[JOINT COMMITTEE PRINT]

ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 1980–1985

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

I. 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 of fiscal years 1979–1981 in Special Analysis G of the Budget for fiscal year 1981.[2]

This report covers fiscal years 1980–1985. 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, 1979) 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. Table 3 presents estimates of the new or increased tax expenditures contained in the Conference Report on the Crude Oil Windfall Profit Tax Act of 1980.

The first part of this report discusses the concept of tax expenditures, and it is followed by a discussion of the measurement of tax expenditures. Estimates of tax expenditures are in the last part.

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[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, March 14, 1978, and March 15, 1979.

[2] "Tax Expenditures," Special Analysis G, *Special Analyses of the Budget of the United States Government for Fiscal Year 1981*, pp. 207–238.

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 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 income 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 allowing the taxpayer to deduct from gross income only 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 amount [3] 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 a provision in the Revenue Act of 1978, the amount of unemployment compensation excluded from taxation now is 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, to the extent they exceed the zero bracket amount.

In the business tax area, the corporate surtax exemption has been viewed as a departure from the basic tax structure which 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

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[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.

that the new structure was needed to encourage growth of small business. The incentive 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 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 a 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 expenditure items is of quite limited useulness, 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 reason for enacting the tax expenditure 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 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, but also are the result of extrapolation of the historical average annual rates of change associated with each separate tax expenditure item. Some of the estimates for this tax expenditure budget may differ from estimates made in previous years because of inflation, changed economic conditions, the availability of better data, and improved estimating techniques. Similar differences occur in the budget estimates for direct outlays.

IV. Tax Expenditures Estimates 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 Commerce and housing, 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 1979 and the tax law in effect on January 1, 1980.

Table 3 presents the estimated revenue loss from tax expenditures, new or increased, that are in the Conference Report on the Crude Oil Windfall Profit Tax Act of 1980 (H.R. 3919). These changes generally have effective dates after December 31, 1979, and would not qualify for inclusion in the pamphlet. Nevertheless, they will be in effect during the period covered in these estimates, and the staff believes it is appropriate to include this table for the information of the reader.

Table 1.—Tax Expenditure Estimates by Function[1]

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
National defense:												
Exclusion of benefits and allowances to Armed Forces personnel							1, 470	1, 585	1, 715	1, 850	2, 000	2, 160
Exclusion of military disability pensions							125	135	145	155	170	185
International affairs:												
Exclusion of income earned abroad by U.S. citizens							555	600	645	695	755	815
Deferral of income of domestic international sales corporations (DISC)	1, 400	1, 470	1, 580	1, 710	1, 850	2, 000						
Deferral of income of controlled foreign corporations	445	480	520	560	605	650						
Special rate for Western Hemisphere trade corporations	5											
General science, space, and technology:												
Expensing of research and development expenditures	1, 760	1, 930	2, 220	2, 535	2, 825	3, 090	35	40	45	50	55	60
Energy:[2]												
Expensing of exploration and development costs	1, 580	1, 815	1, 870	2, 055	2, 290	2, 625	610	750	875	1, 025	1, 205	1, 415
Excess of percentage over cost depletion	1, 160	1, 350	1, 540	1, 660	1, 775	1, 890	970	1, 370	1, 600	1, 630	1, 685	1, 860
Capital gains treatment of royalties on coal	10	10	10	15	15	15	75	90	100	110	115	125
Residential energy credits							460	460	475	505	555	615
Alternative conservation and new technology credits	390	495	595	560	160	65	(3)	(3)	(3)	(3)	(3)	(3)

See footnotes at end of table.

