

[JOINT COMMITTEE PRINT]

**ESTIMATES OF FEDERAL TAX
EXPENDITURES
FOR FISCAL YEARS 1981-86**

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



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ESTIMATES OF TAX EXPENDITURES

I. Introduction

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

In January, the Administration published its estimates of tax expenditures for fiscal years 1980-1982 in Special Analysis G of the Budget for fiscal year 1982.²

This report covers estimates of tax expenditures for fiscal years 1981-1986. The tax expenditure items included in this pamphlet and in Special Analysis G are identical. The tax expenditure report by the Congressional Budget Office (CBO), which will be published shortly, also will contain the same listings. The staff of the Joint Committee has made its estimates in terms of the provisions in present law (as enacted by December 31, 1980) and has assumed that the expiration dates which apply to some provisions will not be extended or otherwise modified and no other changes will be made in the present law.

Part II of this report discusses the concept of tax expenditures, and it is followed in Part III by a discussion of the measurement of tax expenditures. Estimates of tax expenditures are presented in tables 1 and 2 in Part IV.

¹ *Estimates of Federal Tax Expenditures*, October 4, 1972, June 1, 1973, July 8, 1975, March 15, 1976, March 15, 1977, March 14, 1978, March 15, 1979, and March 6, 1980.

² "Tax Expenditures," Special Analysis G, *Special Analyses of the Budget of the United States Government for Fiscal Year 1982*, pp. 203-238.

II. The Concept of Tax Expenditures

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

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

The size of a particular tax expenditure is measured, in this report, by the estimated revenue gain from repealing the provision of the law giving rise to the tax expenditures. Little research has been undertaken, however, to find the direct expenditure equivalent of a tax expenditure, although the concept of a tax expenditure implies such equivalents exist for some of the items. Recently there has been discussion of the fact that in some cases the revenue loss does not measure the outlay-equivalent of the tax expenditure; that is, the size of the outlays needed to accomplish the same purpose as the tax expenditure. Treasury estimated outlay-equivalents of tax expenditures in the housing and energy areas, which were published with its most recent tax expenditure estimates.³

The staff followed the definition of tax expenditures developed in the legislative process that produced the Congressional Budget Act. In

³ *Ibid.*, pp. 234-8.

the Act, tax expenditures are defined as "those 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." The Joint Committee staff, and the Treasury and Congressional Budget Office, have interpreted the statutory language to treat the general tax rate structures in the statute as the normal tax structure for individuals. Accordingly, these reports have included as tax expenditures virtually all income tax provisions which have been characterized as tax expenditures under almost any listing by other sources. As a result, all deductions are listed to the extent that they exceed the zero bracket amount and all exclusions and deferrals also are listed.

Listing an item as a tax expenditure in this report is part of a process of providing information, and the list is a catalog of past public policy decisions accompanied by estimates of their effects upon budget receipts. No judgment is made, nor any inference intended, about the desirability of any specific provision as public policy or about the effectiveness of the tax approach relative to other methods available to the Federal Government for achieving the particular public policy goals desired.

It should be noted that the concept of tax expenditures, as it is used in this report, applies only with respect to the individual and corporate income taxes. Tax expenditures associated with employment, estate and gift, or excise taxes are not analyzed in this report. Under the concept used in this report, deductions for current expenditures which are directly related to the process of earning income are not treated as tax expenditures. These deductions are treated as business costs, and they are deducted on returns filed by corporations, partnerships and sole proprietorships. On the other hand, capital costs by their nature are not properly allocated entirely to income earned in one year. The basic tax provision allows depreciation ratably (i.e., straight-line depreciation) over the estimated useful life of the capital asset, but tax law also permits accelerated depreciation to provide investors with faster capital recovery through shorter lives and/or faster rates of depreciation for some equipment. Recovery of capital costs at a faster rate than straight-line depreciation would provide is classified as a tax expenditure; in this report, those tax expenditures items are asset depreciation range (ADR), depreciation of buildings in excess of straight-line, percentage depletion allowances (in excess of cost depletion), and current expensing of costs that otherwise would be capitalized. In view of the effect of inflation on depreciation deductions, the staff plans to review this treatment for the next tax expenditure budget.

Individuals who are employees—and do not carry on their own businesses—have analogous business-type deductions which also are not classified in this report as tax expenditures. The expenses also are costs which are incurred in earning net income, e.g., the cost of the tools that a mechanic uses. Most other deductions which individuals claim on their tax returns represent personal consumption expenditures. These deductions reflect public policy decisions to encourage specific types of consumer spending or to provide relief to taxpayers who make these types of expenditures and therefore are classified here

as tax expenditures. Individual tax expenditures also include various kinds of income, e.g., social security payments to the aged, dependents and survivors, which are treated as tax-exempt income but which could otherwise be included in adjusted gross income. Unemployment compensation payments had been excluded from gross income, but under a provision in the Revenue Act of 1978, the amount of unemployment compensation excluded from taxation now is phased down when gross income from all sources rises above \$20,000 for single taxpayers and \$25,000 for married taxpayers filing joint returns.

