

ESTIMATES OF FEDERAL TAX
EXPENDITURES
FOR FISCAL YEARS 1979-1984

PREPARED FOR THE
COMMITTEE ON WAYS AND MEANS
AND THE
COMMITTEE ON FINANCE
BY THE STAFF
OF THE
JOINT COMMITTEE ON TAXATION



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ESTIMATES OF TAX EXPENDITURES

1. Introduction

This report on tax expenditures is prepared for the House Committee on Ways and Means and the Senate Committee on Finance, and it also is submitted as the report by the Joint Committee on Taxation to the Committees on the Budget. As in the case of earlier reports,¹ the estimates in this report also were prepared with the extensive assistance of the staff of the Office of Tax Analysis in the Treasury Department. The first two reports were prepared in compliance with the request by the conferees on the Revenue Act of 1971 that tax expenditure data be submitted regularly to Congress by the Joint Committee staff. The last report was published one year ago for submission to the Committees on the Budget.

In January, the Administration published its estimates of tax expenditures for fiscal years 1978-1980 in Special Analysis G of the Budget for fiscal year 1980.²

This report covers fiscal years 1979-1984. The tax expenditure items included in this pamphlet and in Special Analysis G are identical. Differences between the special analysis and this report which arose in the past over the inclusiveness of the list have been resolved. The tax expenditure report by the Congressional Budget Office (CBO), which will be published shortly, also will contain the same listings. The staff of the Joint Committee has made its estimates in terms of the provisions in present law (as enacted by December 31, 1978) and has assumed that the expiration dates which apply to some provisions will not be extended or otherwise modified and no other changes will be made in the present law.

¹ Committees on Ways and Means and Finance, *Estimates of Federal Tax Expenditures*, October 4, 1972, June 1, 1973, July 8, 1975, March 15, 1976, March 15, 1977, and March 14, 1978.

² "Tax Expenditures," Special Analysis G, *Special Analyses of the Budget of the United States Government for Fiscal Year 1980*, pp. 183-211.

II. The Concept of Tax Expenditures

Tax expenditure data are intended to show the cost to the Federal Government, in terms of revenues that might otherwise be collected from tax provisions that either have been enacted as incentives for the private sector of the economy, have been enacted to provide tax relief to particular types of taxpayers, or have those effects even though initially enacted to achieve a different objective. The tax provisions can be interpreted as alternatives to enacting direct expenditures or loan or credit programs to achieve the same objectives. These provisions take the form of exclusions, deductions, credits, preferential tax rates, or deferrals of tax liability. Tax expenditures also are analogous to expenditures made under permanent appropriations which have no program spending limits and which are available to individuals who meet the criteria established for the programs: the taxpayer who can meet the criteria specified in the Internal Revenue Code may use the provision indefinitely without any further action by the Federal Government. This is possible because provisions in the Internal Revenue Code usually do not have expiration dates that would require specific congressional action to continue the availability of the tax provision. For many provisions, the revenue loss is determined by the taxpayer's level of income and his tax rate bracket.

From the viewpoint of the budget process, fiscal policy and the allocation of resources, uncontrollable outlays or receipts restrict the range of adjustments that can be made in public policy. One of the initial purposes of the enumeration of tax expenditures was to provide Congress with the information it would need to select between a tax or an outlay approach to accomplish a given goal of public policy.

The staff followed the definition of tax expenditures developed in the legislative process that produced the Budget Control Act. Included in this report as tax expenditures are virtually all tax provisions which have been characterized as tax expenditures under almost any listing by other sources. As a result, listing an item as a tax expenditure in this report is a part of a process of providing information, and the list becomes a catalog of past public policy decisions accompanied by estimates of their effects upon budget receipts. No judgment is made, nor any inference intended, about the desirability of any specific provision as public policy or about the effectiveness of the tax approach relative to other methods available to the Federal Government for achieving the particular public policy goals desired.

