ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 2022-2026

Prepared for the
HOUSE COMMITTEE ON WAYS AND MEANS
and the
SENATE COMMITTEE ON FINANCE
By the Staff
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INTRODUCTION

Tax expenditure analysis can help policymakers and the public understand the ways in which government revenues are spent, and the tax and economic policy consequences that follow from the implicit or explicit choices made in fashioning legislation. This report[1] on tax expenditures for fiscal years 2022-2026 is prepared by the staff of the Joint Committee on Taxation ("Joint Committee staff") for the House Committee on Ways and Means and the Senate Committee on Finance. The report also is submitted to the House and Senate Committees on the Budget.

As in the case of earlier reports,[2] the estimates of tax expenditures in this report were prepared in consultation with the staff of the Office of Tax Analysis in the Department of the Treasury (the "Treasury"). The Treasury published its estimates of tax expenditures for fiscal years 2022-2032 on October 14, 2022.[3] The lists of tax expenditures in this Joint Committee staff report and the Administration's budgetary statement overlap considerably; the differences are discussed in Part I of this report under the heading "Comparisons with Treasury."

The Joint Committee staff has made its estimates (as shown in Table 1) based on the provisions in Federal tax law enacted through August 16, 2022.[4] In general, expired or repealed provisions are not listed unless they have continuing revenue effects that are associated with ongoing taxpayer activity. Proposed extensions or modifications of expiring provisions are not included until they have been enacted into law. The tax expenditure calculations in this report are based on the March 2022 Congressional Budget Office ("CBO") revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2022-2026.[5]

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[1] This report may be cited as follows: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2022-2026* (JCX-22-22), December 22, 2022. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

[2] The Joint Committee staff prepared its first report on estimates of Federal tax expenditures in 1972 (JCS-28-72), covering fiscal years 1967-1971. Reports typically cover every five-year period since fiscal years 1977-1981 (JCS-10-77). A complete collection of these reports on estimates of Federal tax expenditures, including this report, is available at https://www.jct.gov/publications/?it=content&category_name=Tax%20Expenditures.

[3] The Treasury publication is available at https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures.

[4] In particular, this report's estimates do not incorporate the executive action providing targeted student loan debt relief announced on August 24, 2022 at https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/.

[5] The Joint Committee staff made its previous estimates of Federal tax expenditures for calendar years 2020-2024 based on the provisions in Federal tax law enacted through September 30, 2020 (JCX-23-20). While this report contains estimates specifically for calendar years 2022-2026, it also describes tax expenditures that were created or modified between September 30, 2020 and August 16, 2022, including the years 2020 and 2021.

Part I of this report contains a discussion of the concept of tax expenditures; Part II is a discussion of the measurement of tax expenditures; and Part III contains various estimates. Estimates of tax expenditures for fiscal years 2022-2026 are presented in Table 1. Table 2 shows the distribution of tax returns by income class, and Table 3 shows distributions of selected individual tax expenditures by income class.

I. THE CONCEPT OF TAX EXPENDITURES

Overview

Tax expenditures are defined under the Congressional Budget and Impoundment Control Act of 1974 (the "Budget Act") 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."[6] Thus, tax expenditures include any reductions in income tax liabilities that result from special tax provisions or regulations that provide tax benefits to particular taxpayers.

Special income tax provisions are referred to as tax expenditures because they may be analogous to direct outlay programs and may be considered alternative means of accomplishing similar budget policy objectives. Tax expenditures are like direct spending programs that function as entitlements to those who meet the established statutory criteria.

Estimates of tax expenditures are prepared for use in budget analysis. They are a measure of the economic benefits that are provided through the tax laws to various groups of taxpayers and sectors of the economy. The estimates also may be useful in determining the relative merits of achieving specific public goals through tax benefits or direct outlays. It is appropriate to evaluate tax expenditures with respect to cost, distributional consequences, alternative means of provision, and economic effects and to allow policymakers to evaluate the tradeoffs among these and other potentially competing policy goals.

The legislative history of the Budget Act indicates that tax expenditures are to be defined with reference to a normal income tax. The determination of whether a provision is a tax expenditure is made based on a broad concept of income that is larger in scope than "income" as defined under Federal income tax principles. The Joint Committee staff uses its judgment in distinguishing between those income tax provisions (and regulations) that can be viewed as a part of a normal income tax and those special provisions that result in tax expenditures. A provision traditionally has been listed as a tax expenditure by the Joint Committee staff if there is a reasonable basis for such classification and the provision results in more than a *de minimis* revenue loss, which solely for this purpose means a total revenue loss of less than $50 million over the five fiscal years 2022-2026. The Joint Committee staff emphasizes, however, that in the process of listing tax expenditures, no judgment is made, nor any implication intended, about the desirability of any special tax provision as a matter of public policy.

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[6] Congressional Budget and Impoundment Control Act of 1974 (Pub. L. No. 93-344), sec. 3(3). The Budget Act requires CBO and the Treasury to publish detailed lists of tax expenditures annually. The Joint Committee staff issued reports prior to the statutory obligation placed on the CBO and continued to do so thereafter. In light of this precedent and a subsequent statutory requirement that the CBO rely exclusively on Joint Committee staff estimates when considering the revenue effects of proposed legislation, the CBO has always relied on the Joint Committee staff for the production of its annual tax expenditure publication. See Pub. L. No. 99-177, sec. 273, codified at 2 U.S.C. 601(f).

The Budget Act uses the term "tax expenditure" to refer to Federal income tax provisions that provide more favorable treatment than a normal income tax.[7] Other Federal taxes such as excise taxes, employment taxes, and estate and gift taxes may also have exceptions, exclusions, and credits, but those special tax provisions are not included in this report because they are not part of the income tax.[8] Thus, for example, the income tax exclusion for employer-paid health insurance is included, but the Federal Insurance Contributions Act ("FICA") tax exclusion for employer-paid health insurance is not treated as a tax expenditure in this report.

Provisions in the Internal Revenue Code (the "Code") that provide less favorable treatment than a normal income tax and are not related directly to progressivity are called *negative* tax expenditures.[9] Examples of such provisions include (1) the denial of deductions for certain business interest expenses, (2) the denial of deductions for certain executive compensation, and (3) the denial of deductions for unreimbursed employee expenses (in the case of taxable years 2018-2025). Special provisions of the law the principal purpose of which is to enforce general tax rules, or to prevent the violation of other laws, are not treated as negative tax expenditures even though they may increase the tax burden for certain taxpayers. Examples of these compliance and enforcement provisions include (1) the limitation on net operating loss carryforwards and certain other losses following ownership changes (sec. 382), (2) the wash sale rules (sec. 1091), (3) the denial of capital gain treatment for gains on certain obligations not in registered form (sec. 1287), and (4) the disallowance of a deduction for fines and penalties (sec. 162(f)).

<u>Individual income tax</u>

Under the Joint Committee staff's methods, the normal structure of the individual income tax includes the following major components: one personal exemption for each taxpayer and one for each dependent, the standard deduction, the existing tax rate schedule, and deductions for investment and employee business expenses. Most other tax benefits for individual taxpayers are classified as exceptions to a normal income tax.

[7] The Federal income tax on individuals also applies to estates and trusts, which are subject to a separate income tax rate schedule (sec. 1(e)). Estates and trusts may benefit from some of the same tax expenditures that apply to individuals. In Table 1 of this report, the tax expenditures that apply to estates and trusts have been included in the estimates of tax expenditures for individual taxpayers.

[8] Other analysts have explored applying the concept of tax expenditures to payroll and excise taxes. See Jonathan Barry Forman, "Would a Social Security Tax Expenditure Budget Make Sense?" *Public Budgeting and Financial Management*, 5, 1993, pp. 311-335, Bruce F. Davie, "Tax Expenditures in the Federal Excise Tax System," *National Tax Journal*, 47, March 1994, pp. 39-62, and Lindsay Oldenski, "Searching for Structure in the Federal Excise Tax System: An Excise Tax Expenditure Budget," *National Tax Journal*, 57, September 2004, pp. 613-637. Before 2003, the President's budget contained a section that reviewed and tabulated estate and gift tax provisions that the Secretary considered tax expenditures.

[9] Although the Budget Act does not require the identification of negative tax expenditures, the Joint Committee staff has presented several negative tax expenditures for completeness.

The Joint Committee staff views the standard deduction and the personal exemptions as defining the zero-rate bracket that is a part of normal tax law.[10] An itemized deduction that is not related to the generation of income is classified as a tax expenditure, but only to the extent that taxpayer's total amount of itemized deductions exceeds the standard deduction. While some features of the tax law, such as the child credit and the credit for nonchild dependents, provide what may be considered adjustments for family size that have the objective of achieving a similar policy as personal exemptions, they do not do so in a way that defines a zero-rate bracket. For example, the size of the zero-rate bracket for taxpayers with similar household composition would vary based on other tax attributes of the household. The Joint Committee staff considers these credits to be tax expenditures.

An exclusion from gross income applies generally to amounts received under a life insurance contract that are paid by reason of the death of the insured. This exclusion is also classified as a tax expenditure.

All employee compensation is subject to tax unless the Code contains a specific exclusion for the income. Specific exclusions for employer-provided benefits include: coverage under accident and health plans,[11] accident and disability insurance, group term life insurance, educational assistance, tuition reduction benefits, transportation benefits (parking, van pools, and transit passes), dependent care assistance, adoption assistance, meals and lodging furnished for the convenience of the employer, employee awards, and other miscellaneous fringe benefits (*e.g.*, working condition fringes, employee discounts, services provided to employees at no additional cost to employers, and *de minimis* fringe benefits). Each of these exclusions is classified as a tax expenditure in this report.

Under a normal income tax, employer contributions to pension plans and income earned on pension assets generally would be taxable to employees as the contributions are made and as the income is earned, and employees would not receive any deduction or exclusion for their pension contributions. Under present law, employer contributions to qualified pension plans and, generally, employee contributions made at the election of the employee through salary reduction are not taxed until distributed to the employee, and income earned on pension assets is not taxed until distributed. The tax expenditure for "net exclusion of pension contributions and earnings" is computed as the income taxes forgone on current tax-excluded pension contributions and earnings less the income taxes paid on current pension distributions (including the 10-percent additional tax paid on early withdrawals from pension plans).

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[10] For taxable years beginning after December 31, 2017, and before January 1, 2026, the standard deduction for each filing status is increased by more than the amount of the prior-law personal exemptions for the taxpayer (including, in the case of a married taxpayer filing jointly, the taxpayer's spouse), and the personal exemption amount is zero. See generally Public Law 115-97.

[11] Present law contains an exclusion for employer-provided coverage under accident and health plans (sec. 106) and an exclusion for benefits received by employees under employer-provided accident and health plans (sec. 105(b)). These two exclusions are viewed as a single tax expenditure. Under a normal income tax, the value of employer-provided accident and health coverage would be included in the income of employees, but employees would not be subject to tax on the accident and health insurance benefits (reimbursements) that they might receive.

Under present law, Social Security and tier 1 railroad retirement benefits are partially excluded or fully excluded from gross income.[12] This exclusion of Social Security and railroad retirement benefits is classified as a tax expenditure.

Public assistance benefits are excluded from gross income by statute or by Treasury regulations. Table 1 contains tax expenditure calculations for workers' compensation benefits and special benefits for disabled coal miners.

Gross income does not include the imputed income that individuals receive from the services provided by owner-occupied housing and durable goods.[13] However, the Joint Committee staff does not classify this exclusion as a tax expenditure.[14] The measurement of imputed income for income tax purposes presents administrative problems and its exclusion from taxable income may be regarded as an administrative necessity.[15] Under a normal income tax, individuals are allowed to deduct only the interest on indebtedness incurred in connection with a trade or business or for the production of income. Thus, the deduction for mortgage interest on a principal or second residence is classified as a tax expenditure.

