730	10,990	11,440	11,950	12,490	9,090	6,880	7,220	95,180
7	Interest Charge Domestic International Sales Corporations (IC-DISCs)	1,220	1,280	1,340	1,410	1,480	1,560	1,630	1,720	1,800	1,890	1,990	16,100
	General science, space, and technology:												
8	Expensing of research and experimentation expenditures (normal tax method)	7,670	6,020	6,630	7,510	-25,180	-40,820	-29,740	-17,890	-5,210	0	0	-98,680
9	Credit for increasing research activities	11,880	12,850	14,100	15,390	16,640	17,870	19,110	20,390	21,680	22,990	24,320	185,340
	Energy:												
10	Expensing of exploration and development costs, fuels	420	370	360	330	310	310	310	320	430	520	540	3,800
11	Excess of percentage over cost depletion, fuels	250	210	300	380	420	440	470	490	520	540	560	4,330
12	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
13	Capital gains treatment of royalties on coal	0	0	0	0	0	0	0	0	0	0	0	0
14	Exclusion of interest on energy facility bonds	0	0	0	0	0	0	0	0	0	0	0	0
15	Enhanced oil recovery credit	310	420	460	500	530	600	650	680	680	670	650	5,840
16	Energy production credit 1/	2,360	2,430	2,490	2,630	2,760	2,820	2,780	2,680	2,330	2,040	1,770	24,730
17	Marginal wells credit	0	0	20	20	30	40	60	70	80	90	100	510
18	Energy investment credit 1/	2,400	3,240	3,850	3,960	3,520	2,740	1,870	1,300	950	790	740	22,960
19	Alcohol fuel credits 2/	0	0	0	0	0	0	0	0	0	0	0	0
20	Bio-Diesel and small agri-biodiesel producer tax credits 3/	0	0	0	0	0	0	0	0	0	0	0	0
21	Tax credits for clean-fuel burning vehicles and refueling property	260	200	130	110	110	100	80	60	50	40	40	920
22	Exclusion of utility conservation subsidies	20	20	20	20	20	20	20	20	20	20	20	200
23	Credit for holding clean renewable energy bonds 4/	20	20	20	20	20	20	20	20	20	20	20	200
24	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	-80	-120	-100	-80	-60	-40	-10	0	0	0	0	-410
25	Credit for investment in clean coal facilities	80	50	30	60	140	390	470	320	190	100	30	1,780
26	Temporary 50% expensing for equipment used in the refining of liquid fuels	-820	-460	-370	-280	-190	-90	-20	0	0	0	0	-1,410
27	Natural gas distribution pipelines treated as 15-year property	100	70	70	50	30	-10	-50	-80	-120	-140	-140	-320
28	Amortize all geological and geophysical expenditures over 2 years	140	110	110	120	130	140	140	150	160	160	170	1,390
29	Allowance of deduction for certain energy efficient commercial building property	10	0	0	0	0	0	0	0	0	0	0	0
30	Credit for construction of new energy efficient homes	40	10	0	0	0	0	0	0	0	0	0	10
31	Credit for energy efficiency improvements to existing homes	0	0	0	0	0	0	0	0	0	0	0	0
32	Credit for residential energy efficient property	0	0	0	0	0	0	0	0	0	0	0	0
33	Qualified energy conservation bonds 5/	10	10	10	10	10	10	10	10	10	10	10	100
34	Advanced Energy Property Credit	0	10	10	10	20	20	20	20	20	20	20	170
35	Advanced nuclear power production credit	0	80	200	300	340	340	340	140	0	0	0	1,740
36	Reduced tax rate for nuclear decommissioning funds	90	100	100	110	110	120	120	130	130	140	150	1,210
	Natural resources and environment:												
37	Expensing of exploration and development costs, nonfuel minerals	30	10	20	20	30	40	30	20	20	20	30	240
38	Excess of percentage over cost depletion, nonfuel minerals	280	210	210	210	210	220	230	240	250	260	260	2,300
39	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	50	40	30	30	30	30	30	30	20	20	20	280
40	Capital gains treatment of certain timber income	0	0	0	0	0	0	0	0	0	0	0	0
41	Expensing of multiperiod timber growing costs	110	90	90	100	100	110	110	120	120	130	140	1,110
42	Tax incentives for preservation of historic structures	230	120	210	310	420	460	470	480	490	500	510	3,970
43	Carbon oxide sequestration credit	200	110	70	120	190	260	350	440	540	630	720	3,430
44	Deduction for endangered species recovery expenditures	10	10	10	10	10	10	10	10	10	20	20	120
	Agriculture:												
45	Expensing of certain capital outlays	10	10	10	10	10	10	10	10	10	10	10	100
46	Expensing of certain multiperiod production costs	10	10	10	10	10	10	10	10	10	10	10	100
47	Treatment of loans forgiven for solvent farmers	0	0	0	0	0	0	0	0	0	0	0	0
48	Capital gains treatment of certain agriculture income	0	0	0	0	0	0	0	0	0	0	0	0
49	Income averaging for farmers	0	0	0	0	0	0	0	0	0	0	0	0
50	Deferral of gain on sale of farm refiners	15	15	15	15	15	15	20	20	20	20	20	175
51	Expensing of reforestation expenditures	10	0	10	10	10	10	10	10	10	10	10	90
	Commerce and housing:												
	Financial institutions and insurance:												
52	Exemption of credit union income	2,380	1,861	2,010	2,097	2,214	2,340	2,411	2,511	2,692	2,865	3,016	24,017
53	Exclusion of life insurance death benefits	1,260	1,320	1,390	1,460	1,530	1,610	1,690	1,780	1,870	1,960	2,050	16,660
54	Exemption or special alternative tax for small property and casualty insurance companies	30	40	40	40	40	50	50	50	60	60	60	490
55	Tax exemption of insurance income earned by tax-exempt organizations	480	320	330	340	350	360	370	380	400	410	420	3,680
56	Small life insurance company deduction	10	0	0	0	0	0	0	0	0	0	0	0
57	Exclusion of interest spread of financial institutions	0	0	0	0	0	0	0	0	0	0	0	0
	Housing:												
58	Exclusion of interest on owner-occupied mortgage subsidy bonds	140	100	90	80	80	80	80	80	60	50	60	760
59	Exclusion of interest on rental housing bonds	140	110	90	80	90	90	90	80	60	50	60	800
60	Deductibility of mortgage interest on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
61	Deductibility of State and local property tax on owner-occupied homes 6/	0	0	0	0	0	0	0	0	0	0	0	0
62	Deferral of income from installment sales	0	0	0	0	0	0	0	0	0	0	0	0