In this report, a tax expenditure is described as a tax provision that departs from simply allowing the taxpayer to deduct from gross income the costs incurred in earning net income. Under this concept, deductions are allowed for current expenditures which are directly related to the process of earning income, and therefore these expenditures are not treated as tax expenditures. These deductions are treated as business costs, and they are deducted on returns filed by

corporations, partnerships and individual proprietorships. On the other hand, capital costs by their nature are not properly allocated entirely to income earned in one year. The basic tax provision allows depreciation ratably (i.e., straightline depreciation) over the estimated useful life of the capital asset, but tax law also permits accelerated depreciation to provide investors with faster capital recovery through shorter lives and/or faster rates of depreciation for some equipment. Such faster tax treatment of capital costs, the excess of these deductions over those available under straight-line, is classified as a tax expenditure; in this report, those items appear as asset depreciation range (ADR), depreciation of buildings in excess of straight-line, percentage depletion allowances (in excess of cost depletion), and current expensing of costs that otherwise would be capitalized.

Individuals who are employees—and do not carry on their own businesses—have analogous business-type deductions which also are not classified in this report as tax expenditures. The expenses also are costs which are incurred in earning net income, e.g., the cost of the tools that a mechanic uses. Most other deductions which individuals take on their tax returns represent personal consumption expenditures. These deductions reflect public policy decisions to encourage specific types of consumer spending or to provide relief to taxpayers who make these types of expenditures and are therefore generally classified here as tax expenditures. An exception to this rule is made for personal exemptions and the zero bracket amount³ which have not been treated as tax expenditures in any analysis of the subject or in the Budget Control Act. Individual tax expenditures also include various kinds of income, e.g., social security payments to the aged, dependents and survivors, which are treated as tax-exempt income but which could otherwise be included in adjusted gross income. Unemployment compensation payments had been excluded from gross income, but under the Revenue Act of 1978, the amount of unemployment compensation excluded from taxation will be phased down when gross income from all sources rises above \$20,000 for single taxpayers and \$25,000 for joint returns.

A number of tax provisions are not treated as tax expenditures. In the individual income tax, the general tax rate structure is not part of the tax expenditure analysis, i.e., the structure of graduated tax rates, the tax brackets in the individual income tax and the separate rate schedules for single persons, married persons filing separately, heads-of-households and married persons filing jointly. Other such items are the personal exemption—one per taxpayer and each dependent—and the zero bracket amount. On the other hand, included as tax expenditures are the additional personal exemptions for the aged and blind and itemized personal deductions.

In the business tax area, the corporate surtax exemption has been viewed as the basic tax structure which departure was enacted to benefit small corporations, and therefore it was treated as a tax expenditure. When Congress enacted a new graduated tax structure for the corporation income tax in the Revenue Act of 1978, it stated that the new structure was needed to encourage growth in small business. The incentive

³ The minimum standard deduction and the percentage standard deduction were repealed by the Tax Reduction and Simplification Act of 1977, and the zero bracket amount and a floor under itemized deductions (now \$2,300 for single taxpayers and \$3,400 for joint returns by married couples) were enacted to replace them.

was provided by establishing a tax structure which has four taxable income brackets of \$25,000 each and a fifth bracket which applies to taxable income above \$100,000. The corporate tax rate is 17 percent in the first bracket and is increased to 46 percent for taxable income above \$100,000. There is disagreement about whether the new five step corporate tax rate structure should be classified as a tax expenditure; the issue basically depends on whether the stated reason for enacting the provision or the fact that it is now the basic corporate tax structure should prevail. The staff of the Joint Committee has decided to include this provision as a tax expenditure, because such action is consistent with the informational approach taken initially with respect to tax expenditures: any tax provision characterized as a tax expenditure by other sources is included in this list.

There is no provision for negative tax expenditures, and no provisions are classified as disincentives. Negative numbers in table 1 result from the mechanics of the provision and do not represent negative tax expenditure.