The Joint Committee staff assumes that, for administrative feasibility, a normal income tax would tax capital gains in full in the year the gains are realized through sale, exchange, gift, or transfer at death. Thus, the deferral of tax until realization is not classified as a tax expenditure. However, reduced rates of tax,[16] further deferrals of tax (beyond the year of sale, exchange, gift, or transfer at death), and exclusions of certain capital gains are classified as tax expenditures. Because of the practical need for administrative feasibility, the Joint Committee staff assumes that a normal income tax does not provide for any indexing of the basis of capital

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[12] For taxpayers with modified adjusted gross incomes above certain levels, up to 85 percent of Social Security and tier 1 railroad retirement benefits are includable in income.

[13] The National Income and Product Accounts include estimates of imputed income for owner-occupied housing. The accounts appear in *Survey of Current Business*, published monthly by the U.S. Department of Commerce, Bureau of Economic Analysis. However, a taxpayer-by-taxpayer accounting of imputed income would be necessary for a tax expenditure estimate.

[14] The Treasury provides a tax expenditure calculation for the exclusion of net rental income of homeowners that combines the positive tax expenditure for the failure to impute rental income with the negative tax expenditure for the failure to allow a deduction for depreciation and other costs.

[15] If the imputed income from owner–occupied homes were included in adjusted gross income, it would be proper to include all mortgage interest deductions and related property tax deductions as part of the normal income tax structure, since interest and property tax deductions would be allowable as a cost of producing imputed income. It also would be appropriate to allow deductions for depreciation and maintenance expenses for owner–occupied homes. See Larry Ozanne, "Taxation of Owner-Occupied and Rental Housing." November 2012, Congressional Budget Office Working Paper 2012-14.

[16] The Joint Committee staff reports the surtax on net investment income imposed by section 1411 as a negative tax expenditure. While the net investment income tax partially offsets the reduced rates of tax on capital gains and qualified dividend income, the tax also operates as a special higher rate of tax on investment income. The estimates include both features of the tax.

assets for changes in the general price level. Thus, under a normal income tax (as under present law), the income tax is levied on nominal gains as opposed to real gains in asset values.

There are many types of State and local government bonds and qualified private activity bonds the interest on which is exempt from Federal income taxation or for which a tax credit is available.[17] Table 1 contains a separate tax expenditure listing for each type of bond.

Under the Joint Committee staff view of a normal income tax, compensatory stock options generally are subject to regular income tax at the time the options are exercised and employers receive a corresponding tax deduction.[18] The employee's income is equal to the difference between the purchase price of the stock and the market price on the day the option is exercised. Present law provides for special tax treatment for incentive stock options and options acquired under employee stock purchase plans. When certain requirements are satisfied, then: (1) the income of the employee with respect to the option at the time of exercise is excluded for purposes of the regular income tax but, in the case of an incentive stock option, is included for purposes of the alternative minimum tax ("AMT"); (2) the gain from any subsequent sale of the stock is taxed as a capital gain; and (3) the employer does not receive a tax deduction with respect to the option. The special tax treatment provided to the employee is viewed as a tax expenditure by the Joint Committee staff, and an estimate of this tax expenditure is contained in Table 1. However, the revenue loss from the special tax treatment provided to the employee is accompanied by a significant revenue gain from the denial of the deduction to the employer. The negative tax expenditure created by the denial of the deduction for employers is incorporated in the calculation of the tax expenditure.

The individual AMT and the passive activity loss rules are not viewed by the Joint Committee staff as a part of a normal income tax. Instead, they are viewed as provisions that reduce the magnitude of the tax expenditures to which they apply. For example, the AMT reduces the value of the deduction for State and local income taxes (for those taxpayers subject to the AMT) by not allowing the deductions to be claimed in the calculation of AMT liability. Similarly, the passive loss rules defer otherwise allowable deductions and credits from passive activities until a time when the taxpayer has passive income or disposes of the assets associated with the passive activity. Exceptions to the individual AMT and the passive loss rules are not classified as tax expenditures by the Joint Committee staff because the effects of the exceptions already are incorporated in the estimates of related tax expenditures. In two cases the restrictive effects of the AMT are presented separately because there are no underlying positive tax expenditures reflecting these effects: the negative tax expenditures for the AMT's disallowance of the standard deduction; and the net AMT attributable to the net operating loss limitation.

[17] The authority to issue tax-credit bonds and direct-pay bonds is repealed for bonds issued after December 31, 2017. Table 1 continues to list tax expenditures for these items as they have continuing revenue effects that are associated with ongoing taxpayer activity.

[18] If an option has a readily ascertainable fair market value, then, under a normal income tax, an employee would include that amount in gross income upon receipt (the grant of the option) and the employer would deduct the same amount at the same time.

Business income taxation

Regardless of the legal form of organization (sole proprietorship, partnership, or S or C corporation), the same general principles are used in the computation of taxable business income. Thus, certain business tax expenditures apply equally to incorporated and unincorporated businesses.

One of the most difficult issues in defining tax expenditures for business income relates to the tax treatment of capital costs. Under present law, capital costs may be recovered under a variety of alternative methods, depending on the nature of the costs and the status of the taxpayer. For example, investments in equipment and structures may qualify for tax credits, expensing, accelerated depreciation, or straight-line depreciation. The Joint Committee staff generally classifies as tax expenditures cost recovery allowances that are more favorable than those provided under the alternative depreciation system (sec. 168(g)), which provides for straight-line recovery over tax lives that are longer than those permitted under the accelerated system.

Some economists assert that ratable ("straight-line") cost recovery over a defined period does not correspond with economic depreciation. In particular, some economists have found that economic depreciation follows a geometric pattern, as opposed to a straight-line pattern, because data suggest that a geometric pattern more closely matches the actual pattern of price declines for most asset types. The Bureau of Economic Analysis ("BEA") of the Department of Commerce introduced in 1997 a new methodology for calculating economic depreciation for purposes of the National Income and Product Accounts ("NIPA") that relies on constant (geometric) rates of depreciation rather than the straight-line method used previously and embodied in the alternative depreciation system. Unlike the tax depreciation rules, this analysis is based on separate lives and depreciation rates for each of dozens of types of assets.[19] A somewhat similar result could be reproduced mathematically using the straight-line method and adjusting the recovery period. The straight-line method could be used over a shorter or longer recovery period to provide for a present value of tax depreciation greater than, equal to, or less than the present value of economic depreciation.[20]

The Joint Committee staff estimates another tax expenditure for depreciation in those specific cases where the tax treatment of a certain type of asset deviates from the overall treatment of other similar types of assets. In Table 1, these items are reflected in the various tax expenditure estimates for depreciation. As indicated above, the Joint Committee staff assumes that normal income tax law does not provide for any indexing of the basis of capital assets (nor, for that matter, any indexing with respect to expenses associated with these assets). Thus, normal income tax law does not take into account the effects of inflation on tax depreciation.

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[19] For a detailed discussion of the BEA methodology, see Barbara M. Fraumeni, "The Measurement of Depreciation in the U.S. National Income and Product Accounts," *Survey of Current Business*, 77, July 1997, pp. 7-23.

[20] Tax expenditures are calculated on a cash-flow basis such that two methods of depreciation with equivalent present value may produce both positive and negative tax expenditure estimates on a year-by-year basis relative to economic depreciation.

The Joint Committee staff uses several accounting standards in evaluating the provisions in the Code that govern the recognition of business receipts and expenses. The Joint Committee staff assumes a normal income tax requires the accrual method of accounting (except where its application is deemed infeasible) and the standard of the "all events test" (used in the Code to determine whether an item of gross income is included in gross income or a liability is incurred) over an annual accounting period. For example, in the case of a liability, the all events test is met when all events have occurred which determine the fact of the liability, the amount of such liability can be determined with reasonable accuracy, and economic performance with respect to such liability has occurred during the taxable year.

In general, tax provisions that deviate from these standards are viewed as tax expenditures. For example, the deduction for estimated mine reclamation and closing costs is viewed as a tax expenditure because such costs do not satisfy the economic performance standard. (Adherence to the standard would require that the taxpayer incur the actual mine reclamation and closing costs, rather than reserving for reasonably estimated future mine reclamation and closing costs.) As another example, the one-year deferral of income from certain advance payments is viewed as a tax expenditure because the deferral is an exception to the all events test. (Adherence to the standard would require that the taxpayer recognize the revenue in the year of receipt.)[21]

The Joint Committee staff assumes that a normal income tax provides for the carryback and carryforward of net operating losses. The staff also assumes that the general limits on the number of years that such losses may be carried back or forward were chosen for reasons of administrative convenience and compliance concerns, and so may be assumed to represent a normal income tax. Exceptions to the general limits on carrybacks and carryforwards are viewed as tax expenditures. Limitations on the use of net operating losses to a percentage of taxable income is viewed as a negative tax expenditure.

Corporate income tax

The income of corporations (other than S corporations) generally is subject to a 21-percent corporate income tax.

The recently enacted corporate alternative minimum tax, described in the subsequent section, is viewed as a provision that reduces the magnitude of certain tax expenditures that are disregarded for purposes of the corporate alternative minimum tax.

Passthrough entities are not subject to the corporate income tax. The income of sole proprietorships, S corporations, and most partnerships is taxed only at the individual level. Certain passthrough entities formally treated as corporations (such as regulated investment companies, real estate investment trusts, and cooperatives) are in some circumstances allowed a dividends-paid deduction, which generally results in their paying little to no corporate tax.

[21] The Joint Committee staff is evaluating the extent to which the rule that requires certain taxpayers to include an item of income in gross income no later than when such income is taken into account as revenue for financial statement purposes is a negative tax expenditure. See section 451(b).

Certain charitable organizations that satisfy the requirements of section 501 also generally are not subject to the corporate income tax. The tax exemption for noncharitable organizations that have a direct business analogue or compete with for-profit organizations organized for similar purposes is a tax expenditure.[22] The tax exemption for certain nonprofit cooperative business organizations, such as trade associations, is not treated as a tax expenditure just as the treatment of for-profit passthrough business entities is not treated as a tax expenditure. With respect to other nonprofit organizations, such as charities, tax-exempt status is not classified as a tax expenditure because the nonbusiness activities of such organizations generally must predominate and their unrelated business income is subject to tax.[23] However, there are numerous exceptions that allow for otherwise unrelated business income to escape taxation,[24] and these exceptions are treated as tax expenditures. In general, the imputed income derived from nonbusiness activities conducted by individuals or collectively by certain nonprofit organizations is outside the normal income tax base. However, the ability of donors to such nonprofit organizations to claim a charitable contribution deduction is a tax expenditure, as is the exclusion of income granted to holders of tax-exempt financing issued by charities.

Recent legislation

The Consolidated Appropriations Act, 2021, enacted on December 27, 2020 (Pub. L. No. 116-260), creates two new tax expenditures.

—An employer credit for qualified wages paid by certain employers to certain employees in connection with qualified disasters is created.

—An additional recovery rebate tax credit is created for eligible individuals for 2020. This recovery rebate tax credit is advanceable and refundable.

The Consolidated Appropriations Act, 2021, enacted on December 27, 2020 (Pub. L. No. 116-260), modifies several tax expenditures.

—The 2020 recovery rebate credit is modified by providing that surviving spouses are subject to phase out of the credit at $150,000 of AGI, rather than $75,000 of AGI. The modification applies as if included in section 2201 of the CARES Act (Pub. L. No. 116–136), which was effective on the date of enactment of the CARES Act, March 27, 2020.

—The 2020 recovery rebate credit is also modified by allowing $1,200 credit (subject to income-based phaseouts) in the case of a joint return that includes a valid identification number

[22] These organizations include small insurance companies, mutual or cooperative electric companies, State credit unions, and Federal credit unions.

[23] The tax exemption for charities is not treated as a tax expenditure even if taxable analogues may exist. For example, the tax exemption for hospitals and universities is not treated as a tax expenditure notwithstanding the existence of taxable hospitals and universities.

[24] These exceptions include certain passive income that arguably may relate to business activities, such as royalties or rents received from licensing trade names or other assets typically used in a trade or business, as well as other passive income such as certain dividends and interest. Other exceptions include income derived from certain research activities and income from certain trade show and fair activities.

for only one spouse. The modification applies as if included in section 2201 of the CARES Act (Pub. L. No. 116–136), which was effective on the date of enactment of the CARES Act, March 27, 2020.