Table 2a. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
63	Capital gains exclusion on home sales	0	0	0	0	0	0	0	0	0	0	0	0
64	Exclusion of net imputed rental income	0	0	0	0	0	0	0	0	0	0	0	0
65	Exception from passive loss rules for $25,000 of rental loss	0	0	0	0	0	0	0	0	0	0	0	0
66	Credit for low-income housing investments	8,680	8,590	8,620	8,770	8,940	9,140	9,380	9,620	9,910	10,200	10,410	93,580
67	Accelerated depreciation on rental housing (normal tax method)	290	280	330	400	470	540	600	660	720	780	850	5,630
68	Discharge of mortgage indebtedness												0
	Commerce:												
69	Discharge of business indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
70	Exceptions from imputed interest rules	0	0	0	0	0	0	0	0	0	0	0	0
71	Treatment of qualified dividends	0	0	0	0	0	0	0	0	0	0	0	0
72	Capital gains (except agriculture, timber, iron ore, and coal)	0	0	0	0	0	0	0	0	0	0	0	0
73	Capital gains exclusion of small corporation stock	0	0	0	0	0	0	0	0	0	0	0	0
74	Step-up basis of capital gains at death	0	0	0	0	0	0	0	0	0	0	0	0
75	Carryover basis of capital gains on gifts	0	0	0	0	0	0	0	0	0	0	0	0
76	Ordinary income treatment of loss from small business corporation stock sale	0	0	0	0	0	0	0	0	0	0	0	0
77	Deferral of gains from like-kind exchanges	5,050	1,000	1,040	1,100	1,150	1,210	1,270	1,330	1,400	1,460	1,530	12,490
78	Depreciation of buildings other than rental housing (normal tax method)	-2,530	-2,020	-2,140	-2,260	-2,400	-2,530	-2,690	-2,790	-2,890	-3,000	-3,150	-25,870
79	Accelerated depreciation of machinery and equipment (normal tax method)	37,180	35,470	33,880	33,110	32,920	23,450	12,870	4,830	-2,110	-8,500	-1,730	164,190
80	Expensing of certain small investments (normal tax method)	-10	30	130	190	240	590	1,000	1,320	1,610	1,870	1,690	8,670
81	Graduated corporation income tax rate (normal tax method)	380	0	0	0	0	0	0	0	0	0	0	0
82	Exclusion of interest on small issue bonds	20	10	10	10	10	10	10	10	10	10	10	100
83	Deduction for US production activities	2,580	0	0	0	0	0	0	0	0	0	0	0
84	Special rules for certain film and TV production	1,060	-200	-190	-160	-150	-160	-120	-50	-20	-10	-10	-1,070
85	Allow 20-percent deduction to certain pass-through income	0	0	0	0	0	0	0	0	0	0	0	0
Transportation:													
86	Tonnage tax	80	90	90	90	100	100	110	110	120	130	130	1,070
87	Deferral of tax on shipping companies	12	12	12	12	12	12	12	12	12	12	12	120
88	Exclusion of reimbursed employee parking expenses	-1,060	-1,101	-1,136	-1,171	-1,225	-1,247	-1,278	-1,319	-1,358	-1,396	-1,437	-12,668
89	Exclusion for employer-provided transit passes	-341	-362	-383	-406	-435	-454	-476	-505	-532	-562	-592	-4,707
90	Tax credit for certain expenditures for maintaining railroad tracks	100	30	30	10	10	10	10	10	0	0	0	110
91	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	50	40	40	40	40	30	30	30	30	30	20	330
Community and regional development:													
92	Investment credit for rehabilitation of structures (other than historic)	0	0	0	0	0	0	0	0	0	0	0	0
93	Exclusion of interest for airport, dock, and similar bonds	90	60	60	50	50	50	50	50	40	30	30	470
94	Exemption of certain mutuals' and cooperatives' income	110	90	90	100	100	100	100	110	110	110	110	1,020
95	Empowerment zones	60	40	30	10	10	10	10	10	0	0	0	120
96	New markets tax credit	1,380	1,290	1,250	1,180	1,070	860	550	280	70	-120	-250	6,180
97	Credit to holders of Gulf Tax Credit Bonds.	30	20	20	10	10	10	10	10	10	10	0	110
98	Recovery Zone Bonds 7/	10	10	10	10	10	10	10	10	0	0	0	70
99	Tribal Economic Development Bonds	0	0	0	0	0	0	0	0	0	0	0	0
100	Opportunity Zones	250	930	910	770	640	550	550	530	-2,410	-1,630	200	1,040
101	Employee retention credit	340	130	40	30	30	20	20	20	10	10	10	320
Education, training, employment, and social services:													
	Education:												
100	Exclusion of scholarship and fellowship income (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
101	Tax credits and deductions for postsecondary education expenses 8/	0	0	0	0	0	0	0	0	0	0	0	0
102	Education Individual Retirement Accounts	0	0	0	0	0	0	0	0	0	0	0	0
103	Deductibility of student-loan interest	0	0	0	0	0	0	0	0	0	0	0	0
104	Qualified tuition programs	0	0	0	0	0	0	0	0	0	0	0	0
105	Exclusion of interest on student-loan bonds	40	30	20	20	20	20	20	20	20	10	20	200
106	Exclusion of interest on bonds for private nonprofit educational facilities	280	210	190	160	170	180	180	160	120	110	110	1,590
107	Credit for holders of zone academy bonds 9/	180	170	150	130	110	90	80	60	50	50	40	930
108	Exclusion of interest on savings bonds redeemed to finance educational expenses	0	0	0	0	0	0	0	0	0	0	0	0
109	Parental personal exemption for students age 19 or over	0	0	0	0	0	0	0	0	0	0	0	0
110	Deductibility of charitable contributions (education)	990	570	600	620	660	690	730	760	800	830	860	7,120
111	Exclusion of employer-provided educational assistance	0	0	0	0	0	0	0	0	0	0	0	0
112	Special deduction for teacher expenses	0	0	0	0	0	0	0	0	0	0	0	0
113	Discharge of student loan indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
114	Qualified school construction bonds 10/	150	150	140	130	130	120	120	110	100	100	90	1,190
	Training, employment, and social services:												
115	Work opportunity tax credit	1,070	1,130	780	390	250	190	150	110	80	60	50	3,190
116	Employer provided child care exclusion	0	0	0	0	0	0	0	0	0	0	0	0
117	Employer-provided child care credit	10	20	20	20	20	20	20	20	20	20	20	200
118	Assistance for adopted foster children	0	0	0	0	0	0	0	0	0	0	0	0
119	Adoption credit and exclusion	0	0	0	0	0	0	0	0	0	0	0	0
120	Exclusion of employee meals and lodging (other than military)	-160	-280	-290	-310	-330	-340	-360	-380	-400	-420	-440	-3,550
121	Credit for child and dependent care expenses	0	0	0	0	0	0	0	0	0	0	0	0
122	Credit for disabled access expenditures	0	0	0	0	0	0	0	0	0	0	0	0
123	Deductibility of charitable contributions, other than education and health	2,046	1,160	1,210	1,250	1,300	1,350	1,400	1,460	1,520	1,580	1,640	13,870
124	Exclusion of certain foster care payments	0	0	0	0	0	0	0	0	0	0	0	0
125	Exclusion of parsonage allowances	0	0	0	0	0	0	0	0	0	0	0	0
126	Indian employment credit	20	10	10	10	10	10	0	0	0	0	0	50
127	Credit for employer differential wage payments	0	0	0	0	10	10	10	10	10	10	10	70
Health:													
128	Exclusion of employer contributions for medical insurance premiums and medical care 11/	0	0	0	0	0	0	0	0	0	0	0	0
129	Self-employed medical insurance premiums	0	0	0	0	0	0	0	0	0	0	0	0
130	Medical Savings Accounts / Health Savings Accounts	0	0	0	0	0	0	0	0	0	0	0	0