Imputations of income received from the services of durable assets are not treated as income in the Internal Revenue Code, and because that has not been done, that omission is not classified here as resulting in a tax expenditure. Imputations could be considered as income for tax purposes under other concepts of income. However, measurement of the imputed income presents problems, and its exclusion from taxable income is more an administrative necessity than a specific incentive to encourage certain kinds of consumption. The imputed income from an owner-occupied home is the most prominent of these items, and among the others are the income that could be imputed to household furniture and appliances, books and art collections and automobiles.

Foreign tax credits are not classified here as tax expenditures since they are generally considered as the way of taking into account the interrelationship of domestic and foreign tax systems and represent taxes paid. In addition, this analysis does not attempt to go behind the treatment by U.S. taxpayers of payments by U.S. corporations to foreign governments as income taxes (i.e., it does not attempt to determine whether such payments claimed as foreign tax credits satisfy the requirements of creditability).

III. Measurement of Tax Expenditures

Estimates of tax expenditures are subject to important limitations. Each tax expenditure is measured in isolation. The amount of the deduction is added back in the calculation of taxable income, which raises its level. The difference between the estimates of tax liabilities under present law, which provides for the tax expenditure, and the higher level of tax liabilities under the assumption that the provision is repealed is the amount of the tax expenditure. For this computation and in keeping with the general practice of revenue estimating, it is assumed that nothing else changes.

Some further observations on these estimating problems follow. If two or more items were to be eliminated, the result of the combination of changes being made at the same time might produce a lesser or greater revenue effect than the sum of the amounts shown for each item separately. This also means that the addition of the amounts of various tax expenditures items is of quite limited usefulness, and this is why totals for table 1 are shown only in a footnote.

In some cases if a tax expenditure item were to be eliminated, it is possible that Congress would, at least to some extent, deal with the underlying problem in another way rather than simply terminating federal assistance of any kind. To the extent that a replacement program would be adopted, the higher revenues received as a result of the elimination of a tax expenditure would not represent a net budget gain. The nature of any alternative program is not anticipated: whether it would involve direct expenditures, direct loans, or loan guarantees, or whether it would involve a different form of tax expenditure. Nor was it assumed when the estimates were made that, if any of these provisions were repealed, adjustments would have to be made to offset the effects of higher tax liabilities through fiscal or monetary policy.

Year to year differences in the estimates for each tax expenditure may be explained by changes in tax law which affect the estimates differently in successive years and extrapolation of the historical average annual rates of change associated with each separate tax expenditure item.

IV. Tax Expenditures by Functional Category

To aid analysis of the economic benefits provided through the tax laws to various sectors of the economy, the costs (tax expenditures) and beneficiaries (in terms of area of activity) are grouped in table 1 in the same functional categories as outlays in the Federal budget. Where possible and relevant, estimates are shown separately for individuals and corporations. Some tax expenditures do not fit clearly into any of the budget functional categories, and they have been placed in the functional category which is the most appropriate. The Office of Management and Budget, the Department of the Treasury, the Congressional Budget Office and the Joint Committee staff concur on these placements, except for the exclusion of interest on State and local housing bonds which is classified here under Community and regional development, instead of under Income security as in Special Analysis G.

Table 2 provides estimates by expanded income class for some of the tax expenditures which affect individual taxpayers. All tax expenditures which affect individuals are not shown in this table because of the difficulty in making reliable estimates of the distribution. Table 2 assumes the level of economic activity prevailing in 1978 and the tax law in effect after December 31, 1978.

Table 1.—Tax Expenditure Estimates by Function ¹

[Fiscal years; in millions of dollars]