—The exclusion from gross income of emergency financial aid grants is modified to incorporate all emergency financial aid grants awarded under sections 3504 and 18004 of the CARES Act and any other emergency financial aid grant made to a student from a Federal agency, a State, an Indian tribe, an institution of higher education, or a scholarship-granting organization for the purpose of providing financial relief to students enrolled at institutions of higher education in response to a qualifying emergency.

—The special rules to money purchase pension plans are modified to treat a coronavirus-related distribution that is an in-service withdrawal as meeting the distribution requirements applicable to qualified retirement plans. The provision is effective as if included in the enactment of section 2202 of the CARES Act.

—Modifications for the treatment of net operating losses ("NOLs") are provided, including a provision in the case of farming losses that allows a taxpayer to elect out of the modifications made by the CARES Act to the 80-percent taxable income limitation and the rules relating to NOL carrybacks.

—The tax credit for qualified sick leave and family leave equivalent amounts for self-employed individuals is extended from April 1, 2021 through September 30, 2021 to become effective on the date of enactment as if included in the provisions of the Families First Coronavirus Response Act to which they relate.

—The tax credit for paid sick and family leave equivalent amounts for self-employed individuals is modified by revising the definition of the qualified sick leave equivalent amount and qualified family leave equivalent amount. For purposes of determining the qualified sick leave equivalent amount and qualified family leave equivalent amount, self-employed individuals may elect to calculate the average daily self-employment income by dividing the net earnings from self-employment of the individual for 2019 (rather than 2020) by 260.

—The health savings account ("HSA") eligibility rules are modified such that an individual does not fail to be treated as an individual eligible to participate in an HSA merely because the individual receives benefits for medical care subject to and in accordance with the applicable provisions of the Code, the PHSA or ERISA, relating to preventing surprise medical billing, or any State law providing similar protections to such individual, and a plan shall not fail to be treated as a high deductible health plan by reason of providing such benefits.

—The medical expense deduction floor is permanently reduced to 7.5 percent of AGI for taxable years beginning after December 31, 2020.

—The energy efficient commercial buildings deduction is modified by adding an inflation adjustment, updating the standards, and making the energy efficient commercial buildings deduction permanent for property placed in service after December 31, 2020.

—The income exclusions for qualified State or local tax benefits and qualified payments provided to members of qualified volunteer emergency response organizations are made permanent for taxable years beginning after December 31, 2020.

—The income threshold for claiming the lifetime learning credit is increased to $80,000 of modified AGI (or $160,000 for married taxpayers filing jointly) for taxable years beginning after December 31, 2020. The credit phases out between $80,000 and $90,000 of modified AGI (or $160,000 and $180,000 for married taxpayers filing jointly).

—The railroad track maintenance credit is made permanent and reduced to 40 percent of qualified railroad track maintenance expenditures paid or incurred by an eligible taxpayer during taxable years beginning on or after January 1, 2023.

—The look-through treatment of payments between related controlled foreign corporations under foreign personal holding company rules is extended for five years to taxable years of foreign corporations beginning before January 1, 2026, and to taxable years of U.S. shareholders with or within which such taxable years of foreign corporations end.

—The new markets tax credit is extended for five years, from 2021 through 2025, permitting up to $5 billion in qualified equity investments for each calendar year. The carryover period for unused new markets tax credits is also extended for five years, through 2030.

—The work opportunity tax credit is extended for five years, applying to individuals who begin work for an employer after December 31, 2020 and before January 1, 2026.

—The exclusion from gross income of discharge of qualified principal residence indebtedness is extended for five years, effective for discharges of indebtedness after December 31, 2020 and before January 1, 2026.

—The seven-year recovery period for motorsports entertainment complexes is extended for five years to apply to property placed in service before January 1, 2026.

—The special treatment for qualified film, television, and live theatrical productions under section 181 is extended for five years to qualified productions commencing prior to January 1, 2026.

—The period for which the designation of an empowerment zone is in effect is extended for five years, through December 31, 2025. The increased section 179 expensing for qualified zone property under section 1397A and deferral of capital gains tax on the sale of qualified assets replaced with other qualified assets under section 1397B are terminated.

—The employer credit for paid family and medical leave is extended for four years to expire on December 31, 2025.

—The exclusion of payments of principal or interest made by an employer on a qualified education loan incurred by an employee of the employer is extended to payments made before January 1, 2026.

—The credit for carbon oxide sequestration is extended for two years through calendar year 2025.

—The renewable electricity production credit is extended for taxable years beginning on or after January 1, 2021. The credit is also modified by adding a 30 percent investment credit for property used in qualified offshore wind facilities.

—The energy investment credit is generally extended for two years, through December 31, 2023. For fiber optic solar property, fuel cell property, and small wind energy property, the energy credit is extended for property the construction of which begins before January 1, 2024, subject to a credit rate phasedown. For solar energy property, the provisions extends the enhanced credit rate through December 31, 2023, subject to a credit rate phasedown. For geothermal heat pump property, microturbine property, and combined heat and power system property, the 10-percent credit is extended for property the construction of which begins before January 1, 2024. The energy investment credit is also modified by adding waste energy recovery property.

—The deduction for qualified mortgage insurance premiums is extended for one year, applying to amounts paid or accrued in taxable year 2021.

—The availability of the health coverage tax credit is extended for 12 months by amending the definition of eligible coverage month to include months beginning before January 1, 2022.

—The Indian employment credit is extended for one year through taxable years beginning on or before December 31, 2021.

—The mine rescue team training credit is extended for one year through taxable years beginning before January 1, 2022.

—The three-year recovery period for race horses is extended for one year to apply to any race horse (regardless of age when placed in service) which is placed in service before January 1, 2022.

—The accelerated depreciation for qualified Indian reservation property is extended for one year to apply to property placed in service before January 1, 2022.

—The American Samoa development credit is extended for one year to apply (a) in the case of a corporation that is an existing credit claimant with respect to American Samoa and that elected the application of section 936 for its last taxable year beginning before January 1, 2006, to the first 16 taxable years of the corporation which begin after December 31, 2005, and before January 1, 2022, and (b) in the case of any other corporation, to the first ten taxable years of the corporation which begin after December 31, 2011 and before January 1, 2022.

—The second generation biofuel producer credit is extended for one year through December 31, 2021.

—The nonbusiness energy property credit is extended for one year through December 31, 2021.

—The credit for fuel cell vehicles is extended for one year through December 31, 2021.

—The credit for alternative fuel refueling property is extended for one year through December 31, 2021.

—The qualified electric motorcycles credit is extended for one year through December 31, 2021.

—The credit for the production of Indian coal is extended for one year through December 31, 2021.

—The energy-efficient homes credit is extended for one year to homes that are acquired prior to January 1, 2022.

—The residential energy efficient property credit is extended for two years through December 31, 2023. The credit rate phasedown rule is also extended. For property placed in service in calendar years 2021 and 2022, the credit rate is 26 percent. For property placed in service in calendar year 2023, the credit rate is 22 percent.

—The low-income housing tax credit is modified by setting a minimum credit rate of 4 percent for certain Federally subsidized buildings placed into service after December 31, 2020. Also, each State's housing credit ceiling for 2021 and 2022 is increased by the amount of housing credit allocated by the State housing credit agency in the calendar year to buildings located in qualified disaster zones in the State, subject to certain limitations.

—A real property trade or business electing out of the interest limitation under section 163(j) is required to use a 30-year ADS recovery period to depreciate any of its residential rental property that was (i) placed in service before January 1, 2018, and (ii) not subject to ADS (regardless of whether the use of ADS was required or elected) prior to January 1, 2018.

—The minimum interest rate under the definition of a life insurance contract is reduced for contracts issued after 2020, from prior-law minimum rates of four percent (or six percent), to the least of three rates used for State insurance regulatory purposes (two percent for contracts issued in 2021 under a transition rule).

—The minimum age at which a pension plan may provide in-service distributions is lowered from age 59 ½ to age 55 in the case of a multiemployer plan that primarily covers employees in the building and construction industry, with respect to individuals who were participants in the plan on or before April 30, 2013, under certain requirements.

—The deduction limitation for any food or beverage expense is modified by providing an exception if such expense is for food or beverages provided by a restaurant and paid or incurred after December 31, 2020 and before January 1, 2023.

—The earned income tax credit is modified by permitting a taxpayer to elect to calculate the taxpayer's EITC and additional child tax credit for taxable years beginning in 2020 using 2019 rather than 2020 earned income if the taxpayer's earned income in 2020 is less than in 2019.

—The deduction for charitable contributions is extended to an individual who does not itemize deductions in an amount not to exceed $300 ($600 in the case of a joint return) for certain charitable contributions made during a taxable year that begins in 2021.

—The temporary modifications of the charitable contribution limits under the CARES Act to contributions made during 2021 are extended by (1) amending the definition of a qualified contribution to include a contribution paid during 2021 and (2) amending the temporary increase in the limit for contributions of food inventory to include contributions made during 2021.

—The rules for a flexible spending arrangement ("FSA") are modified such that for plan years ending in 2020 or 2021, a plan that includes a health FSA or dependent care FSA does not fail to be treated as a cafeteria plan merely because the plan permits participants to use any unused benefits or contributions remaining in the FSA from such plan year to the following plan year, along with additional time-limited modifications.

—An exception to the 10-percent early withdrawal tax for a "qualified disaster distribution" from a qualified retirement plan, a section 403(b) plan, or an IRA, is allowed for a distribution made on or after the first day of the incident period of a qualified disaster and before the date which is 180 days after the date of enactment, to an individual whose principal place of abode at any time during the incident period is located in the qualified disaster area and who has sustained an economic loss by reason of such disaster.

—The qualified disaster relief contribution limitation is increased from 25 percent to 100 percent of a corporation's taxable income.

—The deduction for a personal casualty loss is extended to an individual who has a personal casualty loss which arose in a qualified disaster area on or after the first day of the incident period of the applicable qualified disaster and which was attributable to that qualified disaster.

The American Rescue Plan Act of 2021, enacted on March 11, 2021 (Pub. L. No. 117-2), creates two new tax expenditures.

—A recovery rebate tax credit is created for eligible individuals for 2021. This recovery rebate tax credit is advanceable and refundable.

—An exclusion from gross income is created for up to $10,200 of unemployment compensation for 2020 for taxpayers with adjusted gross income of less than $150,000.

The American Rescue Plan Act of 2021, enacted on March 11, 2021 (Pub. L. No. 117-2), modifies several tax expenditures.

—The limitation on excess business loss of a taxpayer other than a corporation is extended for one year, applying for taxable years beginning after December 31, 2020, and before January 1, 2027.

—The child tax credit is modified by increasing the credit amount from $2,000 to $3,000 for 2021. In the case of a qualifying child who has not attained the age of six as of the close of the calendar year, the credit is increased to $3,600. In addition, the term "qualifying child" is broadened to include a qualifying child who has not attained the age of 18 (instead of 17). The Secretary of Treasury must make payments to each territory of the United States that relate to the cost or approximate cost of that territory's child tax credit or make payments of the credit directly to territory residents.

—The earned income tax credit is modified by expanding eligibility and increasing the amount of credit for taxpayers with no qualifying children for taxable years beginning after December 31, 2020. For taxable years beginning in 2021, in the case of the credit for a taxpayer with no qualifying children, the minimum age is reduced from 25 to 19. The credit percentage and phaseout percentage are increased from 7.65 percent to 15.3 percent. In addition, the earned income amount is increased to $9,820, and the beginning of the phaseout range for non-joint filers is increased to $11,610 ($17,550 if married filing jointly). The maximum amount of the credit is $1,502.

—The earned income tax credit is modified by repealing the rule that an eligible taxpayer with at least one qualifying child who does not claim the EITC with respect to one or more qualifying children due to failure to meet the identification requirements—including the valid SSN requirement—with respect to such children may not claim the EITC for taxpayers with no qualifying children for taxable years beginning after December 31, 2020.

—The earned income tax credit is modified by treating an otherwise married individual separated from the individual's spouse as not married for purposes of the EITC if a joint return is not filed if certain conditions are met for taxable years beginning after December 31, 2020.