A number of tax provisions are not treated as tax expenditures. In the individual income tax, the general tax rate structure is not part of the tax expenditure analysis, i.e., the structure of graduated tax rates, the tax brackets in the individual income tax and the separate rate schedules for single persons, married persons filing separately, heads-of-households and married persons filing jointly. Other such items are the personal exemption—one per taxpayer and each dependent—and the zero bracket amount.⁴ On the other hand, tax expenditures include the additional personal exemptions for the aged and blind.

In the business tax area, the corporate surtax exemption, because the exemption was enacted to benefit small corporations, has been viewed as a departure from the basic tax structure, and therefore it has been treated as a tax expenditure. When Congress enacted a new graduated tax structure for the corporation income tax in the Revenue Act of 1978, it stated that the new structure was needed to encourage growth of small business. The incentive was provided by establishing a tax structure which has four taxable income brackets of \$25,000 each and a fifth bracket which applies to taxable income above \$100,000. The corporate tax rate is 17 percent in the first bracket and is increased to 46 percent for taxable income above \$100,000.

Negative numbers in table 1 result from the mechanics of the provision, such as, the increase in tax liability that develops in some cases after a type of faster depreciation or amortization has been completed and no longer offsets a large amount of income. Negative numbers, therefore, do not reflect negative tax expenditures or disincentives.

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

⁴The minimum standard deduction and the percentage standard deduction were repealed by the Tax Reduction and Simplification Act of 1977, and the zero bracket amount and a floor under itemized deductions (now \$2,300 for single taxpayers and \$3,400 for joint returns by married couples) were enacted to replace them.

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

III. Measurement of Tax Expenditures

Estimates of tax expenditures are subject to important limitations. Each tax expenditure is measured in isolation. The amount of a deduction is added back into income in the calculation of taxable income, which raises its level. The difference between the estimates of tax liabilities under present law, which provides for the tax expenditures, and the higher level of tax liabilities under the assumption that the provision does not exist is the amount of the tax expenditure. For this computation, it is assumed that nothing else changes.

Some further observations on these estimating problems should be noted.

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

If a tax expenditure item were to be eliminated, it is possible that Congress would deal with the underlying reason for enacting the tax expenditure in another way, rather than simply terminating federal assistance of any kind. To the extent that a replacement program would be adopted, the higher revenues received as a result of the elimination of a tax expenditure might not represent a net budget gain. The nature of any alternative program is not anticipated: whether it would involve direct expenditures, direct loans, or loan guarantees, or whether it would involve a different form of tax expenditure, or a general reduction in tax rates. It was not assumed when the estimates were made that, if any of these provisions were repealed, adjustments would be made to offset the effects of higher tax liabilities through fiscal or monetary policy.

Year to year differences in the estimates for each tax expenditure may be explained by changes in tax law which affect the estimates differently in successive years, but also are the result of extrapolation of the historical average annual rates of change associated with each separate tax expenditure item. Some of the estimates for this tax expenditure budget may differ from estimates made in previous years because of inflation, changed economic conditions, the availability of better data, and improved estimating techniques. Similar differences occur in the budget estimates for direct outlays.

IV. Tax Expenditure Estimates

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

Table 2 provides estimates by expanded income class for some of the tax expenditures which affect individual taxpayers. All tax expenditures which affect individuals are not shown in this table because of the difficulty in making reliable estimates of the distribution. Table 2 assumes the level of economic activity prevailing in 1980 and the tax law in effect on December 31, 1980.

Table 1.—Tax Expenditure Estimates by Function ¹

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
National defense												
Exclusion of benefits and allowances to Armed Forces personnel.....							1,585	1,715	1,850	2,000	2,160	2,335
Exclusion of military disability pensions.....							170	200	245	285	325	370
International affairs												
Exclusion of income earned abroad by United States citizens.....							640	665	720	775	840	905
Deferral of income of domestic international sales corporations (DISC).....	1,600	1,630	1,730	1,810	1,870	1,930						
Deferral of income of controlled foreign corporations.....	480	520	560	605	650	705						
General science, space, and technology												
Expensing of research and development expenditures.....	1,990	2,235	2,500	2,790	3,110	3,455	40	45	50	55	60	70
Energy												
Expensing of exploration and development costs:												
Oil and gas.....	1,875	1,915	2,220	2,580	2,870	3,090	860	1,030	1,240	1,495	1,765	2,030
Other fuels.....	25	25	30	30	35	35						
Excess of percentage over cost depletion:												
Oil and gas.....	545	535	525	535	675	725	1,580	1,725	1,745	1,750	2,080	2,535
Other fuels.....	530	540	605	670	735	810	20	25	25	25	30	30
Capital gains treatment of royalties on coal.....	10	10	15	15	15	20	80	90	105	120	135	150