Table 2a. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from corporations											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
131	Deductibility of medical expenses	0	0	0	0	0	0	0	0	0	0	0	0
132	Exclusion of interest on hospital construction bonds	420	310	280	240	250	260	260	240	180	160	170	2,350
133	Refundable Premium Assistance Tax Credit 12/	0	0	0	0	0	0	0	0	0	0	0	0
134	Credit for employee health insurance expenses of small business 13/	10	10	10	10	0	0	0	0	0	0	0	30
135	Deductibility of charitable contributions (health)	0	0	0	0	0	0	0	0	0	0	0	0
136	Tax credit for orphan drug research	1,930	1,520	1,840	2,240	2,720	3,300	4,010	4,860	5,910	7,180	8,690	42,270
137	Special Blue Cross/Blue Shield tax benefits	270	290	310	340	360	390	410	440	460	490	520	4,010
138	Tax credit for health insurance purchased by certain displaced and retired individuals 14/	0	0	0	0	0	0	0	0	0	0	0	0
139	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
Income security:													
140	Child credit 14/	0	0	0	0	0	0	0	0	0	0	0	0
141	Exclusion of railroad retirement (Social Security equivalent) benefits	0	0	0	0	0	0	0	0	0	0	0	0
142	Exclusion of workers' compensation benefits	0	0	0	0	0	0	0	0	0	0	0	0
143	Exclusion of public assistance benefits (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
144	Exclusion of special benefits for disabled coal miners	0	0	0	0	0	0	0	0	0	0	0	0
145	Exclusion of military disability pensions	0	0	0	0	0	0	0	0	0	0	0	0
	Net exclusion of pension contributions and earnings:												
146	Defined benefit employer plans	0	0	0	0	0	0	0	0	0	0	0	0
147	Defined contribution employer plans	0	0	0	0	0	0	0	0	0	0	0	0
148	Individual Retirement Accounts	0	0	0	0	0	0	0	0	0	0	0	0
149	Low and moderate income savers credit	0	0	0	0	0	0	0	0	0	0	0	0
150	Self-Employed plans	0	0	0	0	0	0	0	0	0	0	0	0
	Exclusion of other employee benefits:												
151	Premiums on group term life insurance	0	0	0	0	0	0	0	0	0	0	0	0
152	Premiums on accident and disability insurance	0	0	0	0	0	0	0	0	0	0	0	0
153	Income of trusts to finance supplementary unemployment benefits	0	0	0	0	0	0	0	0	0	0	0	0
154	Income of trusts to finance voluntary employee benefits associations	0	0	0	0	0	0	0	0	0	0	0	0
155	Special ESOP rules	1,900	1,950	2,000	2,050	2,100	2,160	2,220	2,280	2,340	2,400	2,460	21,960
156	Additional deduction for the blind	0	0	0	0	0	0	0	0	0	0	0	0
157	Additional deduction for the elderly	0	0	0	0	0	0	0	0	0	0	0	0
158	Tax credit for the elderly and disabled	0	0	0	0	0	0	0	0	0	0	0	0
159	Deductibility of casualty losses	0	0	0	0	0	0	0	0	0	0	0	0
160	Earned income tax credit 15/	0	0	0	0	0	0	0	0	0	0	0	0
Social Security:													
	Exclusion of social security benefits:												
161	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
162	Credit for certain employer contributions to social security	510	540	570	600	630	660	690	730	760	800	840	6,820
Veterans benefits and services:													
163	Exclusion of veterans death benefits and disability compensation	0	0	0	0	0	0	0	0	0	0	0	0
164	Exclusion of veterans pensions	0	0	0	0	0	0	0	0	0	0	0	0
165	Exclusion of GI bill benefits	0	0	0	0	0	0	0	0	0	0	0	0
166	Exclusion of interest on veterans housing bonds	10	0	0	0	0	0	0	0	0	0	0	0
General purpose fiscal assistance:													
167	Exclusion of interest on public purpose State and local bonds	3,580	2,690	2,370	2,050	2,180	2,220	2,220	2,030	1,570	1,360	1,440	20,130
168	Build America Bonds 16/	0	0	0	0	0	0	0	0	0	0	0	0
169	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:													
170	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
		0	0	0	0	0	0	0	0	0	0	0	0
	Nonbusiness State and local taxes other than on owner-occupied homes												
	Exclusion of interest on State and local bonds for:												
	Public purposes	3,580	2,690	2,370	2,050	2,180	2,220	2,220	2,030	1,570	1,360	1,440	20,130
	Energy facilities	0	0	0	0	0	0	0	0	0	0	0	0
	Water, sewage, and hazardous waste disposal facilities	50	40	30	30	30	30	30	30	20	20	20	280
	Small-issues	20	10	10	10	10	10	10	10	10	10	10	100
	Owner-occupied mortgage subsidies	140	100	90	80	80	80	80	80	60	50	60	760
	Rental housing	140	110	90	80	90	90	90	80	60	50	60	800
	Airports, docks, and similar facilities	90	60	60	50	50	50	50	50	40	30	30	470
	Student loans	40	30	20	20	20	20	20	20	20	10	20	200
	Private nonprofit educational facilities	280	210	190	160	170	180	180	160	120	110	110	1,590
	Hospital construction	420	310	280	240	250	260	260	240	180	160	170	2,350
	Veterans' housing	10	0	0	0	0	0	0	0	0	0	0	0