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

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
Natural resources and environment:												
Exclusion of interest on State and local government pollution control bonds	220	245	270	295	325	355	240	265	290	320	355	390
Exclusion of payments in aid of construction of water and sewage facilities	60	110	115	115	120	125						
5-year amortization on pollution control facilities	−10	15	55	95	90	75						
Tax incentives for preservation of historic structures	10	20	20	20	10	10	25	45	55	55	45	25
Capital gains treatment of certain timber income	420	470	535	600	670	755	120	135	150	170	190	215
Capital gains treatment of iron ore	10	10	10	10	10	10	10	10	10	10	10	10
Agriculture:												
Expensing of certain capital outlays	75	80	85	85	90	95	430	475	545	565	585	605
Capital gains treatment of certain ordinary income	20	20	20	20	20	20	385	405	425	445	465	490
Deductibility of noncash patronage dividends and certain other items of cooperatives	540	590	625	670	710	760	−175	−190	−200	−210	−220	−230
Exclusion of certain cost sharing payments							30	75		8080	75	75

Commerce and housing:												
Dividend exclusion							490	515	530	555	580	605
Exclusion of interest on State and local industrial development bonds	360	470	595	730	880	1, 045	385	505	640	785	950	1, 125
Exemption of credit union income	110	115	125	140	155	170						
Excess bad debt reserves of financial institutions	855	965	1, 015	1, 090	1, 260	1, 450						
Deductibility of mortgage interest on owner-occupied homes							12, 505	14, 760	17, 415	20, 550	24, 250	28, 615
Deductibility of property tax on owner-occupied homes							7, 740	8, 975	10, 410	12, 080	14, 010	16, 250
Deductibility of interest on consumer credit							3, 595	4, 240	5, 005	5, 905	6, 970	8, 225
Expensing of construction period interest and taxes	555	585	615	645	710	815	140	160	160	155	135	155
Excess first-year depreciation	50	50	55	55	60	65	135	145	150	160	170	180
Depreciation on rental housing in excess of straightline	65	65	70	70	75	75	285	290	295	305	320	335
Depreciation on buildings (other than rental housing) in excess of straight line	135	140	150	165	185	205	120	125	135	150	165	185
Asset depreciation range	2, 880	3, 400	3, 940	4, 330	4, 300	3, 935	150	180	125	225	225	210
Capital gains (other than farming, timber, iron ore, and coal)	715	810	925	1, 045	1, 190	1, 325	13, 855	14, 885	16, 005	17, 205	18, 505	19, 895
Deferral of capital gains on home sales							1, 010	1, 110	1, 220	1, 345	1, 480	1, 625
Capital gains at death							4, 750	5, 085	5, 440	5, 820	6, 230	6, 665
Corporate surtax exemption	115											
Reduced rates on first $100,000 of corporate income	7, 555	7, 510	7, 890	8, 860	9, 810	10, 680						
Investment credit, other than for TRASOPs and for rehabilitated structures	15, 705	16, 860	17, 730	18, 645	20, 435	22, 690	2, 910	3, 115	3, 295	3, 460	3, 790	4, 220
Investment credit for rehabilitated structures	120	140	155	170	185	205	60	65	65	65	70	75
Exclusion of interest on State and local housing bonds	435	890	1, 855	3, 380	5, 450	8, 000	230	570	1, 305	2, 480	4, 090	6, 080

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

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
Transportation:												
5-year amortization on railroad rolling stock	−40	−40	−40	−35	−20							
Deferral of tax on shipping companies	70	75	75	80	90	95						
Community and regional development:												
5-year amortization for rehabilitation of low income housing	5	10	10	10	5	([3])	10	15	20	15	10	([3])
Education, training, employment, and social services:												
Exclusion of scholarship and fellowship income							375	400	420	440	460	485
Parental personal exemption for students age 19 or over							1, 030	1, 045	1, 055	1, 065	1, 075	1, 085
Exclusion of employee meals and lodging (other than military)							350	380	410	445	485	525
Employer educational assistance							30	35	40	45	25	
Exclusion of contributions to prepaid legal services plans							20	35	10			
Investment credit for employee stock ownership plans (TRASOPs)	700	740	815	895	1, 005	1, 135						
Deductibility of charitable contributions (education)	345	360	370	410	470	530	765	885	1, 030	1, 190	1, 385	1, 605
Deductibility of charitable contributions to other than education and health	430	450	460	510	580	655	5, 725	6, 645	7, 705	8, 940	10, 370	12, 030