Function and item	Corporations						Individuals					
	1979	1980	1981	1982	1983	1984	1979	1980	1981	1982	1983	1984
National defense:												
Exclusion of benefits and allowances to Armed Forces personnel.....							1, 370	1, 470	1, 585	1, 715	1, 850	2, 000
Exclusion of military disability pensions.....							120	130	135	145	150	160
International affairs:												
Exclusion of income earned abroad by U.S. citizens.....							530	555	600	645	695	755
Deferral of income of domestic international sales corporations (DISC).....	1, 170	1, 260	1, 300	1, 400	1, 525	1, 640						
Deferral of income of controlled foreign corporations.....	530	445	480	520	560	605						
Special rate for Western Hemisphere trade corporations.....	15	5										
General science, space, and technology:												
Expensing of research and development expenditures.....	1, 550	1, 745	1, 980	2, 230	2, 490	2, 780	30	35	40	45	50	55
Energy:												
Expensing of exploration and development costs.....	1, 060	1, 160	1, 280	1, 365	1, 475	1, 605	430	505	590	675	890	1, 025
Excess of percentage over cost depletion.....	1, 190	1, 265	1, 355	1, 440	1, 525	1, 625	435	485	525	535	540	550
Capital gains treatment of royalties on coal.....	10	10	10	10	15	15	65	75	90	100	110	115
Residential energy credits.....							715	435	465	505	555	610
Alternative conservation and new technology credits.....	220	390	495	595	460	160	(2)	(2)	(2)	(2)	(2)	(2)
See footnotes at end of table.												

Table 1.—Tax Expenditure Estimates by Function ¹—Continued

[Fiscal years; in millions of dollars]

Function and item	Corporations						Individuals					
	1979	1980	1981	1982	1983	1984	1979	1980	1981	1982	1983	1984
<i>Natural resources and environment:</i>												
Exclusion of interest on State and local government pollution control bonds.....	200	220	245	270	295	325	215	240	265	290	320	355
Exclusion of payments in aid of construction of water and sewage facilities.....	10	60	110	110	110	110	-----	-----	-----	-----	-----	-----
5-yr amortization on pollution control facilities.....	-25	-10	15	55	95	90	-----	-----	-----	-----	-----	-----
Tax incentives for preservation of historic structures.....	5	5	5	5	5	5	5	5	10	10	10	5
Capital gains treatment of certain timber income.....	315	355	400	440	485	530	90	100	115	125	140	150
Capital gains treatment of iron ore.....	10	10	10	10	10	10	10	10	10	10	10	10
<i>Agriculture:</i>												
Expensing of certain capital outlays.....	75	75	80	85	85	90	445	430	475	545	565	585
Capital gains treatment of certain ordinary income.....	10	10	15	15	15	20	365	385	405	425	445	465
Deductibility of noncash patronage dividends and certain other items of cooperatives.....	505	540	590	625	670	710	-170	-175	-190	-200	-210	-220
Exclusion of certain cost sharing payments.....							(2)	30	75	80	80	75

Commerce and housing:

Dividend exclusion-----							450	450	470	495	515	540
Exclusion of interest on State and local industrial development bonds-----	240	280	335	395	455	510	255	305	360	430	490	555
Exemption of credit union income-----	90	100	115	125	140	155						
Excess bad debt reserves of financial institutions-----	780	855	965	1,015	1,090	1,260						
Deductibility of mortgage interest on owner-occupied homes-----							8,225	9,290	10,965	12,935	15,265	18,010
Deductibility of property tax on owner-occupied homes-----							5,920	6,615	7,675	8,905	10,330	11,980
Deductibility of interest on consumer credit-----							2,585	2,945	3,475	4,100	4,835	5,705
Expensing of construction period interest and taxes-----	525	555	585	615	645	675	90	145	165	160	155	150
Excess first-year depreciation-----	50	50	50	55	55	60	135	135	145	150	160	170
Depreciation on rental housing in excess of straightline-----	70	65	65	70	70	75	290	285	290	295	305	320
Depreciation on buildings (other than rental housing) in excess of straight line-----	135	135	140	150	165	185	120	120	125	135	150	165
Asset depreciation range-----	2,460	2,880	3,400	3,940	4,330	4,300	130	150	180	215	225	225
Capital gains (other than farming, timber, iron ore, and coal)-----	555	625	725	785	870	965	7,520	10,150	10,905	11,730	12,615	13,580
Deferral of capital gains on home sales-----							1,125	1,010	1,115	1,225	1,350	1,485
Capital gains at death-----							9,015	10,005	11,105	12,275	13,555	14,965
Corporate surtax exemption-----	3,070	135										
Reduced rates on first \$100,000 of corporate income-----	3,270	6,940	7,425	7,890	8,350	8,735						
Investment credit, other than for TRASOPs and for rehabilitated structures-----	13,405	15,370	17,380	18,965	20,180	21,300	2,665	3,090	3,510	3,870	4,110	4,360
Investment credit for rehabilitated structures-----	55	120	140	155	170	185	10	60	65	65	65	70

See footnotes at end of table.