See Table 1 footnotes for specific table information

Table 2b. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
National Defense													
1	Exclusion of benefits and allowances to armed forces personnel	12,030	12,450	11,220	11,240	11,590	12,050	12,550	13,090	13,660	14,270	14,920	127,040
International affairs:													
2	Exclusion of income earned abroad by U.S. citizens	6,930	7,280	7,640	8,020	8,420	8,840	9,290	9,750	10,240	10,750	11,290	91,520
3	Exclusion of certain allowances for Federal employees abroad	240	250	260	280	290	300	320	330	350	370	390	3,140
4	Inventory property sales source rules exception	0	0	0	0	0	0	0	0	0	0	0	0
5	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
6	Deduction for foreign-derived intangible income dervied from trade or business within the U.S.	0	0	0	0	0	0	0	0	0	0	0	0
7	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:													
8	Expensing of research and experimentation expenditures (normal tax method)	840	730	800	910	-1,290	-5,470	-4,110	-2,650	-1,090	0	0	-12,170
9	Credit for increasing research activities	1,430	1,630	1,770	1,920	2,070	2,210	2,370	2,540	2,710	2,900	3,100	23,220
Energy:													
10	Expensing of exploration and development costs, fuels	550	480	460	420	400	400	400	420	580	710	730	5,000
11	Excess of percentage over cost depletion, fuels	100	80	110	150	170	180	190	210	290	350	360	2,090
12	Exception from passive loss limitation for working interests in oil and gas properties	10	0	0	0	10	10	10	10	10	10	10	70
13	Capital gains treatment of royalties on coal	160	140	130	130	140	140	150	150	170	190	200	1,540
14	Exclusion of interest on energy facility bonds	10	10	10	10	10	10	10	10	10	20	20	120
15	Enhanced oil recovery credit	80	100	110	120	130	150	160	170	170	170	160	1,440
16	Energy production credit 1/	790	810	830	880	920	940	930	890	780	680	590	8,250
17	Marginal wells credit	0	0	50	50	60	100	130	160	190	210	230	1,180
18	Energy investment credit 1/	780	1,060	1,250	1,290	1,130	880	590	400	280	240	230	7,350
19	Alcohol fuel credits 2/	10	0	0	0	0	0	0	0	0	0	0	0
20	Bio-Diesel and small agri-biodiesel producer tax credits 3/	20	0	0	0	0	0	0	0	0	0	0	0
21	Tax credits for clean-fuel burning vehicles and refueling property	480	440	320	250	250	250	230	180	150	130	120	2,320
22	Exclusion of utility conservation subsidies	410	430	450	470	490	520	550	570	600	630	660	5,370
23	Credit for holding clean renewable energy bonds 4/	50	50	50	50	50	50	50	50	50	50	50	500
24	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	0	0	0	0	0	0	0	0	0	0	0	0
25	Credit for investment in clean coal facilities	10	10	0	10	20	40	50	30	20	10	0	190
26	Temporary 50% expensing for equipment used in the refining of liquid fuels	0	0	0	0	0	0	0	0	0	0	0	0
27	Natural gas distribution pipelines treated as 15-year property	0	0	0	0	0	0	0	0	0	0	0	0
28	Amortize all geological and geophysical expenditures over 2 years	90	70	70	70	80	80	90	100	130	160	170	1,020
29	Allowance of deduction for certain energy efficient commercial building property	30	10	0	0	0	0	0	0	0	0	0	10
30	Credit for construction of new energy efficient homes	80	40	10	0	0	0	0	0	0	0	0	50
31	Credit for energy efficiency improvements to existing homes	260	0	0	0	0	0	0	0	0	0	0	0
32	Credit for residential energy efficient property	1,900	1,530	1,180	770	190	30	0	0	0	0	0	3,700
33	Qualified energy conservation bonds 5/	20	20	20	20	20	20	20	20	20	20	20	200
34	Advanced Energy Property Credit	0	0	0	0	0	0	0	0	0	0	0	0
35	Advanced nuclear power production credit	0	0	0	0	0	0	0	0	0	0	0	0
36	Reduced tax rate for nuclear decommissioning funds	0	0	0	0	0	0	0	0	0	0	0	0
Natural resources and environment:													
37	Expensing of exploration and development costs, nonfuel minerals	20	10	10	10	20	20	20	10	20	20	20	160
38	Excess of percentage over cost depletion, nonfuel minerals	50	40	40	40	40	40	40	40	60	70	70	480
39	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	270	300	320	340	380	410	430	440	480	510	520	4,130
40	Capital gains treatment of certain timber income	160	140	130	130	140	140	150	150	170	190	200	1,540
41	Expensing of multiperiod timber growing costs	110	110	120	120	130	140	140	150	170	190	200	1,470
42	Tax incentives for preservation of historic structures	60	20	30	40	50	60	60	70	70	70	80	550
43	Carbon oxide sequestration credit	0	0	0	0	0	0	0	0	0	0	0	0
44	Deduction for endangered species recovery expenditures	20	20	20	20	20	20	30	30	30	40	40	270
Agriculture:													
45	Expensing of certain capital outlays	150	140	150	160	170	180	180	190	240	270	280	1,960
46	Expensing of certain multiperiod production costs	250	240	260	270	280	300	310	330	410	450	470	3,320
47	Treatment of loans forgiven for solvent farmers	30	30	30	30	40	40	40	40	70	70	70	460
48	Capital gains treatment of certain agriculture income	1,590	1,380	1,330	1,340	1,370	1,410	1,470	1,540	1,720	1,900	1,990	15,450
49	Income averaging for farmers	100	110	110	120	120	130	130	140	230	230	230	1,550
50	Deferral of gain on sale of farm refiners	0	0	0	0	0	0	0	0	0	0	0	0
51	Expensing of reforestation expenditures	40	50	50	60	60	70	70	70	80	90	90	690
Commerce and housing:													
	Financial institutions and insurance:												
52	Exemption of credit union income	0	0	0	0	0	0	0	0	0	0	0	0
53	Exclusion of life insurance death benefits	12,250	13,030	14,160	15,140	15,990	16,850	17,700	18,560	19,820	21,520	22,580	175,350
54	Exemption or special alternative tax for small property and casualty insurance companies	0	0	0	0	0	0	0	0	0	0	0	0
55	Tax exemption of insurance income earned by tax-exempt organizations	0	0	0	0	0	0	0	0	0	0	0	0
56	Small life insurance company deduction	0	0	0	0	0	0	0	0	0	0	0	0
57	Exclusion of interest spread of financial institutions	3,900	2,250	1,170	1,210	1,240	1,280	1,310	1,350	1,420	1,480	1,530	14,240
	Housing:												
58	Exclusion of interest on owner-occupied mortgage subsidy bonds	750	820	870	940	1,030	1,120	1,180	1,220	1,320	1,390	1,430	11,320
59	Exclusion of interest on rental housing bonds	770	850	900	980	1,070	1,160	1,220	1,260	1,370	1,440	1,490	11,740
60	Deductibility of mortgage interest on owner-occupied homes	37,160	26,850	29,820	33,090	36,340	39,480	42,480	45,170	93,380	121,910	129,090	597,610
61	Deductibility of State and local property tax on owner-occupied homes 6/	15,360	6,250	6,650	7,100	7,520	7,930	8,300	8,630	42,220	61,210	65,030	220,840
62	Deferral of income from installment sales	1,700	1,720	1,750	1,790	1,840	1,910	2,000	2,090	2,190	2,290	2,400	19,980
63	Capital gains exclusion on home sales	43,760	44,380	46,600	49,000	51,470	54,020	56,690	59,430	67,070	72,600	76,070	577,330