Maximum tax on personal service income							1,265	1,580	1,975	2,470	3,085	3,860
Credit for child and dependent care expenses							820	900	985	1,080	1,185	1,300
Credit for employment of AFDC recipients and public assistance recipients under work-incentive programs	45	50	50	55	60	60	5	10	10	10	10	10
General jobs credit	190	85	25									
Targeted jobs credit	115	275	240	45	[3]	[3]	10	40	55	[3]	[3]	[3]
Health:												
Exclusion of employer contributions for medical insurance premiums and medical care							12,965	15,215	17,845	20,990	24,450	28,740
Deductibility of medical expenses							3,585	4,050	4,575	5,170	5,845	6,605
Expensing of removal of architectural and transportation barriers to the handicapped	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Deductibility of charitable contributions (health)	210	220	230	255	290	325	1,145	1,330	1,540	1,790	2,075	2,405
Income security:												
Exclusion of social security benefits:												
Disability insurance benefits							685	820	965	1,110	1,280	1,475
OASI benefits for retired workers							6,880	8,695	10,560	12,350	14,605	16,885
Benefits for dependents and survivors							990	1,205	1,415	1,630	1,850	2,075
Exclusion of railroad retirement system benefits							330	380	420	485	560	650
Exclusion of workmen's compensation benefits							1,165	1,385	1,645	1,955	2,320	2,750
Exclusion of special benefits for disabled coal miners							50	50	50	50	50	50
Exclusion of unemployment insurance benefits							2,495	3,110	2,855	2,500	2,135	1,820
Exclusion of public assistance benefits							395	450	510	585	665	755
Exclusion of disability pay							185	190	195	200	200	205

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

[Fiscal years, in millions of dollars]

Function	Corporations 1980	Corporations 1981	Corporations 1982	Corporations 1983	Corporations 1984	Corporations 1985	Individuals 1980	Individuals 1981	Individuals 1982	Individuals 1983	Individuals 1984	Individuals 1985
Net exclusion of pension contributions and earnings:												
Employer plans							12, 925	14, 740	16, 805	19, 165	21, 850	24, 915
Plans for self-employed and others							2, 125	2, 520	2, 975	3, 480	4, 035	4, 640
Exclusion of other employee benefits:												
Premiums on group term life insurance							1, 485	1, 635	1, 795	1, 975	2, 175	2, 390
Premiums on accident and disability insurance							90	100	105	110	120	130
Income of trusts to finance supplementary unemployment benefits							10	10	15	15	20	20
Exclusion of interest on life insurance savings							3, 365	3, 895	4, 505	5, 215	6, 035	6, 980
Exclusion of capital gains on home sales for persons age 55 and over							535	590	645	710	785	860
Additional exemption for the elderly							1, 970	2, 070	2, 175	2, 280	2, 395	2, 515
Additional exemption for the blind							40	40	40	45	45	50
Deductibility of casualty losses							590	665	755	850	965	1, 090
Tax credit for the elderly							135	135	135	135	135	135
Earned income credit:												
Nonrefundable portion							415	360	335	310	285	265
Refundable portion							1, 695	1, 570	1, 455	1, 345	1, 245	1, 155
Veterans benefits and services:												
Exclusion of veterans disability compensation							1, 050	1, 115	1, 185	1, 245	1, 300	1, 355
Exclusion of veterans pensions							50	55	60	60	65	65
Exclusion of GI bill benefits							160	130	110	90	75	60

General government:												
Credits for political contributions							100	140	100	125	100	140
General purpose fiscal assistance:												
Exclusion of interest on general purpose State and local debt	3, 515	3, 900	4, 335	4, 815	5, 360	5, 965	2, 365	2, 625	2, 915	3, 240	3, 600	4, 010
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline)							14, 665	17, 305	20, 420	24, 095	28, 430	33, 545
Tax credit for corporations doing business in U.S. possessions	780	860	945	1, 040	1, 145	1, 255						
Interest:												
Deferral of interest on savings bonds							290	250	250	250	250	250

[1] All estimates are based on the tax law enacted as of Dec. 31, 1979.

[2] See also Table 3 for estimated energy tax expenditures under the Crude Oil Windfall Profit Tax Act of 1980 (H.R. 3919) as agreed to by the Conference Committee.