—The earned income tax credit is modified by raising the disqualified income maximum amount to $10,000 for taxable years beginning after December 31, 2020.

—The earned income tax credit is modified by requiring the Secretary of Treasury to make payments to the territories of the United States that relate to the cost to each territory of its EITC.

—The earned income tax credit is modified by permitting a taxpayer to elect to calculate the taxpayer's EITC for taxable years beginning in 2021 using 2019 rather than 2021 earned income if the taxpayer's earned income in 2021 is less than in 2019.

—The child and dependent care tax credit is expanded for taxable years beginning after December 31, 2020. The maximum credit rate is also increased to 50 percent, and the initial phaseout level is increased from $15,000 to $125,000.

The exclusion for employer-provided dependent care assistance is modified by increasing the exclusion amount from $5,000 to $10,500 (and half of such dollar amount in the case of a separate return by a married individual) for taxable years beginning after December 31, 2020 and before January 1, 2022.

—The premium assistance credit is modified by reducing or eliminating an individual's or family's share of premiums used in determining the credit amount for taxable years 2021 and 2022. The premium assistance credit is also modified by enabling taxpayers with incomes above the present law limitation of 400 percent of Federal poverty level for the applicable family size to claim the credit for taxable years 2021 and 2022.

—The premium assistance credit is modified by removing the requirement that excess advance payments are treated as an additional tax liability on the individual's income tax return for taxable year 2020.

—The premium assistance credit is modified by providing a rule for the premium assistance credit in the case of a taxpayer who has received, or has been approved to receive, unemployment compensation for any week beginning during calendar year 2021.

—The provision permitting taxpayers to elect to allocate and apportion interest expense on a worldwide basis is repealed for taxable years beginning after December 31, 2020.

—The exclusion from gross income of EIDL grants is extended to new targeted EIDL advances granted after enactment of this Act.

—An exclusion from gross income of restaurant revitalization grants is provided for restaurant revitalization grants received after enactment of this Act.

—The exclusion from gross income for amounts from the discharge of student loan or private education loan indebtedness is modified by expanding its application to discharges of loans (in whole or in part) after December 31, 2020 and before January 1, 2026.

—The deduction limitation on excessive employee remuneration is modified by expanding the definition of "covered employee" to include the next five highest-compensated employees of the corporation (regardless of whether they are officers) for taxable years beginning after December 31, 2026, resulting in at least 10 covered employees for each taxable year.

The Infrastructure Investment and Jobs Act, enacted on November 15, 2021 (Pub. L. No. 117-58), modifies several tax expenditures.

—A new category of exempt facility bonds is created for qualified broadband projects.

—A new category of exempt facility bonds is created for qualified carbon dioxide capture facilities.

—The national volume limitation applicable to exempt facility bonds for qualified highway or surface freight transfer facilities is increased to $30,000,000,000.

—The contribution in aid of construction provisions that were repealed by Pub. L. No. 115-97 for regulated public utilities that provide water or sewerage disposal services are restored for contributions made after December 31, 2020.

The Consolidated Appropriations Act, 2022, enacted on March 15, 2022 (Pub. L. No. 117-103), modifies one tax expenditure.

—The exemption for telehealth services with regard to HSA eligibility and high deductible health plans is extended to include months beginning after March 31, 2022, and before January 31, 2023.

The CHIPS Act of 2022, enacted on August 9, 2022 (Pub. L. No. 117-167), creates one new tax expenditure.

— An investment tax credit is created for qualified investments in an advanced manufacturing facility by an eligible taxpayer for property the construction of which begins prior to January 1, 2027.

The Act to provide for reconciliation pursuant to Title II of S. Con. Res. 14 (the "Inflation Reduction Act of 2022"), enacted on August 16, 2022 (Pub. L. No. 117-169), creates several new tax expenditures.

—A credit is created for the production of nuclear power produced in the United States by the taxpayer at a qualified nuclear power facility and sold by the taxpayer to an unrelated person.

—A credit is created for sustainable aviation fuel. For this purpose, sustainable aviation fuel is a liquid fuel, the portion of which is not kerosene, that (1) meets the requirements of either ASTM International Standard D7566 or the Fischer Tropsch provisions of ASTM International Standard D1655, Annex 1, (2) is not derived from coprocessing an applicable material (or materials derived from an applicable material) with a feedstock that is not biomass, (3) is not derived from palm fatty acid distillates or petroleum, and (4) has been certified, as provided by the provision, to achieve at least a 50 percent lifecycle greenhouse gas reduction percentage of at least 50 percent in comparison with petroleum-based jet fuel.

—A credit is created for qualified clean hydrogen production. Qualified clean hydrogen means hydrogen that is produced through a process that results in a lifecycle greenhouse gas emissions rate of not greater than 4 kilograms of CO2e per kilogram of hydrogen. The hydrogen must be produced in the United States or a possession of the United States in the ordinary course of a trade or business of the taxpayer for sale or use.

—A credit is created for previously-owned clean vehicles (electric vehicles or fuel-cell vehicles) placed in service by a qualified buyer.

—A credit is created for new commercial clean vehicles (electric vehicles or fuel-cell vehicle) placed in service by a taxpayer.

—A credit is created for any solar energy component, any wind energy component, certain, any qualifying battery component, or any applicable critical mineral that are produced by the taxpayer and sold to an unrelated person during the taxable year.

—A credit is created for clean electricity production by the taxpayer at a qualified facility and sold to an unrelated person during the taxable year. The credit is also available where such electricity is consumed or stored by the taxpayer during the taxable year and there is no third-party sale, but only if the qualified facility is equipped with a metering device owned and operated by an unrelated person.

—A credit is created for clean electricity investment equal to the applicable percentage of qualified investment for any taxable year with respect to any qualified facility and any energy storage technology.

—A credit is created for clean transportation fuel. For this purpose, clean transportation fuel is a fuel suitable for use as a fuel in a highway vehicle or aircraft, has an emissions rate which is not greater than 50 kilograms of CO2e per mmBtU, and is not derived from coprocessing an applicable material (or material derived from an applicable material) with a feedstock which is not biomass.

The Act to provide for reconciliation pursuant to Title II of S. Con. Res. 14 (the "Inflation Reduction Act of 2022"), enacted on August 16, 2022 (Pub. L. No. 117-169), modifies several tax expenditures, including adding workforce requirements to the following Code sections: 30C, 45, 45L, 45Q, 48, 48C, and 179D.

—Corporations meeting certain requirements are subject to a new corporate alternative minimum tax that is based on adjusted financial statement income. The tax equals the excess (if any) of (1) the tentative minimum tax for the taxable year, over (2) the regular tax (as defined in section 55(c)) for the taxable year plus the tax imposed by section 59A for the taxable year. The tentative minimum tax for an applicable corporation for a taxable year is the excess of (i) 15 percent of the adjusted financial statement income (as reduced by certain financial statement net operating losses, described below) for the taxable year, over (ii) the book minimum tax foreign tax credit for such taxable year.

—A safe harbor is created that permits a high deductible health plan to provide selected insulin products without satisfaction of the plan's minimum deductible.

—The reduction or elimination of an individual's or family's share of premiums used in determining the amount of the premium assistance credit for taxable years beginning after December 31, 2022 is extended through 2025. The rule to make the premium assistance credit available to taxpayers with incomes above the limitation of 400 percent of Federal poverty level for the applicable family size is also extended through 2025.

—The section 45 renewable electricity production credit is extended and modified.

—The temporary portions of the section 48 energy credit are extended and modified. The section 48 energy credit is also modified by adding a bonus credit for certain qualified solar and wind facilities placed in service in connection with low-income communities.

—The section 45Q credit for carbon oxide sequestration is extended and modified.

—The section 40A income tax credit for biodiesel, renewable diesel, alternative fuel, and related mixtures are extended through December 31, 2024.

—The section 40 credit for second generation biofuel production is extended for three years through December 31, 2024.

—The section 25C credit for nonbusiness energy property is extended for eleven years, through December 31, 2032.

—The section 25D residential energy efficient property credit is extended for eleven years, through December 31, 2034.

—The section 179D energy efficient commercial buildings deduction is modified.

—The section 45L credit for new energy efficient homes is extended and modified.

—The section 30D credit is modified to apply to new clean vehicles (electric vehicles and fuel cell vehicles). The credit amount is modified to depend on meeting critical mineral and battery component requirements.

—The section 30C credit for qualified alternative fuel refueling property is extended and modified.

—The section 48C credit for investment in qualified property used in a qualifying advanced energy project is modified, and an additional $10 billion of credits are authorized to be allocated.

—The section 168 five-year MACRS recovery period for certain energy property is modified by adding any qualified facility, any qualified property which is a qualified investment, and any energy storage technology, as those terms are defined for purposes of the clean electricity production and clean electricity investment credits.

—The limitation on excess business loss of a taxpayer other than a corporation is extended for two years, applying for taxable years beginning after December 31, 2020, and before January 1, 2029.

Comparisons with Treasury

The Joint Committee staff and Treasury lists of tax expenditures differ in at least six respects. First, the Joint Committee staff and the Treasury use differing methodologies for the estimation of tax expenditures. Thus, the estimates in Table 1 are not necessarily comparable with the estimates prepared by the Treasury. Under the Joint Committee staff methodology, each tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result if the tax expenditure provision were repealed and taxpayers were allowed to take advantage of any of the remaining tax expenditure provisions that apply to the income or the expenses associated with the repealed tax expenditure.

For example, the tax expenditure provision for the exclusion of employer-paid health insurance is measured by the difference between tax liability under present law and the tax liability that would result if the exclusion were repealed and taxpayers were allowed to claim the next best tax treatment for the previously excluded employer-paid health insurance. This next best tax treatment could be the inclusion of the employer-paid health insurance as an itemized medical deduction on Schedule A (Form 1040).[25]

Under the Treasury methodology, each tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result if the tax expenditure provision were repealed and taxpayers were prohibited from taking advantage of any of the remaining tax expenditure provisions that apply to the income or the expenses associated with the repealed tax expenditure. For example, the tax expenditure provision for the exclusion for employer-paid health insurance is measured by the difference between tax liability under present law and the tax liability that would result if the exclusion were repealed and taxpayers were required to include all of the employer-paid health insurance in income, with no offsetting deductions (*i.e.*, no deductibility on Schedule A (Form 1040)).

Second, the Treasury uses a different classification of those provisions that can be considered a part of a normal income tax under both the individual and business income taxes. In general, the Joint Committee staff methodology involves a broader definition of the normal income tax base. In addition, the Joint Committee list of tax expenditures includes some provisions that are not contained in the Treasury list. The cash method of accounting by certain businesses provides an example. The Treasury considers the cash accounting option for certain businesses to be a part of a normal income tax, but the Joint Committee staff methodology treats it as a departure from a normal income tax that constitutes a tax expenditure.

Third, the Joint Committee staff and the Treasury estimates of tax expenditures may also differ as a result of differing data sources and differences in baseline projections of incomes and expenses. The Treasury's tax expenditure calculations are based on the Administration's economic forecast. The Joint Committee staff calculations are based on the economic forecast prepared by the CBO.

Fourth, the Joint Committee staff and the Treasury estimates of tax expenditures span different sets of years. The Treasury's estimates cover an 11-year period: the last fiscal year, the current fiscal year when the President's budget is submitted, and the next nine fiscal years, *i.e.*, fiscal years 2022-2032. The Joint Committee staff estimates cover a five-year period from 2022-2026.

Fifth, the Joint Committee staff list excludes those provisions that are estimated to result in revenue losses below the *de minimis* amount, *i.e.*, less than $50 million over the five fiscal years 2022 through 2026. The Treasury rounds all yearly estimates to the nearest $10 million

[25] If the exclusion were repealed, the value of the employer-paid health insurance would be included in income and taxpayers would be treated as having purchased the insurance themselves. Thus, the insurance expense would be deductible as an itemized medical expense on Schedule A (Form 1040), subject to the itemized medical deduction floor.

and excludes those provisions with estimates that round to zero in each year, *i.e.*, provisions that result in less than $5 million in revenue loss in each of the years 2022 through 2032.

Finally, the Joint Committee staff list formally integrates negative tax expenditures into its standard presentation.