Table 2b. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
64	Exclusion of net imputed rental income	116,590	121,070	125,610	129,970	134,030	138,090	142,130	146,710	188,840	199,400	210,190	1,536,040
65	Exception from passive loss rules for $25,000 of rental loss	5,720	6,030	6,390	6,750	7,090	7,400	7,720	8,380	9,330	9,690	10,060	78,840
66	Credit for low-income housing investments	460	450	450	460	470	480	490	510	520	540	550	4,920
67	Accelerated depreciation on rental housing (normal tax method)	2,170	2,530	3,080	3,730	4,420	5,060	5,660	6,260	7,780	8,910	9,650	57,080
68	Discharge of mortgage indebtedness	210	0	0	0	0	0	0	0	0	0	0	0
	Commerce:												
69	Discharge of business indebtedness	-50	10	50	50	40	30	20	20	40	50	50	360
70	Exceptions from imputed interest rules	50	60	60	70	70	70	70	70	90	90	90	740
71	Treatment of qualified dividends	29,690	28,730	29,820	31,190	32,860	34,850	37,130	39,690	45,080	50,720	54,050	384,120
72	Capital gains (except agriculture, timber, iron ore, and coal)	118,630	102,910	99,210	99,890	101,950	105,290	109,710	114,910	128,090	141,870	148,780	1,152,610
73	Capital gains exclusion of small corporation stock	1,010	1,240	1,410	1,530	1,640	1,750	1,850	1,930	2,000	2,080	2,160	17,590
74	Step-up basis of capital gains at death	46,730	49,920	51,840	53,630	56,160	58,980	62,450	66,040	69,900	74,220	79,050	622,190
75	Carryover basis of capital gains on gifts	3,330	3,040	3,030	2,930	2,830	2,740	2,710	2,720	2,950	3,180	3,220	29,350
76	Ordinary income treatment of loss from small business corporation stock sale	70	70	70	70	70	70	80	80	80	80	90	760
77	Deferral of gains from like-kind exchanges	1,750	1,850	1,940	2,040	2,140	2,250	2,360	2,480	2,600	2,730	2,870	23,260
78	Depreciation of buildings other than rental housing (normal tax method)	-5,600	-5,580	-5,970	-6,370	-6,770	-7,180	-7,630	-7,990	-9,050	-9,800	-10,310	-76,650
79	Accelerated depreciation of machinery and equipment (normal tax method)	30,640	33,280	31,530	30,780	30,630	20,380	8,830	0	-8,640	-16,910	-8,650	121,230
80	Expensing of certain small investments (normal tax method)	1,440	1,630	2,160	2,500	2,760	3,950	5,350	6,550	8,670	10,400	10,240	54,210
81	Graduated corporation income tax rate (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
82	Exclusion of interest on small issue bonds	100	110	110	120	130	140	150	160	170	180	190	1,460
83	Deduction for US production activities	1,030	0	0	0	0	0	0	0	0	0	0	0
84	Special rules for certain film and TV production	270	-50	-50	-40	-40	-40	-30	-10	0	0	0	-260
85	Allow 20-percent deduction to certain pass-through income	34,065	53,273	57,429	61,260	64,855	68,493	72,260	76,707	25,831	0	0	480,108
Transportation:													
86	Tonnage tax	0	0	0	0	0	0	0	0	0	0	0	0
87	Deferral of tax on shipping companies	0	0	0	0	0	0	0	0	0	0	0	0
88	Exclusion of reimbursed employee parking expenses	3,180	3,302	3,407	3,514	3,674	3,742	3,833	3,958	4,075	4,189	4,311	38,005
89	Exclusion for employer-provided transit passes	681	725	766	813	870	907	951	1,010	1,064	1,124	1,184	9,414
90	Tax credit for certain expenditures for maintaining railroad tracks	30	10	10	10	10	0	0	0	0	0	0	40
91	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	140	130	130	120	120	110	110	100	100	90	90	1,100
Community and regional development:													
92	Investment credit for rehabilitation of structures (other than historic)	10	10	0	0	0	0	0	0	0	0	0	10
93	Exclusion of interest for airport, dock, and similar bonds	470	510	550	590	650	710	740	770	830	880	900	7,130
94	Exemption of certain mutuals' and cooperatives' income	0	0	0	0	0	0	0	0	0	0	0	0
95	Empowerment zones	50	10	10	0	0	0	0	0	0	0	0	20
96	New markets tax credit	30	30	30	30	20	20	20	10	10	0	0	170
97	Credit to holders of Gulf Tax Credit Bonds.	140	150	150	150	160	160	150	150	140	140	130	1,480
98	Recovery Zone Bonds 7/	80	80	80	80	80	90	80	80	80	70	70	790
99	Tribal Economic Development Bonds	10	10	10	10	10	10	10	10	10	10	10	100
100	Opportunity Zones	210	1,050	1,600	1,080	1,090	790	840	790	-1,630	-4,300	290	1,600
101	Employee retention credit	120	70	20	10	10	10	10	10	10	10	0	160
Education, training, employment, and social services:													
	Education:												
100	Exclusion of scholarship and fellowship income (normal tax method)	3,070	2,840	2,960	3,100	3,250	3,400	3,550	3,720	4,110	4,730	4,920	36,580
101	Tax credits and deductions for postsecondary education expenses 8/	17,450	16,300	16,360	16,490	16,550	16,590	16,550	16,440	16,490	17,220	17,280	166,270
102	Education Individual Retirement Accounts	30	40	40	40	40	40	40	30	30	30	30	360
103	Deductibility of student-loan interest	2,300	1,980	2,030	2,060	2,090	2,110	2,150	2,190	2,280	2,700	2,730	22,320
104	Qualified tuition programs	2,090	2,200	2,420	2,650	2,920	3,240	3,630	4,110	5,050	6,050	7,170	39,440
105	Exclusion of interest on student-loan bonds	200	220	240	260	280	310	320	330	360	380	390	3,090
106	Exclusion of interest on bonds for private nonprofit educational facilities	1,550	1,690	1,800	1,950	2,140	2,320	2,440	2,530	2,740	2,890	2,970	23,470
107	Credit for holders of zone academy bonds 9/	0	0	0	0	0	0	0	0	0	0	0	0
108	Exclusion of interest on savings bonds redeemed to finance educational expenses	30	30	30	40	40	40	40	40	50	50	50	410
109	Parental personal exemption for students age 19 or over	2,860	0	0	0	0	0	0	0	5,820	8,790	8,940	23,550
110	Deductibility of charitable contributions (education)	4,410	3,570	3,850	4,170	4,440	4,720	4,990	5,260	6,360	8,370	8,760	54,490
111	Exclusion of employer-provided educational assistance	880	890	940	990	1,040	1,090	1,140	1,200	1,410	1,560	1,640	11,900
112	Special deduction for teacher expenses	210	180	180	190	220	220	220	230	240	270	270	2,220
113	Discharge of student loan indebtedness	90	90	90	90	90	100	100	100	110	120	130	1,020
114	Qualified school construction bonds 10/	470	450	430	410	390	370	350	330	310	290	270	3,600
	Training, employment, and social services:												
115	Work opportunity tax credit	380	390	320	120	70	50	40	30	20	20	10	1,070
116	Employer provided child care exclusion	720	680	720	780	840	910	990	1,070	1,400	1,610	490	9,490
117	Employer-provided child care credit	0	0	0	0	0	0	0	0	0	0	0	0
118	Assistance for adopted foster children	550	630	680	740	810	880	950	1,020	1,110	1,190	1,290	9,300
119	Adoption credit and exclusion	630	630	700	710	760	780	800	800	810	820	830	7,640
120	Exclusion of employee meals and lodging (other than military)	4,800	4,540	4,680	4,840	5,030	5,230	5,440	5,780	6,740	7,340	7,640	57,260
121	Credit for child and dependent care expenses	4,560	4,360	4,460	4,560	4,690	4,870	4,970	5,100	5,330	5,550	5,610	49,500
122	Credit for disabled access expenditures	10	10	10	10	10	10	10	10	10	10	10	100
123	Deductibility of charitable contributions, other than education and health	43,910	35,500	38,330	41,510	44,210	46,920	49,640	52,290	63,270	83,230	87,160	542,060
124	Exclusion of certain foster care payments	480	500	520	530	540	550	560	570	570	580	580	5,500
125	Exclusion of parsonage allowances	839	850	896	943	993	1,046	1,101	1,160	1,221	1,285	1,353	10,848
126	Indian employment credit	20	20	10	10	10	10	10	10	10	10	10	110
127	Credit for employer differential wage payments	0	0	0	0	0	0	10	10	10	10	10	50
Health:													
128	Exclusion of employer contributions for medical insurance premiums and medical care 11/	205,080	203,290	214,950	227,350	239,620	253,230	268,240	284,210	333,840	370,750	391,420	2,786,900
129	Self-employed medical insurance premiums	7,420	7,430	7,910	8,440	8,970	9,450	10,010	10,590	12,520	13,870	14,600	103,790
130	Medical Savings Accounts / Health Savings Accounts	7,410	7,810	8,460	9,080	9,760	10,360	10,880	11,450	13,110	14,240	14,740	109,890
131	Deductibility of medical expenses	8,840	6,890	7,130	7,880	8,740	9,690	10,680	11,700	17,820	22,170	24,200	126,900
132	Exclusion of interest on hospital construction bonds	2,280	2,500	2,650	2,880	3,160	3,420	3,600	3,720	4,030	4,260	4,380	34,600
133	Refundable Premium Assistance Tax Credit 12/	6,790	5,900	5,930	6,000	6,340	6,710	7,050	7,510	8,610	9,330	9,960	73,340