[3] Less than $2,500,000.

SUM OF THE EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1980–85

[In millions of dollars]

	Corporations and individuals	Corporations	Individuals
Fiscal year:			
1980	183, 175	44, 115	139, 060
1981	207, 870	48, 095	159, 775
1982	234, 925	52, 705	182, 220
1983	266, 365	58, 410	207, 955
1984	303, 265	65, 245	238, 020
1985	346, 365	73, 220	273, 145

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 in thousands]

Expanded income class (thousands) [2]	Age exemption		Blind exemption		Dividend exclusion	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $5	298	$31	(*)	(*)	273	$3
$5 to $10	2, 332	399	57	$7	1, 395	25
$10 to $15	1, 710	411	53	10	1, 590	35
$15 to $20	869	249	18	4	1, 677	42
$20 to $30	916	321	30	8	3, 119	103
$30 to $50	477	233	12	4	2, 912	142
$50 to $100	264	183	5	3	1, 242	94
$100 to $200	67	55	2	1	265	25
$200 and over	26	22	(*)	(*)	79	8
Total	6, 959	1, 904	177	37	12, 552	477

	Disability pay exclusion		Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $5	55	$29	69	$5	60	$4
$5 to $10	117	126	1, 241	141	920	96
$10 to $15	25	23	2, 758	358	2, 352	274
$15 to $20	17	8	3, 848	473	3, 755	524
$20 to $30	13	1	6, 775	964	7, 906	1, 653
$30 to $50	------	------	4, 632	808	5, 798	2, 294
$50 to $100	------	------	1, 245	391	1, 637	1, 473
$100 to $200	------	------	191	123	292	468
$200 and over	------	------	50	45	79	234
Total	227	187	20, 809	3, 308	22, 799	7, 020

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 in thousands]

Expanded income class (thousands) [2]	State and local income tax deduction		State and local sales and other tax deductions		Home mortgage interest deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $5	54	$1	95	$2	48	$4
$5 to $10	825	26	1, 241	44	685	113
$10 to $15	2, 417	164	3, 185	190	1, 941	460
$15 to $20	4, 114	435	4, 900	388	3, 257	960
$20 to $30	8, 171	1, 612	9, 307	1, 114	6, 831	3, 200
$30 to $50	5, 611	2, 691	6, 424	1, 383	4, 969	4, 006
$50 to $100	1, 547	2, 415	1, 793	712	1, 236	1, 932
$100 to $200	277	1, 122	321	209	179	431
$200 and over	73	1, 017	87	120	39	109
Total	23, 089	9, 483	27, 353	4, 162	19, 185	11, 215

	Consumer interest expense deduction		Charitable contributions deduction		Casualty loss deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $5	38	$1	51	$2	(*)	(*)
$5 to $10	548	32	1, 168	69	79	$8
$10 to $15	1, 553	132	3, 005	215	219	25
$15 to $20	2, 606	276	4, 718	427	278	63
$20 to $30	5, 465	921	9, 046	1, 227	605	140
$30 to $50	3, 975	1, 151	6, 332	1, 756	470	166
$50 to $100	989	555	1, 769	1, 338	147	81
$100 to $200	143	124	320	706	23	37
$200 and over	31	31	84	1, 187	7	23
Total	15, 348	3, 223	26, 493	6, 927	1, 828	543

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 in thousands]

Expanded income class (thousands) [2]	Elderly credit [3]		Child care credit [3]		Earned income credit [4]	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $5	48	$4	25	$3	2, 379	$766
$5 to $10	383	67	362	65	4, 389	1, 309
$10 to $15	160	40	544	93	32	8
$15 to $20	47	15	706	127	13	4
$20 to $30	38	12	1, 245	235	2	1
$30 to $50	18	7	503	115	(*)	(*)
$50 to $100	1	(*)	53	16	1	1
$100 to $200	(*)	(*)	6	2	(*)	(*)
$200 and over			1	(*)	(*)	(*)
Total	695	145	3, 445	656	6, 816	2, 089