In some cases, two or more of the tax expenditure items in the Treasury list have been combined into a single item in the Joint Committee staff list, and vice versa. The Table 1 descriptions of some tax expenditures also may vary from the descriptions used by the Treasury.

There are some tax expenditure provisions that are contained in the Treasury list but are not contained in the Joint Committee staff list. Two of these provisions involve exceptions to the passive loss rules: the exception for working interests in oil and gas properties, and the exception for up to $25,000 of rental losses. The Joint Committee staff does not classify these two provisions as tax expenditures; the effects of the passive loss rules (and exceptions to the rules) are included in the estimates of the tax expenditure provisions that are affected by the rules.[26]

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[26] See discussion of the passive loss rules above.

II. MEASUREMENT OF TAX EXPENDITURES

Tax expenditure calculations generally

A tax expenditure is measured as the difference between tax liability under present law and the tax liability that would result from a recomputation of tax without benefit of the tax expenditure provision.[27] Taxpayer behavior is assumed to remain unchanged for tax expenditure estimate purposes.[28] This assumption is made to simplify the calculation and conform to the presentation of government outlays. This approach to tax expenditure measurement is in contrast to the approach taken in revenue estimating; all Joint Committee staff revenue estimates reflect anticipated taxpayer behavior.

The tax expenditure calculations in this report are based on the March 2022 CBO revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2022-2026. These projections are used to compute tax liabilities for the present-law revenue baseline and tax liabilities for the alternative baseline that assumes that the tax expenditure provision does not exist.

Internal Revenue Service ("IRS") statistics from recent tax returns are used to develop projections of the tax credits, deductions, and exclusions that will be claimed (or that will be denied in the case of negative tax expenditures) under the present-law baseline.[29] These IRS statistics show the actual usage of the various tax expenditure provisions. In the case of some tax expenditures, such as the earned income credit, there is evidence that some taxpayers are not claiming all the benefits to which they are entitled, while others are filing claims that exceed their entitlements. The tax expenditure calculations in this report are based on projections of actual claims under the various tax provisions, not the potential tax benefits to which taxpayers are entitled.

Some tax expenditure calculations are partly based on statistics for income, deductions, and expenses for prior years. Accelerated depreciation is an example. Estimates for this tax expenditure are based on the difference between tax depreciation deductions under present law

[27] An alternative way to measure tax expenditures is to express their values in terms of "outlay equivalents." An outlay equivalent is the dollar size of a direct spending program that would provide taxpayers with net benefits that would equal what they now receive from a tax expenditure. For positive tax expenditures, the major difference between outlay equivalents and the tax expenditure calculations presented here is accounting for whether a tax expenditure converted into an outlay payment would itself be taxable, so that a gross-up might be needed to deliver the equivalent after-tax benefits.

[28] An exception to this absence of behavior in tax expenditure calculations is that a taxpayer is assumed to make simple additions or deletions in filing tax forms, what the Joint Committee staff refers to as "tax form behavior." For example, as noted above, if the exclusion for employer-paid health insurance were repealed, taxpayers would be allowed to claim the next best tax treatment for the previously excluded insurance. This next best tax treatment could be the inclusion of the employer-paid health insurance as an itemized medical deduction on Schedule A (Form 1040). Similarly, a taxpayer that is eligible for one of two alternative credits is assumed to file for the second credit if the first credit is eliminated.

[29] See *Estimating Changes in the Federal Individual Income Tax: Description of the Individual Tax Model* (JCX-75-15), April 23, 2015.

and the deductions that would have been claimed in the current year if investments in the current year and all prior years had been depreciated using the alternative (normal income tax law) depreciation system.

Each tax expenditure is calculated separately, under the assumption that all other tax expenditures remain in the Code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately, as a result of interactions among the tax expenditure provisions.[30]

Year-to-year differences in the calculations for each tax expenditure reflect changes in tax law, including phaseouts of tax expenditure provisions and changes that alter the definition of the normal income tax structure, such as the tax rate schedule and the amount of the standard deduction. For example, the dollar level of tax expenditures tends to increase and decrease as tax rates increase and decrease, respectively, without any other changes in law. Some of the calculations for this tax expenditure report may differ from estimates made in previous years because of changes in law and economic conditions, the availability of better data, and improved measurement techniques.

If a tax expenditure provision were eliminated, Congress might choose to continue financial assistance through other means rather than terminate all Federal assistance for the activity. If a replacement spending program were enacted, the higher revenues received as a result of the elimination of a tax expenditure might not represent a net budget gain. A replacement program could involve direct expenditures, direct loans or loan guarantees, regulatory activity, a mandate, a different form of tax expenditure, or a general reduction in tax rates. Joint Committee staff estimates of tax expenditures do not anticipate such policy responses.

Tax expenditures versus revenue estimates

A tax expenditure calculation is not the same as a revenue estimate for the repeal of the tax expenditure provision for three reasons. First, unlike revenue estimates, tax expenditure calculations do not incorporate the effects of the behavioral changes that are anticipated to occur in response to the repeal of a tax expenditure provision. Second, some of the tax provisions that provide an exclusion from income also apply to the FICA tax base, and the repeal of the income tax provision would automatically increase FICA tax revenues as well as income tax revenues. This FICA effect would be reflected in revenue estimates but is not considered in tax expenditure calculations. There may also be interactions between income tax provisions and other Federal taxes such as excise taxes and the estate and gift tax.

[30] See Leonard E. Burman, Christopher Geissler, and Eric J. Toder, "How Big Are Total Individual Income Tax Expenditures, and Who Benefits from Them?" *American Economic Review*, 98, May 2008, pp. 79-83.

Third, tax expenditure calculations are concerned with changes in the reported tax liabilities of taxpayers.[31] Because tax expenditure analysis focuses on tax liabilities as opposed to Federal government tax receipts, there is no concern for the short-term timing of tax payments. Revenue estimates are concerned with changes in Federal tax receipts that are affected by the timing of all tax payments. If a tax expenditure were repealed, it is likely that the repeal would be made effective for taxable years beginning after a certain date. Because most individual taxpayers have taxable years that coincide with the calendar year, the repeal of a provision affecting the individual income tax most likely would be effective for taxable years beginning after December 31 of a certain year. However, the Federal government's fiscal year begins October 1. Thus, the revenue estimate for repeal of a provision would show a smaller revenue gain in the first fiscal year than in subsequent fiscal years, because the repeal would be effective a few months after the start of the Federal government's fiscal year. The revenue estimate might also reflect some delay in the timing of the revenue gains as a result of the taxpayer tendency to postpone or forgo changes in tax withholding and estimated tax payments, and very often repeal or modification of a tax provision includes transition relief that would not be captured in a tax expenditure calculation.

Quantitatively *de minimis* tax expenditures

The following tax provisions are viewed as tax expenditures by the Joint Committee staff but are not listed in Table 1 because the estimated revenue losses, or in the case of negative tax expenditures gains, for fiscal years 2022 through 2026 are below the *de minimis* amount ($50 million). A provision that is a negative tax expenditure is indicated by an " * ".

International affairs

—Miscellaneous nonresident individual income tax exclusions (certain gambling winnings (sec. 871(j)), ship or aircraft operation income, certain exchange or training programs compensation, bond income of residents of the Ryukyu Islands, certain wagering income (sec. 872(b)))

—Miscellaneous foreign corporate income tax exclusions (ship or aircraft operation income, foreign railroad rolling stock earnings, certain communication satellite earnings (sec. 883))

Energy

—Credit for fuel cell vehicles (sec. 30B)

—Credit for electric motorcycles (sec. 30D)

—Credit for second-generation biofuel production (sec. 40(a)(4))

—Credit for biodiesel and renewable diesel fuel (sec. 40A)

[31] Reported tax liabilities may reflect compliance issues, and thus calculations of tax expenditures reflect existing compliance issues.

—Credit for enhanced oil recovery costs (sec. 43)

—Credit for electricity production from closed-loop biomass facilities (sec. 45(d)(2))

—Credit for producing oil and gas from marginal wells (sec. 45I)

—Credit for production of electricity from qualifying advanced nuclear power facilities (sec. 45J)

—Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects (sec. 142(a)(14))

—Seven-year MACRS Alaska natural gas pipeline (sec. 168(e)(3)(C))

—Expensing of tertiary injectants (sec. 193)

Commerce and housing

—Exclusion of investment income from structured settlement arrangements (secs. 72(u)(3)(C) and 130)

—Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument (sec. 108(i))

—Alaska Native Corporation trusts (secs. 139G, 247, and 646)

—Bad debt reserves of financial institutions (sec. 585)

—Deferral of gain on sales of property to comply with conflict-of-interest requirements (sec. 1043)

—Reduced rates of tax on gains from the sale of self-created musical works (sec. 1221(b)(3))

—Exclusion of gain or loss on sale or exchange of brownfield property (sec. 512(b)(19))

Transportation

—Exclusion of interest on State and local qualified private activity bonds for high-speed intercity rail facilities (sec. 142(a)(11))

Community and regional development[32]

—Exclusion of Indian general welfare benefits (sec. 139E)

—Issuance of tribal economic development bonds (sec. 7871(f))

—Employer credit for qualified wages paid by certain employers to certain employees in connection with disasters (sec. 303 of Division EE of Pub. L. No. 116-260)

Education, training, employment, and social services

—Exclusion of Olympic and Paralympic medals and prizes (sec. 74(d))

—Exclusion of interest on educational savings bonds (sec. 135)

—Exclusion of restitution payments received by victims of the Nazi regime and the victims' heirs and estates (sec. 803 of Pub. L. No. 107-16)

Health

—Archer medical savings accounts (sec. 220)

Income security

—Credit for the elderly and disabled (sec. 22)

—Credit for new retirement plan expenses of small businesses (sec. 45E)

—ABLE accounts (sec. 529A)

—Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty (sec. 101(h))

Veterans' benefits and services

—Burial expenses for veterans (sec. 134 and 38 U.S.C. 5301)

Administration of justice

—Exclusion of certain amounts received by wrongfully incarcerated individuals (sec. 139F)

—Denial of deduction for payments related to sexual harassment and sexual abuse subject to nondisclosure agreements (sec. 162(q))*

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[32] The section 45A credit for Indian reservation employment is not listed in Table 1 because it expired after 2021 and does not have continuing revenue effects above the *de minimis* amount.

General government

—American Samoa economic development credit (sec. 119 of Pub. L. No. 109-432)

Interest

—Exclusion of interest received in action to recover property seized by the Internal Revenue Service based on structuring transaction (sec. 139H)

Tax expenditures for which quantification is not available

The following tax provisions are viewed as tax expenditures by the Joint Committee staff but are not listed in Table 1 because the projected revenue changes are unavailable (a provision that is a negative tax expenditure is indicated by an " * "):

International affairs

—Deduction for U.S. employment tax paid under section 3121(l) agreements for employees of foreign affiliates

—Doubling of tax rates on citizens and corporations of certain foreign countries*

Energy

—Accelerated deductions for nuclear decommissioning costs (sec. 468A)

—Fossil fuel capital gains treatment (sec. 631(c))

Natural resources and environment

—Exception to partial interest rule for qualified conservation contribution (sec. 170(h))

—Exclusion of interest on State and local government private activity bonds for qualified carbon dioxide capture facilities (sec. 142(a)(17))

Agriculture

—10-year MACRS for single purpose agricultural or horticultural structures (sec. 168(e)(3), (i)(13))

—Exceptions from dealer disposition definition for installment sales (sec. 453(l)(2)(A))

—Exception from interest calculation on installment sales for small dispositions (sec. 453A(b)(3))

Commerce and housing credit

—Unrecaptured section 1250 gain rate (section 1(h)), which applies to depreciation taken on real property

—Disallowance of deduction for unreimbursed expenses attributable to trade or business of the performance of services as an employee* (sec. 62(a)(1))

—Treatment of loans under life insurance and annuity contracts and 401(k) plans (secs. 72(e), 72(p), and 7702)

—Deduction for investment expenses* (sec. 212)

—Amortization of organizational expenditures (sec. 248)

—Deferral of prepaid subscription income (sec. 455)

—Deferral of prepaid dues income of certain membership organizations (sec. 456)

—Exemption for cemetery companies (sec. 501(c)(13))

—Certain exceptions to the UBTI rules (secs. 512-514)

- Passive income gains
- Income from certain research
- Trade shows and fairs
- Bingo games
- Pole rentals
- Sponsorship payments
- Real estate exception to the debt-financed income rules

—Amortization of partnership organization and syndication fees (sec. 709)

—Nonrecognition of in-kind distributions by regulated investment companies in redemption of their stock (sec. 852(b)(6))

—Specific identification of sold equities (sec. 1012 (and Treas. Reg. sec. 1012-1))

—Losses on small business stock (secs. 1242-1244)

—Special discount rate rule for certain debt instruments where stated principal amount is $2.8 million or less (sec. 1274A)

—Tax treatment of convertible bonds (Treas. Reg. sec. 1.1275-4; Rev. Rul. 2002-31)

—Nondeductibility of excise taxes imposed on employers whose employees receive premium assistance credits* (secs. 275(a)(6) and 4980H(c)(7))

—Nondeductibility of annual fees imposed on certain drug manufacturers or importers* (sec. 275(a)(6); sec. 9008(f)(2) of Pub. L. No. 111-148)

General government

—Exclusion of Guam, American Samoa, and Northern Mariana Islands income (sec. 931)[33]

—Exclusion of U.S. Virgin Islands income (sec. 932(c)(4))

—Exclusion of Puerto Rico income (sec. 933)

[33] Also includes the exclusion of Guam income under the rules coordinating United States and Guam individual income taxes (former sec. 935, which remains in effect with respect to Guam and the Northern Mariana Islands).