Table 1.—Tax Expenditure Estimates by Function ¹—Continued

[Fiscal years; in millions of dollars]

Function and item	Corporations						Individuals					
	1979	1980	1981	1982	1983	1984	1979	1980	1981	1982	1983	1984
Transportation:												
Deductibility of nonbusiness State gasoline taxes.....							350					
5-yr amortization on railroad rolling stock.....	-40	-40	-40	-40	-35	-20						
Deferral of tax on shipping companies.....	75	70	75	75	80	90						
Community and regional development:												
5-yr amortization for rehabilitation of low-income housing.....	5	5	10	10	10	5	10	10	15	20	15	10
Exclusion of interest on State and local housing bonds.....	450	680	975	1,320	1,715	2,165	90	140	200	270	350	440
Education, training, employment and social services:												
Exclusion of scholarship and fellowship income.....							355	365	375	390	400	410
Parental personal exemption for students age 19 or over.....							935	1,020	1,025	1,020	1,020	1,020
Exclusion of employee meals and lodging (other than military).....							325	350	380	410	445	480
Exclusion of contributions to prepaid legal services plans.....							15	20	35	10		
Investment credit for employee stock ownership plans (TRASOPs).....	385	450	520	600	655	360						
Deductibility of charitable contributions (education).....	320	355	380	420	455	485	710	795	925	1,070	1,240	1,440

Deductibility of charitable contributions to other than education and health	395	440	475	520	560	600	5,320	5,965	6,920	8,030	9,310	10,805
Maximum tax on personal service income							1,335	1,625	2,030	2,540	3,175	3,970
Credit for child and dependent care expenses							610	705	770	845	925	1,015
Credit for employment of AFDC recipients and public assistance recipients under work-incentive programs	55	120	160	185	215	240	5	40	55	65	70	75
General jobs credit	1,035	215	110	55	35	20	860					
Targeted jobs credit	125	345	470	320	85	85	15	135	190	135		
Employer educational assistance							20	30	30	35	40	40
Health:												
Exclusion of employer contributions for medical insurance premiums and medical care							8,255	9,595	11,150	12,955	15,030	17,490
Deductibility of medical expenses							2,890	3,120	3,525	3,985	4,505	5,090
Expensing of removal of architectural and transportation barriers to the handicapped	10	(2)	(2)	(2)	(2)	(2)						
Deductibility of charitable contributions (health)	195	220	235	260	280	300	1,065	1,195	1,385	1,605	1,865	2,160
Income security:												
Exclusion of social security benefits:												
Disability insurance benefits							615	735	860	1,010	1,175	1,370
OASI benefits for retired workers							5,455	6,430	7,535	8,750	10,115	11,630
Benefits for dependents and survivors							825	940	1,075	1,210	1,365	1,540
Exclusion of railroad retirement system benefits							275	305	345	365	380	390
Exclusion of workmen's compensation benefits							1,035	1,285	1,590	1,975	2,450	3,035
Exclusion of special benefits for disabled coal miners							50	50	50	50	50	50
Exclusion of unemployment insurance benefits							1,780	1,935	2,150	2,095	2,010	1,940

See footnotes at end of table.