Table 2b. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2018-2028

(in millions of dollars)

		Total from individuals											
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-28
134	Credit for employee health insurance expenses of small business 13/	70	60	40	30	20	20	10	10	10	10	10	220
135	Deductibility of charitable contributions (health)	4,890	3,960	4,270	4,620	4,930	5,230	5,530	5,820	7,050	9,270	9,710	60,390
136	Tax credit for orphan drug research	30	30	40	50	60	70	80	100	110	130	150	820
137	Special Blue Cross/Blue Shield tax benefits	0	0	0	0	0	0	0	0	0	0	0	0
138	Tax credit for health insurance purchased by certain displaced and retired individuals 14/	20	10	0	0	0	0	0	0	0	0	0	10
139	Distributions from retirement plans for premiums for health and long-term care insurance	430	420	430	450	460	470	490	500	590	630	650	5,090
Income security:													
140	Child credit 14/	30,450	76,010	76,930	77,910	78,890	79,910	80,780	81,640	57,830	21,450	21,220	652,570
141	Exclusion of railroad retirement (Social Security equivalent) benefits	250	220	210	200	190	180	170	160	160	170	170	1,830
142	Exclusion of workers' compensation benefits	9,590	9,680	9,780	9,880	9,970	10,070	10,170	10,270	10,370	10,480	10,580	101,250
143	Exclusion of public assistance benefits (normal tax method)	580	580	600	620	640	660	670	700	720	740	690	6,620
144	Exclusion of special benefits for disabled coal miners	20	20	20	10	10	10	10	10	10	10	10	120
145	Exclusion of military disability pensions	160	160	160	170	170	180	180	180	210	220	220	1,850
	Net exclusion of pension contributions and earnings:	0	0	0	0	0	0	0	0	0	0	0	0
146	Defined benefit employer plans	69,910	71,430	73,540	75,290	75,840	76,400	76,830	76,380	77,840	76,440	75,560	755,550
147	Defined contribution employer plans	72,260	75,720	84,590	90,670	97,200	104,080	111,230	118,850	142,180	155,000	164,490	1,144,010
148	Individual Retirement Accounts	19,680	20,620	23,590	24,730	26,510	28,150	29,930	32,000	37,340	40,760	44,170	307,800
149	Low and moderate income savers credit	1,180	1,170	1,180	1,180	1,200	1,190	1,200	1,210	1,330	1,320	1,320	12,300
150	Self-Employed plans	24,940	24,120	26,680	29,680	32,720	35,890	39,260	42,660	50,790	63,450	69,680	414,930
	Exclusion of other employee benefits:	0	0	0	0	0	0	0	0	0	0	0	0
151	Premiums on group term life insurance	2,810	2,810	2,930	3,060	3,190	3,330	3,470	3,630	4,130	4,410	4,590	35,550
152	Premiums on accident and disability insurance	330	330	330	340	340	340	350	350	350	350	350	3,430
153	Income of trusts to finance supplementary unemployment benefits	30	30	40	40	50	50	50	50	60	60	60	490
154	Income of trusts to finance voluntary employee benefits associations	1,080	1,150	1,230	1,310	1,400	1,490	1,570	1,670	1,860	1,970	2,080	15,730
155	Special ESOP rules	120	120	130	130	140	140	150	150	160	160	170	1,450
156	Additional deduction for the blind	30	40	40	40	40	40	50	50	50	50	60	460
157	Additional deduction for the elderly	4,230	4,920	5,220	5,590	6,030	6,340	6,750	7,150	6,720	6,690	7,170	62,580
158	Tax credit for the elderly and disabled	0	0	0	0	0	0	0	0	0	0	0	0
159	Deductibility of casualty losses	110	0	0	0	0	0	0	0	390	610	650	1,650
160	Earned income tax credit 16/	8,050	8,110	2,660	2,710	2,780	2,850	2,940	3,020	3,100	10,520	10,770	49,460
Social Security:													
	Exclusion of social security benefits:												
161	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	32,970	29,980	31,020	32,090	33,340	34,870	35,460	35,530	40,840	48,030	49,850	371,010
162	Credit for certain employer contributions to social security	570	600	630	670	700	740	770	810	850	890	940	7,600
Veterans benefits and services:													
163	Exclusion of veterans death benefits and disability compensation	8,240	8,180	8,710	9,060	9,400	9,750	10,100	10,480	11,340	12,860	13,340	103,220
164	Exclusion of veterans pensions	450	420	430	450	470	480	500	520	560	640	660	5,130
165	Exclusion of GI bill benefits	1,650	1,610	1,700	1,780	1,870	1,960	2,050	2,140	2,340	2,680	2,810	20,940
166	Exclusion of interest on veterans housing bonds	30	30	30	40	40	40	40	50	50	50	50	420
General purpose fiscal assistance:													
167	Exclusion of interest on public purpose State and local bonds	19,550	21,390	22,730	24,690	27,090	29,330	30,840	31,920	34,550	36,510	37,550	296,600
168	Build America Bonds 17/	0	0	0	0	0	0	0	0	0	0	0	0
169	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes 6/	22,330	4,610	7,520	8,000	8,460	8,880	9,280	9,590	84,070	125,130	132,330	397,870
Interest:													
170	Deferral of interest on U.S. savings bonds	950	850	840	840	830	820	810	800	790	890	900	8,370
Addendum: Aid to State and local governments:													
	Deductibility of:												
	Property taxes on owner-occupied homes	15,360	6,250	6,650	7,100	7,520	7,930	8,300	8,630	42,220	61,210	65,030	220,840
		22,330	4,610	7,520	8,000	8,460	8,880	9,280	9,590	84,070	125,130	132,330	397,870
	Nonbusiness State and local taxes other than on owner-occupied homes												
	Exclusion of interest on State and local bonds for:												
	Public purposes	19,550	21,390	22,730	24,690	27,090	29,330	30,840	31,920	34,550	36,510	37,550	296,600
	Energy facilities	10	10	10	10	10	10	10	10	10	20	20	120
	Water, sewage, and hazardous waste disposal facilities	270	300	320	340	380	410	430	440	480	510	520	4,130
	Small-issues	100	110	110	120	130	140	150	160	170	180	190	1,460
	Owner-occupied mortgage subsidies	750	820	870	940	1,030	1,120	1,180	1,220	1,320	1,390	1,430	11,320
	Rental housing	770	850	900	980	1,070	1,160	1,220	1,260	1,370	1,440	1,490	11,740
	Airports, docks, and similar facilities	470	510	550	590	650	710	740	770	830	880	900	7,130
	Student loans	200	220	240	260	280	310	320	330	360	380	390	3,090
	Private nonprofit educational facilities	1,550	1,690	1,800	1,950	2,140	2,320	2,440	2,530	2,740	2,890	2,970	23,470
	Hospital construction	2,280	2,500	2,650	2,880	3,160	3,420	3,600	3,720	4,030	4,260	4,380	34,600
	Veterans' housing	30	30	30	40	40	40	40	50	50	50	50	420