III. TAX EXPENDITURE ESTIMATES

Tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Within each budget function, tax expenditures are ordered by the Code section that provides for the special treatment. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any single budget category have been placed in the most appropriate category. Totals for each tax expenditure are presented for the five-year period covering fiscal years 2022-2026, respectively.

Several of the tax expenditure items involve small amounts of revenue, and those estimates are indicated in Table 1 by footnote 3. For each of these items, the footnote means that the tax expenditure is less than $50 million in the fiscal year.

Table 2 presents distributional projections of tax return data for each of nine income classes including: (1) the number of all returns (including filing and nonfiling units), (2) the number of taxable returns, (3) the number of returns with itemized deductions, and (4) the amount of tax liability.

Table 3 provides distributional estimates by income class for some of the tax expenditures that affect individual taxpayers. Not all tax expenditures that affect individuals are shown in this table because of the difficulty in making reliable estimates of the income distribution of items that do not appear on tax returns under present law.

Table 1.--Tax Expenditure Estimates By Budget Function, Fiscal Years 2022 - 2026 [1]

[Billions of Dollars]

Function	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
National Defense											
Deduction for overnight-travel expenses of national guard and reserve members	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of military disability benefits	---	---	---	---	---	0.3	0.3	0.3	0.4	0.4	1.7
Exclusion of combat pay	---	---	---	---	---	0.8	0.9	0.9	1.0	1.2	4.8
Exclusion of benefits and allowances to armed forces personnel	---	---	---	---	---	5.9	6.3	6.5	6.9	7.6	32.2
International Affairs											
Election to deduct foreign taxes instead of a credit	2.5	2.5	2.7	3.0	3.1	---	---	---	---	---	13.8
Deduction for foreign-derived intangible income derived from trade or business within the United States	14.1	14.9	15.6	15.7	12.4	---	---	---	---	---	72.6
Reduced tax rate on active income of controlled foreign corporations	45.5	45.1	46.3	47.9	39.5	---	---	---	---	---	224.3
Exclusion of foreign earned income:											
Salary	---	---	---	---	---	6.3	6.7	7.2	7.6	8.2	36.0
Housing	---	---	---	---	---	1.0	1.0	1.0	1.1	1.1	5.2
Exclusion of certain allowances for Federal employees abroad	---	---	---	---	---	1.6	1.7	1.7	1.8	1.9	8.7
Exclusion of certain income of CFCs under 951 and 951A	1.0	1.4	1.6	1.8	2.0	---	---	---	---	---	7.8
Special rules for interest-charge domestic international sales corporations	1.8	2.0	2.1	2.1	2.0	---	---	---	---	---	10.1
Election to be taxed on notional shipping income based on tonnage	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5
General Science, Space, and Technology											
Credit for increasing research activities (section 41)	15.1	17.0	19.0	20.5	21.8	1.7	1.9	2.1	2.3	2.4	103.9
Expensing of research and experimental expenditures	0.9	---	---	---	---	[2]	---	---	---	---	1.0

Function	Corporations 2022	2023	2024	2025	2026	Individuals 2022	2023	2024	2025	2026	Total 2022-26
Energy											
Residential clean energy credit	---	---	---	---	---	2.1	2.0	1.9	1.9	1.9	9.7
Energy efficient home improvement credit	---	---	---	---	---	2.0	2.1	2.1	2.1	2.2	10.5
Credits for alternative technology vehicles:											
Other alternative fuel vehicles	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Credit for plug-in electric vehicles	0.8	---	---	---	---	0.9	---	---	---	---	1.7
Clean vehicle credit	---	---	---	---	---	---	0.1	0.5	0.6	0.7	1.9
Credit for previously owned plug-in electric vehicles…	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.4
Credit for qualified commercial clean vehicles…	---	0.2	0.2	0.2	0.3	---	---	---	---	---	1.0
Credit for production of clean hydrogen [4]	---	0.1	0.4	0.6	0.9	---	---	---	---	---	2.0
Clean fuel production [4]	---	---	---	-0.6	-0.8	---	---	---	---	---	-1.4
Credits for electricity production from renewable resources (section 45):											
Wind	2.2	2.3	2.4	2.5	2.8	0.1	0.1	0.1	0.1	0.1	12.7
Geothermal	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9
Qualified hydropower	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Small irrigation power	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Municipal solid waste	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.6
Open-loop biomass	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.6
Coal production credits:											
Refined coal	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Indian coal	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Credit for carbon dioxide sequestration	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.2
Energy credit (section 48):											
Solar	5.0	5.1	5.9	6.5	7.0	0.5	0.6	0.7	0.7	0.8	32.8
Geothermal	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Fuel Cells	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.4
Microturbines	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Combined heat and power	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Small wind	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Geothermal heat pump systems	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.1	---	---	---	---	---	0.8
Credit for investment in advanced energy property	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1

Function	Corporations 2022	2023	2024	2025	2026	Individuals 2022	2023	2024	2025	2026	Total 2022-26
Credit for holders of clean renewable energy bonds (sections 54 and 54C) [3][4][5]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Credit for holders of qualified energy conservation bonds [3][4][5]	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.1
Exclusion of energy conservation subsidies provided by public utilities	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.1
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Credit for alternative fuel vehicle refueling property	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Credit for construction of energy-efficient new homes	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8
Energy efficient commercial buildings deduction	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Advanced manufacturing production credit	---	1.8	2.5	2.7	3.2	---	---	---	---	---	10.2
Zero emission nuclear power production credit	---	---	2.2	3.6	3.7	---	---	---	---	---	9.4
Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.6
Depreciation recovery periods for energy-specific items [7]:											
Five-year MACRS for certain energy property (solar, wind, etc.)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.4
10-year MACRS for smart electric distribution property	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.2
15-year MACRS for certain electric transmission property	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.2
15-year MACRS for natural gas distribution line	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.3
Amortization of air pollution control facilities	0.4	0.4	0.5	0.5	0.6	---	---	---	---	---	2.3
Excess of percentage over cost depletion:											
Oil and gas	0.5	0.5	0.6	0.6	0.6	[2]	[2]	[2]	[2]	[2]	2.7
Other fuels	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.6
Expensing of exploration and development costs:											
Oil and gas	0.3	0.3	0.3	0.4	0.4	0.1	0.1	0.1	0.1	0.1	2.2
Other fuels	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Exceptions for publicly-traded partnership with qualified income derived from certain energy-related activities	---	---	---	---	---	0.4	0.4	0.5	0.6	0.7	2.7
Natural Resources and Environment											
Expensing of timber-growing costs	0.3	0.3	0.3	0.3	0.3	[2]	[2]	[2]	[2]	[2]	1.6

Function	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
Special depreciation allowance for certain reuse and recycling property	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Amortization and expensing of reforestation expenditures	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.8
Special rules for mining reclamation reserves	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Special tax rate for nuclear decommissioning reserve funds	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.2
Exclusion of earnings of certain environmental settlement funds	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Excess of percentage over cost depletion, nonfuel minerals	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Expensing of exploration and development costs, nonfuel minerals	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.5
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Agriculture											
Exclusion of cancellation of indebtedness income of farmers	---	---	---	---	---	---	---	0.1	0.1	0.1	0.3
Exclusion of cost-sharing payments	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Two-year carryback period for net operating losses attributable to farming	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.4
Expensing of soil and water conservation expenditures	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.4
Expensing by farmers for fertilizer and soil conditioner costs	[2]	[2]	[2]	[2]	[2]	0.1	0.2	0.1	0.1	[2]	0.7
Cash accounting for agriculture	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Income averaging for farmers and fishermen	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	1.1
Commerce and Housing											
Exclusion of State and local government private activity bonds for broadband…	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Reduced rates of tax on dividends and long-term capital gains	---	---	---	---	---	238.8	238.8	225.1	215.1	221.8	1,139.6
Credit for low-income housing	10.4	11.6	13.0	14.1	15.0	0.1	0.2	0.2	0.2	0.2	65.0
Credit for employer-paid FICA taxes on tips	0.5	0.6	0.6	0.6	0.7	0.9	1.1	1.2	1.2	1.3	8.6
Credit for rehabilitation of historic structures	1.1	1.2	1.3	1.3	1.4	0.3	0.4	0.4	0.4	0.4	8.3
Exclusion of capital gains on sales of principal residences	---	---	---	---	---	45.2	42.6	42.1	43.2	45.8	218.9

Function	Corporations 2022	Corporations 2023	Corporations 2024	Corporations 2025	Corporations 2026	Individuals 2022	Individuals 2023	Individuals 2024	Individuals 2025	Individuals 2026	Total 2022-26
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.2	0.2	0.2	0.2	0.2	0.9	0.9	0.9	0.9	1.0	5.9
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing [8]	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.7	0.7	0.8	4.4
Exclusion of interest on State and local government small-issue qualified private activity bonds	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.6
Limitation on deduction for FDIC premiums*	-1.5	-1.5	-1.5	-1.5	-1.6	---	---	---	---	---	-7.6
Deduction for mortgage interest on owner-occupied residences	---	---	---	---	---	26.8	29.2	31.0	32.2	84.1	203.3
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness	---	---	---	---	---	0.2	0.2	0.2	0.2	[2]	0.7
Limitation on net interest deduction to 30 percent of adjusted taxable income*	-9.1	-15.8	-17.7	-19.4	-20.8	-0.8	-1.5	-1.6	-1.8	-1.9	-90.3
Depreciation of equipment in excess of the alternative depreciation system [7]	39.8	38.5	15.8	-3.0	-17.0	19.9	19.4	9.0	0.5	-5.5	117.3
Depreciation of rental housing in excess of alternative depreciation system	0.9	0.8	0.8	0.7	0.6	5.8	5.5	5.1	4.7	4.5	29.4
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	3.5
7-year recovery period for motorsports entertainment complexes	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.3
Limit NOL deduction*	-0.8	-0.9	-1.0	-1.0	-1.0	-0.1	-0.1	-0.1	-0.1	-0.1	-5.2
Insurance companies (other than life insurance companies) two-year NOL carryback	3.2	3.3	3.4	3.4	3.7	0.4	0.4	0.4	0.4	0.4	18.9
Expensing under section 179 of depreciable business property	0.2	0.7	0.9	1.1	1.1	1.4	4.8	6.8	7.7	9.0	33.7
Expensing of magazine circulation expenditures	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Amortization of business startup costs	[2]	[2]	[2]	[2]	[2]	0.2	0.2	0.2	0.2	0.2	1.2
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
20-percent deduction for qualified business income	---	---	---	---	---	54.2	56.9	59.3	62.2	25.3	258.0