	Political contribution credit		Capital gains exclusion		Maximum tax	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $5	72	$2	51	$3	—	—
$5 to $10	267	7	489	88	—	—
$10 to $15	261	13	636	182	—	—
$15 to $20	345	17	641	300	—	—
$20 to $30	622	30	1, 075	773	—	—
$30 to $50	525	29	1, 030	1, 487	—	—
$50 to $100	274	17	548	2, 441	15	$25
$100 to $200	71	5	143	1, 967	106	405
$200 and over	25	2	51	8, 241	35	726
Total	2, 462	122	4, 664	15, 482	156	1, 156

*Less than $500,000 or 500 returns.
[1] Estimated for the tax law enacted as of Dec. 31, 1979, and at 1979 income levels.

[2] Expanded income equals adjusted gross income plus minimum tax preferences (mostly excluded capital gains) less investment interest expense to the extent of investment income.
[3] At 1978 income level.
[4] Includes the refundable portion of the earned income credit.

Table 3.—Estimated Tax Expenditure Effect of Energy Tax Incentives in the Crude Oil Windfall Profit Tax Act of 1980 (H.R. 3919) as Agreed to by the Conference Committee, Fiscal Years 1980–85

[Millions of dollars]

Provision	1980	1981	1982	1983	1984	1985
Residential energy tax credits:						
Solar, wind, and geothermal credit, 40 percent	6	42	52	67	88	128
Business energy tax credit to landlords, 15 percent	1	2	3	7	17	20
Total, Residential Energy Tax Credits	**7**	**44**	**55**	**74**	**105**	**148**
Business energy investment credits:						
Solar and wind property, including solar process heat equipment, 15% energy credit	3	15	26	67	185	377
Geothermal equipment, 15% energy credit	(2)	2	2	3	7	9
Ocean thermal energy conversion equipment 15% energy credit	(2)	(2)	(2)	(2)	1	2
Small-scale hydroelectric facilities, 11% energy credit	2	11	15	19	48	109
Cogeneration equipment, 10% energy credit	9	46	64	80	74	52
Petroleum coke and pitch, regular investment credit and accelerated depreciation	8	31	32	36	40	44
Certain equipment for producing feed stocks			(1)	7	28	29
Alumina electrolytic cells, 10% energy credit	6	1	1	1	1	1
Coke ovens, 10% energy credit	11	47	51	57	53	35
Biomass equipment, 10% energy credit	(1)	2	4	10	82	246
Intercity buses, 10% energy credit	2	5	6	6	6	7
Affirmative commitments, special transition rule			(1)	202	407	288
Total, business energy investment credits	**41**	**160**	**201**	**488**	**932**	**1,199**

Alternative fuel production credit: [3]						
Devonian shale gas, special rule	3	18	34	25	(3)	(3)
Qualifying processed wood, phaseout suspension	1	7	18	23	15	5
Steam from agricultural by-products, phaseout suspension	(2)	1	2	2	3	3
Total, production credits	**4**	**26**	**54**	**50**	**18**	**8**
Alcohol fuels credit provisions	**1**	**4**	**4**	**6**	**8**	**11**
Industrial development bonds:						
Solid waste disposal facilities	(2)	1	4	5	5	5
Alcohol from solid waste facilities			(2)	(2)	(2)	1
Small-scale hydroelectric facilities	(2)	(2)	(2)	2	3	5
Additions to certain existing hydroelectric facilities			1	5	7	8
State renewable resource programs	(2)	1	1	3	5	7
Total, bonds	**(2)**	**2**	**6**	**15**	**20**	**26**
Tertiary injectants	**4**	**14**	**9**	**8**	**7**	**6**
Total, Business Tax Incentives	**50**	**206**	**274**	**567**	**985**	**1, 250**
Total, Energy Tax Incentives	**57**	**250**	**329**	**641**	**1, 090**	**1, 398**

[1] Less than $5,000,000.
[2] Less than $1,000,000.
[3] It is assumed that the applicable reference price will be in excess of the credit phase-out range for oil from shale or tar sands, liquid, gaseous or synthetic solid fuel from coal, geopressured brine gas coal seam methane gas, tight formation gas, biomass gas, steam from agricultural by-products and processed wood.