See Table 1 footnotes for specific table information

Table 3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2019-2028 PROJECTED REVENUE EFFECT

(in millions of dollars)

	Provision	2019	2020	2019-28
130	Exclusion of employer contributions for medical insurance premiums and medical care 11/	203,290	214,950	2,786,900
64	Exclusion of net imputed rental income	121,070	125,610	1,536,040
72	Capital gains (except agriculture, timber, iron ore, and coal)	102,910	99,210	1,152,610
149	Defined contribution employer plans	75,720	84,590	1,144,010
148	Defined benefit employer plans	71,430	73,540	755,550
142	Child credit 15/	76,010	76,930	652,570
74	Step-up basis of capital gains at death	49,920	51,840	622,190
60	Deductibility of mortgage interest on owner-occupied homes	26,850	29,820	597,610
63	Capital gains exclusion on home sales	44,380	46,600	577,330
125	Deductibility of charitable contributions, other than education and health	36,660	39,540	555,930
85	Allow 20-percent deduction to certain pass-through income	53,273	57,429	480,108
5	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	34,490	38,950	419,060
152	Self-Employed plans	24,120	26,680	414,930
171	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes 6/	4,610	7,520	397,870
71	Treatment of qualified dividends	28,730	29,820	384,120
163	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	29,980	31,020	371,010
169	Exclusion of interest on public purpose State and local bonds	24,080	25,100	316,730
150	Individual Retirement Accounts	20,620	23,590	307,800
79	Accelerated depreciation of machinery and equipment (normal tax method)	68,750	65,410	285,420
61	Deductibility of State and local property tax on owner-occupied homes 6/	6,250	6,650	220,840
9	Credit for increasing research activities	14,480	15,870	208,560
53	Exclusion of life insurance death benefits	14,350	15,550	192,010
103	Tax credits and deductions for postsecondary education expenses 8/	16,300	16,360	166,270
1	Exclusion of benefits and allowances to armed forces personnel	12,450	11,220	127,040
133	Deductibility of medical expenses	6,890	7,130	126,900
132	Medical Savings Accounts / Health Savings Accounts	7,810	8,460	109,890
131	Self-employed medical insurance premiums	7,430	7,910	103,790
165	Exclusion of veterans death benefits and disability compensation	8,180	8,710	103,220
144	Exclusion of workers' compensation benefits	9,680	9,780	101,250
66	Credit for low-income housing investments	9,040	9,070	98,500
6	Deduction for foreign-derived intangible income dervied from trade or business within the United States	7,420	7,970	95,180
2	Exclusion of income earned abroad by U.S. citizens	7,280	7,640	91,520
65	Exception from passive loss rules for $25,000 of rental loss	6,030	6,390	78,840
135	Refundable Premium Assistance Tax Credit 12/	5,900	5,930	73,340
80	Expensing of certain small investments (normal tax method)	1,660	2,290	62,880
67	Accelerated depreciation on rental housing (normal tax method)	2,810	3,410	62,710
159	Additional deduction for the elderly	4,920	5,220	62,580
112	Deductibility of charitable contributions (education)	4,140	4,450	61,610
137	Deductibility of charitable contributions (health)	3,960	4,270	60,390
122	Exclusion of employee meals and lodging (other than military)	4,260	4,390	53,710
123	Credit for child and dependent care expenses	4,360	4,460	49,500
162	Earned income tax credit 16/	8,110	2,660	49,460
138	Tax credit for orphan drug research	1,550	1,880	43,090
106	Qualified tuition programs	2,200	2,420	39,440
134	Exclusion of interest on hospital construction bonds	2,810	2,930	36,950
102	Exclusion of scholarship and fellowship income (normal tax method)	2,840	2,960	36,580
77	Deferral of gains from like-kind exchanges	2,850	2,980	35,750
153	Premiums on group term life insurance	2,810	2,930	35,550
16	Energy production credit 1/	3,240	3,320	32,980
18	Energy investment credit 1/	4,300	5,100	30,310
75	Carryover basis of capital gains on gifts	3,040	3,030	29,350
88	Exclusion of reimbursed employee parking expenses	2,201	2,271	25,337
108	Exclusion of interest on bonds for private nonprofit educational facilities	1,900	1,990	25,060
52	Exemption of credit union income	1,861	2,010	24,017
111	Parental personal exemption for students age 19 or over	0	0	23,550
157	Special ESOP rules	2,070	2,130	23,410
105	Deductibility of student-loan interest	1,980	2,030	22,320
167	Exclusion of GI bill benefits	1,610	1,700	20,940
62	Deferral of income from installment sales	1,720	1,750	19,980
73	Capital gains exclusion of small corporation stock	1,240	1,410	17,590
7	Interest Charge Domestic International Sales Corporations (IC-DISCs)	1,280	1,340	16,100
156	Income of trusts to finance voluntary employee benefits associations	1,150	1,230	15,730

Table 3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2019-2028 PROJECTED REVENUE EFFECT

(in millions of dollars)