Function	Corporations 2022	Corporations 2023	Corporations 2024	Corporations 2025	Corporations 2026	Individuals 2022	Individuals 2023	Individuals 2024	Individuals 2025	Individuals 2026	Total 2022-26
Distributions in redemption of stock to pay various taxes imposed at death	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.4
Cash accounting, other than agriculture	0.6	0.5	0.6	0.6	0.6	2.4	2.5	2.5	2.6	2.7	15.6
Deferral of certain advance payments	1.4	1.4	1.4	1.5	1.5	0.4	0.4	0.4	0.5	0.5	9.4
Deferral of gain on non-dealer installment sales	4.2	4.4	4.7	5.0	5.3	1.3	1.3	1.4	1.4	1.5	30.5
Special rules for magazine, paperback book, and record returns	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Completed contract rules	0.7	0.8	0.8	0.8	0.9	0.1	0.1	0.1	0.1	0.2	4.5
Limitation on active passthrough losses in excess of $500,000/$250,000*	---	---	---	---	---	-36.5	-37.7	-37.3	-36.4	-33.4	-181.3
Inventory methods and valuation:											
Last in first out	1.1	1.2	1.2	1.2	1.2	0.3	0.3	0.3	0.3	0.3	7.3
Lower of cost or market	[2]	[2]	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.3
Specific identification for homogeneous products	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Exemption of credit union income	2.5	2.7	2.9	3.1	3.3	---	---	---	---	---	14.4
Exclusion from UBTI of certain payments to controlling exempt organizations	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Special treatment of life insurance company reserves	2.1	2.2	2.3	2.4	2.5	---	---	---	---	---	11.4
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	1.4	1.6	1.7	1.8	1.9	0.2	0.2	0.2	0.2	0.2	9.2
Proration for property and casualty insurance companies	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.1
Special deduction for Blue Cross and Blue Shield companies	0.3	0.3	0.3	0.3	0.3	---	---	---	---	---	1.5
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	1.6	1.6	1.7	1.7	1.7	---	---	---	---	---	8.2
Exclusion of capital gains at death	---	---	---	---	---	55.3	59.2	59.7	61.2	63.9	299.3
Carryover basis of appreciated property transferred by gift	---	---	---	---	---	1.8	1.8	2.4	10.2	5.8	22.0
Deferral of gain on like-kind exchanges	0.9	0.9	0.9	0.9	0.9	5.2	5.3	5.5	5.6	5.7	31.8
Exclusion of gain from certain small business stock	---	---	---	---	---	1.6	1.8	2.0	2.2	2.4	10.0
Income recognition rule for gain or loss from section 1256 contracts	0.1	0.1	0.1	0.1	0.1	2.1	2.1	1.9	1.8	1.7	10.0

Function	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
Exemptions from imputed interest rules	[2]	[2]	[2]	[2]	[2]	0.9	1.1	1.2	1.2	1.3	5.7
Surtax on net investment income*	---	---	---	---	---	-51.2	-52.0	-50.7	-50.1	-50.1	-254.2
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Minimum rate of interest for certain determinations related to life insurance contracts	[2]	[2]	0.1	0.1	0.2	[2]	[2]	0.1	0.1	0.2	0.9
Transportation											
Treatment of employer-paid transportation benefits (parking, van pools, and transit passes, black car services)	-3.1	-3.2	-3.3	-3.3	-3.4	7.3	7.6	7.9	8.2	8.5	23.2
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.7	0.7	0.8	4.6
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.8
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
Railroad track maintenance credit 50-percent rate	-0.2	-0.2	-0.2	-0.2	-0.2	---	---	---	---	---	-0.9
Community and Regional Development											
Empowerment zone tax incentives	0.1	0.2	0.2	0.2	---	0.2	0.2	0.2	0.2	---	1.2
New markets tax credit	1.2	1.2	1.3	1.4	1.6	[2]	[2]	[2]	[2]	[2]	6.7
Accelerated depreciation for business property on an Indian reservation	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	1.6
Recovery zone economic development bonds [3][4][9]	[2]	[2]	[2]	[2]	[2]	0.3	0.3	0.3	0.3	0.3	1.4
Qualified opportunity zones	1.0	1.0	1.0	1.0	-4.2	4.4	4.6	4.7	4.7	-19.5	-1.3
National disaster relief	*Estimate Contained in Other Provisions*										
Education, Training, Employment, and Social Services											
Education and training:											
Credits for tuition for post-secondary education [4]	---	---	---	---	---	14.7	14.5	14.3	14.2	14.2	71.9
Credit for holders of qualified zone academy bonds [3][4][5]	[2]	[2]	[2]	[2]	[2]	0.2	0.2	0.2	0.2	0.2	0.9

Function	Corporations 2022	Corporations 2023	Corporations 2024	Corporations 2025	Corporations 2026	Individuals 2022	Individuals 2023	Individuals 2024	Individuals 2025	Individuals 2026	Total 2022-26
Qualified school construction bonds [3][4][5]	---	---	---	---	---	0.7	0.7	0.7	0.7	0.7	3.3
Deduction for teacher classroom expenses	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	1.1
Exclusion of income attributable to the discharge of certain student loan debt and certain Federal and State education loan repayment programs	---	---	---	---	---	2.9	2.8	0.3	0.4	0.4	6.8
Exclusion of scholarship and fellowship income	---	---	---	---	---	4.5	4.6	4.8	4.9	5.2	23.9
Exclusion of employer-provided tuition reduction benefits	---	---	---	---	---	0.3	0.3	0.4	0.4	0.4	1.8
Exclusion of employer-provided education assistance benefits	---	---	---	---	---	1.6	1.7	1.7	1.8	1.6	8.4
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	0.6	0.6	0.6	0.6	0.6	2.2	2.2	2.2	2.2	2.4	14.1
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.4
Deduction for charitable contributions to educational institutions	0.9	0.9	0.9	1.0	1.0	7.1	7.0	7.7	8.3	10.0	44.8
Deduction for interest on student loans	---	---	---	---	---	0.4	2.3	2.4	2.5	2.9	10.5
Exclusion of tax on earnings of qualified tuition programs:											
Prepaid tuition programs	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	1.0
Savings account programs	---	---	---	---	---	2.7	3.4	3.9	4.3	5.3	19.6
Exclusion of earnings of Coverdell education savings accounts	---	---	---	---	---	0.2	0.2	0.2	0.2	0.3	1.1
Employment:											
Credit for family and medical leave	0.2	0.3	0.3	0.4	0.3	[2]	[2]	[2]	[2]	[2]	1.7
Work opportunity tax credit	1.4	1.5	1.6	1.7	0.8	0.2	0.3	0.3	0.3	[2]	8.2
Exclusion of employee awards	---	---	---	---	---	0.4	0.5	0.5	0.5	0.5	2.4
Exclusion of housing allowances for ministers	---	---	---	---	---	0.8	0.9	0.9	1.0	1.0	4.6
Treatment of meals and lodging (other than military)	-1.1	-1.2	-1.2	-1.3	-2.3	6.4	6.7	7.0	7.2	7.5	27.7
Exclusion of miscellaneous fringe benefits	---	---	---	---	---	9.5	9.8	10.2	10.6	11.0	51.2
Treatment of employee moving expenses*	---	---	---	---	---	-1.0	-1.0	-1.0	-1.1	-1.1	-5.1
Exclusion of employer-provided (on-site) gyms	---	---	---	---	---	1.8	1.8	1.9	2.0	2.0	9.5
Limits on deductible compensation [10]*	-3.3	-3.5	-3.5	-3.5	-4.2	---	---	---	---	---	-18.0
Treatment of meals and entertainment*	-3.0	-3.3	-3.5	-3.6	-3.8	0.6	0.7	0.7	0.7	0.7	-13.7

Function	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [10]*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.0
Special tax provisions for employee stock ownership plans (ESOPs)	2.4	2.6	2.8	3.0	3.2	3.2	3.5	3.7	4.0	4.3	32.6
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	-0.7	-0.8	-0.8	-0.9	-0.9	1.0	1.1	1.1	1.3	1.4	1.8
Deferral of taxation on spread on employee stock purchase plans*	-0.5	-0.5	-0.6	-0.6	-0.6	0.2	0.2	0.3	0.3	0.3	-1.6
Exclusion of income earned by voluntary employees' beneficiary associations	---	---	---	---	---	0.2	0.6	1.0	1.5	2.1	5.4
Social services:											
Credit for child and dependent care and exclusion of employer-provided child care [4][11]	---	---	---	---	---	7.2	5.0	5.1	5.2	5.5	28.1
Adoption credit and employee adoption benefits exclusion	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	2.1
Credit for children and other dependents [4]	---	---	---	---	---	184.7	120.6	119.9	119.1	61.5	605.7
Credit for disabled access expenditures	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Credit for employer-provided dependent care	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Exclusion of certain foster care payments	---	---	---	---	---	0.4	0.5	0.5	0.5	0.5	2.5
Deduction for charitable contributions, other than for education and health [12]	1.9	1.9	2.0	2.1	2.2	39.9	39.7	43.3	47.1	56.3	236.4
Health											
Credit for purchase of health insurance by certain displaced persons [4]	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	[2]
Subsidies for insurance purchased through health benefit exchanges [4]	---	---	---	---	---	76.3	70.3	79.9	88.0	72.8	387.2
Credit for orphan drug research	1.3	1.4	1.6	1.7	1.9	[2]	[2]	[2]	[2]	[2]	8.0
Tax credit for small businesses purchasing employer insurance [4]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Exclusion of workers' compensation benefits (medical benefits)	---	---	---	---	---	5.0	5.0	5.2	5.5	6.6	27.2

Function	Corporations 2022	Corporations 2023	Corporations 2024	Corporations 2025	Corporations 2026	Individuals 2022	Individuals 2023	Individuals 2024	Individuals 2025	Individuals 2026	Total 2022-26
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [13]	---	---	---	---	---	187.4	190.4	199.8	210.8	217.5	1,006.0
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	---	---	---	---	---	2.1	2.3	2.3	2.5	2.7	11.8
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	---	---	---	---	---	1.1	1.2	1.3	1.5	1.8	7.0
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.3	0.4	0.4	0.4	0.4	1.3	1.3	1.4	1.4	1.5	8.6
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	---	---	---	---	---	6.7	7.1	7.5	8.0	10.6	40.0
Deduction for charitable contributions to health organizations	1.0	1.0	1.1	1.1	1.2	4.0	4.0	4.4	4.8	5.7	28.3
Deduction for medical expenses and long-term care expenses	---	---	---	---	---	9.9	10.1	11.2	12.5	20.9	64.6
Health savings accounts [14]	---	---	---	---	---	10.6	11.5	12.3	12.8	14.5	61.6
Income Security											
Credit for certain individuals for elective deferrals and IRA contributions	---	---	---	---	---	1.4	1.5	1.6	1.6	1.8	7.9
Earned income credit [4]	---	---	---	---	---	68.9	69.8	73.0	74.9	76.8	363.4
Phase out of the personal exemption and disallowance of the standard deduction against the alternative minimum tax*	---	---	---	---	---	-0.4	-0.4	-0.4	-0.4	-6.7	-8.3
Additional standard deduction for the blind and the elderly	---	---	---	---	---	6.2	6.7	7.1	7.6	6.1	33.8
Tax credit for qualified sick leave and family leave equivalent amounts for self-employed individuals [4]	---	---	---	---	---	7.9	1.0	0.4	[2]	[2]	9.3
Exclusion of other employee benefits:											
Premiums on group term life insurance	---	---	---	---	---	3.8	4.0	4.2	4.5	4.8	21.3
Premiums on accident and disability insurance	---	---	---	---	---	4.2	4.3	4.5	4.6	5.2	22.7
Exclusion of amounts received under life insurance contracts	1.7	1.7	1.8	1.8	1.8	13.9	14.5	15.2	15.9	18.3	86.7
Exclusion of workers' compensation benefits (disability and survivors payments)	---	---	---	---	---	2.9	2.9	3.0	3.0	3.1	14.9