Table 1.—Tax Expenditure Estimates by Function ¹—Continued

[Fiscal years; in millions of dollars]

Function and item	Corporations						Individuals					
	1979	1980	1981	1982	1983	1984	1979	1980	1981	1982	1983	1984
Exclusion of public assistance benefits.....							355	395	425	455	515	525
Exclusion of disability pay.....							140	150	155	165	175	185
Net exclusion of pension contributions and earnings:												
Employer plans.....							11,325	12,925	14,740	16,815	19,175	21,860
Plans for self-employed and others.....							1,920	2,205	2,535	2,920	3,355	3,860
Exclusion of other employee benefits:												
Premiums on group term life insurance.....							875	915	950	990	1,030	1,075
Premiums on accident and disability insurance.....							75	80	85	90	90	95
Income of trusts to finance supplementary unemployment benefits.....							10	10	10	10	10	10
Exclusion of interest on life insurance savings.....							2,475	2,720	2,990	3,290	3,635	4,015
Exclusion of capital gains on home sales for persons age 55 and over.....							300	535	590	645	710	785
Additional exemption for elderly.....							1,670	1,855	1,950	2,045	2,150	2,255
Additional exemption for the blind.....							30	35	35	35	40	40
Deductibility of casualty losses.....							435	475	540	610	685	775
Tax credit for the elderly.....							160	160	160	160	160	160
Earned income credit: ³												
Nonrefundable.....							265	535	515	495	475	455
Refundable.....							840	1,535	1,475	1,415	1,360	1,305
Veterans benefits and services:												
Exclusion of veterans disability compensation.....							905	1,005	1,085	1,165	1,265	1,340
Exclusion of veterans pensions.....							45	55	60	60	60	65
Exclusion of GI bill benefits.....							195	170	150	135	120	105

General government: Credits and deductions for political contributions.....	80	100	140	100	125	100
General purpose fiscal assistance:						
Exclusion of interest on general purpose State and local debt.....	3, 245	3, 515	3, 900	4, 335	4, 815	5, 360
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline).....						
Tax credit for corporations doing business in U.S. possessions.....	685	730	805	885	970	1, 070
Interest: Deferral of interest on savings bonds.....						
	615	625	640	655	665	680

¹ All estimates are based on the law enacted as of Dec. 31, 1978.

² Less than \$2,500,000.

³ If it is assumed that withholding adjustments go entirely into the nonrefundable portion of the earned income credit, the estimates would be as follows:

[In millions of dollars]						
	Fiscal year—					
	1979	1980	1981	1982	1983	1984
Nonrefundable.....	350	780	705	680	650	625
Refundable.....	840	1, 505	1, 270	1, 220	1, 170	1, 125

SUM OF THE EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1979-84

[In millions of dollars]

Fiscal year:	Corporations and individuals	Corporations	Individuals
1979.....	150, 655	38, 495	112, 160
1980.....	170, 320	42, 760	127, 560
1981.....	192, 675	47, 770	144, 905
1982.....	216, 260	52, 280	163, 980
1983.....	241, 935	56, 180	185, 755
1984.....	270, 285	59, 485	210, 800

Note. These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in the table. The limitations on the use of the totals are explained in the text.

Source: Staffs of the Treasury Department and the Joint Committee on Taxation.

TABLE 2.—DISTRIBUTION OF SELECTED ITEMS OF TAX EXPENDITURES UNDER INDIVIDUAL INCOME TAX, BY EXPANDED INCOME CLASS ¹

[Amounts in millions of dollars; returns]

Expanded income class (thousands) ²	Age exemption		Blind exemption		Dividend exclusion	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5-----	542	60	9	(*)	316	4
\$5 to \$10-----	2, 548	441	57	8	1, 590	28
\$10 to \$15-----	1, 503	366	44	9	1, 706	37
\$15 to \$20-----	795	217	16	3	1, 783	45
\$20 to \$30-----	647	241	22	5	3, 041	96
\$30 to \$50-----	369	193	13	5	2, 444	121
\$50 to \$100-----	181	133	4	2	900	69
\$100 to \$200-----	48	42	1	(*)	208	20
\$200 and over-----	17	15	(*)	(*)	57	6
Total-----	6, 600	1, 708	165	34	12, 046	425
	Sick pay exclusion		Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5-----	59	32	156	10	143	11
\$5 to \$10-----	92	86	1, 576	163	1, 227	100