	Provision	2019	2020	2019-28
48	Capital gains treatment of certain agriculture income	1,380	1,330	15,450
164	Credit for certain employer contributions to social security	1,140	1,200	14,420
57	Exclusion of interest spread of financial institutions	2,250	1,170	14,240
59	Exclusion of interest on rental housing bonds	960	990	12,540
151	Low and moderate income savers credit	1,170	1,180	12,300
58	Exclusion of interest on owner-occupied mortgage subsidy bonds	920	960	12,080
113	Exclusion of employer-provided educational assistance	890	940	11,900
127	Exclusion of parsonage allowances	850	896	10,848
118	Employer provided child care exclusion	680	720	9,490
120	Assistance for adopted foster children	630	680	9,300
10	Expensing of exploration and development costs, fuels	850	820	8,800
172	Deferral of interest on U.S. savings bonds	850	840	8,370
121	Adoption credit and exclusion	630	700	7,640
93	Exclusion of interest for airport, dock, and similar bonds	570	610	7,600
15	Enhanced oil recovery credit	520	570	7,280
145	Exclusion of public assistance benefits (normal tax method)	580	600	6,620
11	Excess of percentage over cost depletion, fuels	290	410	6,420
96	New markets tax credit	1,320	1,280	6,350
22	Exclusion of utility conservation subsidies	450	470	5,570
126	Exclusion of certain foster care payments	500	520	5,500
166	Exclusion of veterans pensions	420	430	5,130
141	Distributions from retirement plans for premiums for health and long-term care insurance	420	430	5,090
116	Qualified school construction bonds 10/	600	570	4,790
89	Exclusion for employer-provided transit passes	363	383	4,707
42	Tax incentives for preservation of historic structures	140	240	4,520
39	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	340	350	4,410
117	Work opportunity tax credit	1,520	1,100	4,260
139	Special Blue Cross/Blue Shield tax benefits	290	310	4,010
32	Credit for residential energy efficient property	1,530	1,180	3,700
55	Tax exemption of insurance income earned by tax-exempt organizations	320	330	3,680
43	Carbon oxide sequestration credit	110	70	3,430
154	Premiums on accident and disability insurance	330	330	3,430
46	Expensing of certain multiperiod production costs	250	270	3,420
107	Exclusion of interest on student-loan bonds	250	260	3,290
21	Tax credits for clean-fuel burning vehicles and refueling property	640	450	3,240
3	Exclusion of certain allowances for Federal employees abroad	250	260	3,140
38	Excess of percentage over cost depletion, nonfuel minerals	250	250	2,780
100	Opportunity Zones	1,980	2,510	2,640
41	Expensing of multiperiod timber growing costs	200	210	2,580
28	Amortize all geological and geophysical expenditures over 2 years	180	180	2,410
114	Special deduction for teacher expenses	180	180	2,220
45	Expensing of certain capital outlays	150	160	2,060
25	Credit for investment in clean coal facilities	60	30	1,970
147	Exclusion of military disability pensions	160	160	1,850
143	Exclusion of railroad retirement (Social Security equivalent) benefits	220	210	1,830
35	Advanced nuclear power production credit	80	200	1,740
17	Marginal wells credit	0	70	1,690
161	Deductibility of casualty losses	0	0	1,650
97	Credit to holders of Gulf Tax Credit Bonds.	170	170	1,590
82	Exclusion of interest on small issue bonds	120	120	1,560
49	Income averaging for farmers	110	110	1,550
13	Capital gains treatment of royalties on coal	140	130	1,540
40	Capital gains treatment of certain timber income	140	130	1,540
91	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	170	170	1,430
36	Reduced tax rate for nuclear decommissioning funds	100	100	1,210
86	Tonnage tax	90	90	1,070
94	Exemption of certain mutuals' and cooperatives' income	90	90	1,020
115	Discharge of student loan indebtedness	90	90	1,020
109	Credit for holders of zone academy bonds 9/	170	150	930
98	Recovery Zone Bonds 7/	90	90	860
51	Expensing of reforestation expenditures	50	60	780
76	Ordinary income treatment of loss from small business corporation stock sale	70	70	760

Table 3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2019-2028 PROJECTED REVENUE EFFECT

(in millions of dollars)

	Provision	2019	2020	2019-28
70	Exceptions from imputed interest rules	60	60	740
23	Credit for holding clean renewable energy bonds 4/	70	70	700
54	Exemption or special alternative tax for small property and casualty insurance companies	40	40	490
155	Income of trusts to finance supplementary unemployment benefits	30	40	490
101	Employee retention credit	200	60	480
47	Treatment of loans forgiven for solvent farmers	30	30	460
158	Additional deduction for the blind	40	40	460
168	Exclusion of interest on veterans housing bonds	30	30	420
110	Exclusion of interest on savings bonds redeemed to finance educational expenses	30	30	410
37	Expensing of exploration and development costs, nonfuel minerals	20	30	400
44	Deduction for endangered species recovery expenditures	30	30	390
69	Discharge of business indebtedness	10	50	360
104	Education Individual Retirement Accounts	40	40	360
33	Qualified energy conservation bonds 5/	30	30	300
136	Credit for employee health insurance expenses of small business 13/	70	50	250
119	Employer-provided child care credit	20	20	200
50	Deferral of gain on sale of farm refiners	15	15	175
34	Advanced Energy Property Credit	10	10	170
128	Indian employment credit	30	20	160
90	Tax credit for certain expenditures for maintaining railroad tracks	40	40	150
95	Empowerment zones	50	40	140
14	Exclusion of interest on energy facility bonds	10	10	120
87	Deferral of tax on shipping companies	12	12	120
129	Credit for employer differential wage payments	0	0	120
146	Exclusion of special benefits for disabled coal miners	20	20	120
99	Tribal Economic Development Bonds	10	10	100
124	Credit for disabled access expenditures	10	10	100
12	Exception from passive loss limitation for working interests in oil and gas properties	0	0	70
30	Credit for construction of new energy efficient homes	50	10	60
29	Allowance of deduction for certain energy efficient commercial building property	10	0	10
92	Investment credit for rehabilitation of structures (other than historic)	10	0	10
140	Tax credit for health insurance purchased by certain displaced and retired individuals 14/	10	0	10
4	Inventory property sales source rules exception	0	0	0
19	Alcohol fuel credits 2/	0	0	0
20	Bio-Diesel and small agri-biodiesel producer tax credits 3/	0	0	0
31	Credit for energy efficiency improvements to existing homes	0	0	0
56	Small life insurance company deduction	0	0	0
68	Discharge of mortgage indebtedness	0	0	0
81	Graduated corporation income tax rate (normal tax method)	0	0	0
83	Deduction for US production activities	0	0	0
160	Tax credit for the elderly and disabled	0	0	0
170	Build America Bonds 17/	0	0	0
27	Natural gas distribution pipelines treated as 15-year property	70	70	-320
24	Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	-120	-100	-410
84	Special rules for certain film and TV production	-250	-240	-1,330
26	Temporary 50% expensing for equipment used in the refining of liquid fuels	-460	-370	-1,410
78	Depreciation of buildings other than rental housing (normal tax method)	-7,600	-8,110	-102,520
8	Expensing of research and experimentation expenditures (normal tax method)	6,750	7,430	-110,850

See Table 1 footnotes for specific table information

Table 4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 2018

(in millions of dollars)

	Provision	2018 Present Value of Revenue Loss
8	Expensing of research and experimentation expenditures (normal tax method)	3,890
23	Credit for holding clean renewable energy bonds	0
10	Expensing of exploration and development costs - fuels	176
37	Expensing of exploration and development costs - nonfuels	18
41	Expensing of multiperiod timber growing costs	150
46	Expensing of certain multiperiod production costs - agriculture	-10
45	Expensing of certain capital outlays - agriculture	0
51	Expensing of reforestation expenditures	30
67	Accelerated depreciation on rental housing	6,500
78	Depreciation of buildings other than rental	-10,050
79	Accelerated depreciation of machinery and equipment	-9,850
78	Expensing of certain small investments (normal tax method)	120
109	Credit for holders of zone academy bonds	160
66	Credit for low-income housing investments	8,900
106	Qualified tuition programs	4,360
148	Defined benefit employer plans	41,892
149	Defined contribution employer plans	88,830
150	Exclusion of IRA contributions and earnings	1,780
150	Exclusion of Roth earnings and distributions	4,770
150	Exclusion of non-deductible IRA earnings	570
152	Exclusion of contributions and earnings for Self-Employed plans	5,620
169	Exclusion of interest on public-purpose bonds	14,870
	Exclusion of interest on non-public purpose bonds	3,840
172	Deferral of interest on U.S. savings bonds	240