Function	Corporations 2022	2023	2024	2025	2026	Individuals 2022	2023	2024	2025	2026	Total 2022-26
Exclusion of special benefits for disabled coal miners	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.1
Exclusion of damages on account of personal physical injuries or physical sickness	---	---	---	---	---	2.0	2.0	2.0	2.1	2.1	10.2
Exclusion of disaster mitigation payments	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.4
Deduction for casualty and theft losses	---	---	---	---	---	0.1	0.1	0.1	0.1	0.5	0.7
Net exclusion of pension contributions and earnings:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	---	---	---	---	---	12.1	13.4	14.2	15.2	18.3	73.1
Defined benefit plans	---	---	---	---	---	94.7	108.0	122.1	137.4	171.1	633.2
Defined contribution plans	---	---	---	---	---	193.4	223.7	251.4	286.1	362.2	1316.8
Individual retirement arrangements:											
Traditional IRAs	---	---	---	---	---	15.7	16.2	17.3	18.5	23.1	90.8
Roth IRAs	---	---	---	---	---	9.1	9.3	10.0	10.7	13.5	52.7
Social Security and Railroad Retirement											
Exclusion of untaxed Social Security and railroad retirement benefits	---	---	---	---	---	45.3	47.7	50.6	53.6	64.8	261.9
Veterans' Benefits and Services											
Exclusion of veterans' disability compensation	---	---	---	---	---	12.0	12.0	12.6	13.0	13.9	63.4
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Exclusion of veterans' pensions	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of veterans' readjustment benefits	---	---	---	---	---	1.4	1.3	1.3	1.4	1.5	7.0
General Government											
Build America bonds [3][4][9]	---	---	---	---	---	2.9	2.9	2.9	2.8	2.8	14.4
Exclusion of interest on public purpose State and local government bonds	5.6	5.7	5.7	5.8	5.8	21.6	22.0	22.0	22.1	22.2	138.4
Deduction of nonbusiness State and local government taxes	---	---	---	---	---	22.8	23.6	24.5	25.4	135.5	231.7
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.4	0.4	0.4	0.4	0.4	---	---	---	---	---	2.1

Function	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
Interest											
Deferral of interest on savings bonds	---	---	---	---	---	0.8	0.8	0.8	0.8	0.8	4.2

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NOTE: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2022 - 2026 period.

[1] Reflects legislation enacted by August 31, 2022.

[2] Positive tax expenditure of less than $50 million.

[3] Estimate includes an outlay to State and local governments. For the purposes of this table outlays are attributed to individuals.

[4] Estimate includes refundability associated with the following outlay effects:	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
Clean fuel for production of clean hydrogen	---	-0.1	-0.1	-0.2	-0.4	---	---	---	---	---	-0.8
Clean fuel production credit	*Negligible Revenue Effect*										
Credit for holders of clean renewable energy bonds	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Credit for holders of qualified energy conservation bonds	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.1
Recovery zone economic development bonds	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.6
Credits for tuition for post-secondary education	---	---	---	---	---	5.4	4.3	4.4	4.5	4.3	22.9
Credit for holders of qualified zone academy bonds	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	[2]
Qualified school construction bonds	---	---	---	---	---	0.7	0.7	0.7	0.7	0.7	3.3

[4] Estimate includes refundability associated with the following outlay effects (continued):	Corporations					Individuals					Total
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022-26
Credit for child and dependent care and exclusion of employer-provided child care	---	---	---	---	---	2.6	0.8	0.8	0.8	0.7	5.6
Credit for children and other dependents	---	---	---	---	---	105.3	46.6	46.6	46.5	31.1	276.0
Credit for purchase of health insurance by certain displaced persons	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	[2]
Subsidies for insurance purchased through health benefit exchanges	---	---	---	---	---	70.5	57.0	66.5	69.5	52.5	316.1
Tax credit for small businesses purchasing employer insurance	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Earned income credit	---	---	---	---	---	59.3	60.2	62.8	64.4	64.9	311.6

[Footnotes for Table 1 continue on the following page]

Footnotes for Table 1 continued:

	Corporations 2022	2023	2024	2025	2026	Individuals 2022	2023	2024	2025	2026	Total 2022-26
Tax credit for qualified sick leave and family leave equivalent amounts for self-employed individuals...	---	---	---	---	---	6.2	0.7	0.3	[2]	[2]	7.2
Build America bonds..	---	---	---	---	---	2.9	2.9	2.9	2.8	2.8	14.4

[5] Authority to issue new bonds was repealed by the Tax Cuts and Jobs Act, Pub. L. No. 115-97, effective for bonds issued after December 31, 2017. Amounts shown relate to outstanding bonds.

[6] Negative tax expenditure less than $50 million.

[7] Includes bonus depreciation and general acceleration under MACRS.

[8] Estimate includes effect of credit for interest on certain home mortgages (section 25).

[9] Bonds were required to be issued before January 1, 2011. Amounts shown relate to outstanding bonds.

[10] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.

[11] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[12] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.

[13] Estimate includes employer-provided health insurance purchased through cafeteria plans and TRICARE medical insurance, which are also included in other line items on this table.

[14] Estimate includes employer contributions made through cafeteria plans to health savings accounts, which are also included in other line items on this table.

Table 2.--Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability at 2022 Rates, 2022 Law, and 2022 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	All Returns [3]	Taxable Returns	Itemized Returns	Tax Liability [4]
Below -$15,000	20,889	6,611	189	-$19,115
$15,000 -$30,000	24,631	10,991	265	-46,620
$30,000 -$40,000	17,010	9,398	337	-14,745
$40,000 -$50,000	14,820	9,840	478	1,290
$50,000 -$60,000	13,121	10,034	588	17,056
$60,000 -$80,000	21,104	17,965	1,445	64,418
$80,000 -$100,000	14,681	13,754	1,638	84,283
$100,000 -$150,000	23,618	23,290	3,831	243,941
$150,000 - $200,000	12,376	12,350	2,587	231,177
$200,000 - $500,000	14,424	14,418	5,077	626,238
$500,000 - $1,000,000	1,849	1,849	1,083	287,051
$1,000,000 and over	922	922	694	848,999
Total	**179,444**	**131,421**	**18,213**	**$2,323,973**

[1] Tax law as in effect on July 1, 2022. Income categories are measured at 2022 levels.
[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, (h) excluded income of U.S. citizens living abroad, and (i) individuals' share of business taxes.
[3] Includes filing and non-filing units. Filing units include all taxable and nontaxable returns. Non-filing units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.). Excludes individuals who are dependents of other taxpayers and taxpayers with negative income.
[4] Individual income tax and individuals' share of business income taxes.

NOTE--Details may not add to totals due to rounding.

Source: Joint Committee on Taxation

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2022 Rates and 2022 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Untaxed Social Security and Railroad Retirement Benefits		Medical Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below -$15,000	---	---	2	[4]
$15,000 -$30,000	1,891	$555	55	$19
$30,000 -$40,000	4,479	3,157	94	47
$40,000 -$50,000	3,505	4,779	162	104
$50,000 -$60,000	3,324	4,626	261	189
$60,000 -$80,000	6,076	7,758	642	649
$80,000 -$100,000	4,635	7,142	612	889
$100,000 -$150,000	6,979	7,053	1,199	2,372
$150,000 - $200,000	3,288	3,960	606	1,578
$200,000 - $500,000	3,362	4,877	617	3,040
$500,000 - $1,000,000	408	882	31	519
$1,000,000 and over	205	500	7	220
Total	**38,152**	**$45,289**	**4,288**	**$9,626**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2022 Rates and 2022 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	State and Local Government Taxes		Charitable Contributions Deduction	
	Returns	*Amount*	*Returns*	*Amount*
Below -$15,000	7	$1	2	[4]
$15,000 -$30,000	98	26	64	$16
$30,000 -$40,000	159	47	111	28
$40,000 -$50,000	279	102	212	74
$50,000 -$60,000	430	161	310	103
$60,000 -$80,000	1,212	646	958	433
$80,000 -$100,000	1,513	1,191	1,208	713
$100,000 -$150,000	3,713	3,638	3,024	2,374
$150,000 - $200,000	2,551	3,231	2,185	2,446
$200,000 - $500,000	5,031	8,473	4,555	8,620
$500,000 - $1,000,000	1,072	2,947	1,002	5,592
$1,000,000 and over	656	2,072	656	29,311
Total	**16,720**	**$22,535**	**14,287**	**$49,709**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2022 Rates and 2022 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Dependent Care Credit		Earned Income Credit [5]	
	Returns	*Amount*	*Returns*	*Amount*
Below -$15,000	4	-$1	7,570	$9,958
$15,000 -$30,000	60	$17	7,837	$29,326
$30,000 -$40,000	240	$108	3,991	$12,770
$40,000 -$50,000	379	$209	3,474	$7,647
$50,000 -$60,000	379	$218	2,202	$3,472
$60,000 -$80,000	619	$361	1,427	$2,083
$80,000 -$100,000	489	$296	242	$319
$100,000 -$150,000	1,283	$885	17	$28
$150,000 - $200,000	1,022	$837	---	---
$200,000 - $500,000	1,714	$1,643	---	---
$500,000 - $1,000,000	209	$270	---	---
$1,000,000 and over	66	$87	---	---
Total	**6,463**	**$4,930**	**26,761**	**$65,602**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2022 Rates and 2022 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Child Tax Credit [5]		Education Credits	
	Returns	*Amount*	*Returns*	*Amount*
Below -$15,000	2,196	$2,424	798	$689
$15,000 -$30,000	6,030	12,241	1,587	1,656
$30,000 -$40,000	4,077	10,162	1,022	1,336
$40,000 -$50,000	3,824	10,227	843	1,241
$50,000 -$60,000	3,285	8,966	693	1,100
$60,000 -$80,000	5,166	13,759	1,172	1,934
$80,000 -$100,000	3,743	10,105	840	1,446
$100,000 -$150,000	7,655	21,176	1,454	2,652
$150,000 - $200,000	4,774	13,620	1,102	2,211
$200,000 - $500,000	6,244	18,029	364	454
$500,000 - $1,000,000	---	---	---	---
$1,000,000 and over	---	---	---	---
Total	**46,994**	**$120,708**	**9,875**	**$14,718**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2022 Rates and 2022 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Mortgage Interest Deduction	
	Returns	*Amount*
Below -$15,000	3	$1
$15,000 -$30,000	75	31
$30,000 -$40,000	95	45
$40,000 -$50,000	168	107
$50,000 -$60,000	269	133
$60,000 -$80,000	855	608
$80,000 -$100,000	1,173	1,188
$100,000 -$150,000	3,005	3,724
$150,000 - $200,000	2,143	3,348
$200,000 - $500,000	4,412	10,231
$500,000 - $1,000,000	912	4,417
$1,000,000 and over	508	3,597
Total	**13,618**	**$27,430**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2022 Rates and 2022 Income Levels [1] -- Continued

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Student Loan Interest Deduction		Phase Out of the Personal Exemption and Disallowance of the Personal Exemption and the Standard Deduction Against the AMT	
	Returns	*Amount*	*Returns*	*Amount*
Below -$15,000	58	2	---	---
$15,000 -$30,000	592	26	---	---
$30,000 -$40,000	845	39	---	---
$40,000 -$50,000	977	56	---	---
$50,000 -$60,000	1,189	70	---	---
$60,000 -$80,000	2,393	217	---	---
$80,000 -$100,000	1,657	121	---	---
$100,000 -$150,000	2,190	183	2	-$6
$150,000 - $200,000	1,809	223	11	-27
$200,000 - $500,000	350	18	39	-92
$500,000 - $1,000,000	---	---	18	-61
$1,000,000 and over	---	---	41	-200
Total	**12,061**	**$954**	**111**	**-$386**

[1] Excludes individuals who are dependents of other taxpayers and taxpayers with negative income.
[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, (h) excluded income of U.S. citizens living abroad, and (i) individuals' share of business income.
[3] Fewer than 500 returns.
[4] Positive tax expenditure of less than $500,000.
[5] Includes the refundable portion.

NOTE--Details may not add to totals due to rounding.
Source: Joint Committee on Taxation