\$10 to \$15-----	14	12	2, 987	351	2, 718	274
\$15 to \$20-----	25	9	3, 409	415	3, 789	479
\$20 to \$30-----	4	1	5, 409	685	6, 747	1, 264
\$30 to \$50-----			3, 351	541	4, 265	1, 590
\$50 to \$100-----			810	252	1, 126	959
\$100 to \$200-----			142	106	230	330
\$200 and over-----			34	28	57	167
Total-----	194	141	17, 873	2, 550	20, 302	5, 174

	State and local income tax deduction		Other tax expense deduction		Home mortgage interest deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5-----	96	1	140	3	75	5
\$5 to \$10-----	1, 063	33	1, 621	47	984	122
\$10 to \$15-----	2, 813	173	3, 586	174	2, 319	405
\$15 to \$20-----	3, 856	374	4, 527	297	3, 322	751
\$20 to \$30-----	6, 503	1, 217	7, 424	743	6, 079	2, 089
\$30 to \$50-----	4, 035	1, 936	4, 612	829	3, 679	2, 341
\$50 to \$100-----	1, 051	1, 733	1, 211	407	821	1, 029
\$100 to \$200-----	218	892	251	141	140	257
\$200 and over-----	53	791	62	75	26	60
Total-----	19, 707	7, 151	23, 435	2, 714	17, 444	7, 060

See footnotes at end of table.

TABLE 2.—DISTRIBUTION OF SELECTED ITEMS OF TAX EXPENDITURES UNDER INDIVIDUAL INCOME TAX, BY EXPANDED INCOME CLASS¹—Continued

[Amounts in millions of dollars; returns]

	Consumer interest expense deduction		Charitable contributions deduction		Casualty loss deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5-----	60	2	93	4	(*)	(*)
\$5 to \$10-----	787	39	1,508	85	122	10
\$10 to \$15-----	1,855	128	3,421	244	227	28
\$15 to \$20-----	2,658	238	4,332	413	333	55
\$20 to \$30-----	4,863	662	7,268	1,057	529	97
\$30 to \$50-----	2,943	742	4,556	1,436	373	112
\$50 to \$100-----	657	326	1,206	1,119	87	42
\$100 to \$200-----	112	81	250	679	19	32
\$200 and over-----	21	19	61	1,182	5	13
Total-----	13,956	2,237	22,695	6,221	1,695	389

Capital gains exclusion

	Increase		Maximum tax	
	Returns	Amount	Returns	Amount
Below \$5	215	280		
\$5 to \$10	699	270		
\$10 to \$15	707	427		
\$15 to \$20	666	426		
\$20 to \$30	970	1,080		
\$30 to \$50	746	1,388		
\$50 to \$100	346	1,847	42	37
\$100 to \$200	91	1,199	117	416
\$200 and over	29	3,327	31	736
Total	4,464	10,244	190	1,189

See footnotes at end of table.

TABLE 2.—DISTRIBUTION OF SELECTED ITEMS OF TAX EXPENDITURES UNDER INDIVIDUAL INCOME TAX, BY EXPANDED INCOME CLASS ¹—Continued

[Amounts in millions of dollars; returns]

	Elderly credit		Child care credit		Earned income credit ³	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5-----	61	4	13	(*)	2,748	838
\$5 to \$10-----	605	102	285	37	4,648	1,325
\$10 to \$15-----	432	87	356	87	-----	-----
\$15 to \$20-----	103	21	432	147	-----	-----
\$20 to \$30-----	108	24	514	227	-----	-----
\$30 to \$50-----	57	13	205	117	-----	-----
\$50 to \$100-----	13	3	35	20	-----	-----
\$100 to \$200-----	2	1	5	3	-----	-----
\$200 and over-----	1	(*)	1	(*)	-----	-----
Total-----	1,383	254	1,847	639	7,396	2,164

* Less than \$500,000 or 500 returns.

¹ Estimated in terms of tax law in effect after Dec. 31, 1978, and at 1978 income levels.

² Expanded income equals adjusted gross income plus

tax preferences subject to the minimum tax (mostly capital gains).

³ Includes the refundable portion of the earned income credit.