Alternative fuel production credit...	25	55	50	20	10										
Alcohol fuel credit.....	(?)	5	5	10	15	20	(?)	10	20	30	50	65			
Exclusion of interest on state and local government industrial development bonds for energy production facilities.....	(?)	5	10	15	20	20	(?)	(?)	5	5	10	10			
Residential energy credits: Supply incentives.....							115	190	275	360	520	650			
Conservation incentives.....							425	420	420	435	445	385			
Alternative, conservation and new technology credits: Supply incentives.....	210	295	600	905	955	735	15	20	45	75	100	85			
Conservation incentives.....	295	375	320	175	80	25									
Energy credit for intercity buses.....	5	5	5	5	5	5									
Natural resources and environment															
Expensing of exploration and development costs, nonfuel minerals.....	25	25	30	30	35	35	(?)	(?)	(?)	(?)	(?)	(?)			
Excess of percentage over cost depletion, nonfuel materials.....	390	380	420	450	480	585	15	15	15	20	20	25			
Capital gains treatment of certain timber income.....	470	535	500	675	760	855	135	150	170	190	215	240			
Investment credit and seven-year amortization for reforestation expenditures.....	(?)	(?)	(?)	(?)	(?)	(?)	5	5	5	10	10	10			
Capital gains treatment of iron ore.....	10	10	10	10	10	10	10	10	10	10	10	10			
Exclusion of interest on state and local government pollution control bonds.....	490	500	545	575	595	610	230	255	270	285	300	305			
Five-year amortization on pollution control facilities.....	35	65	95	110	115	115									
Exclusion of payments in aid of construction of water, sewage, gas, and electric utilities.....	110	115	115	120	125	130									
Tax incentives for preservation of historic structures.....	25	35	50	60	55	45	40	65	90	110	105	80			

See footnotes at the end of the table.

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Table 1.—Tax Expenditure Estimates by Function —Continued

[Fiscal years, in Millions of dollars]

Function	Corporations						Individuals					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
Agriculture												
Expensing of certain capital outlays	75	80	85	90	95	100	455	485	505	520	540	555
Capital gains treatment of certain income	25	25	25	30	30	35	405	425	445	470	490	515
Deductibility of patronage dividends and certain other items of cooperatives	590	630	670	700	750	810	-190	-200	-210	-220	-230	-245
Exclusion of certain cost-sharing payments							75	80	80	75	80	80
Commerce and housing credit												
Dividend and interest exclusion							1,325	3,170	2,340	700	770	850
Exclusion of interest on state and local industrial development bonds	1,000	1,245	1,590	1,935	2,290	2,655	230	305	390	475	565	655
Exemption of credit union income	115	125	140	155	170	190						
Exclusion of interest on life insurance savings							4,080	4,770	5,570	6,500	7,585	8,845
Excess bad debt reserves of financial institutions	340	470	525	620	750	895						
Deductibility of interest on consumer credit							5,260	6,040	7,050	7,965	9,005	10,175
Deductibility of mortgage interest on owner-occupied homes							19,805	25,295	31,115	37,960	46,310	56,500
Deductibility of property tax on owner-occupied homes							8,915	10,705	12,740	15,160	18,040	21,465
Exclusion of interest on state and local housing bonds for owner-occupied housing	470	655	860	990	1,000	960	370	565	740	865	890	850

Exclusion of interest on state and local housing bonds for rental housing	195	240	295	350	410	475	235	315	385	450	530	620
Deferral of capital gains on home sales							1,100	1,220	1,345	1,480	1,630	1,790
Exclusion of capital gains on home sales for persons age 55 and over							590	650	710	785	860	950
Expensing of construction period interest and taxes	535	565	600	640	685	725	225	310	315	350	380	415
Excess first-year depreciation	50	55	55	60	65	65	145	150	160	170	180	185
Depreciation on rental housing in excess of straightline	75	80	85	95	100	110	325	345	370	400	435	470
Depreciation on buildings other than rental housing in excess of straightline	140	150	165	185	210	240	125	135	150	165	185	210
Asset depreciation range	3,585	3,895	4,330	4,285	3,990	3,835	180	215	225	225	210	200
Amortization of business start-up costs	(^e)	10	10	20	25	30	20	65	105	160	230	285
Capital gains other than agriculture, timber, iron ore and coal	940	1,020	1,150	1,295	1,455	1,640	16,230	18,990	21,070	23,360	25,905	28,710
Capital gains at death							5,085	5,440	5,820	6,225	6,660	7,130
Reduced rates on the first \$100,000 of corporate income	7,395	7,590	8,495	9,485	10,520	11,650						
Investment credit, other than ESOP's, rehabilitation of structures, and energy	16,395	17,340	19,265	21,240	23,375	25,810	3,130	3,425	3,815	4,205	4,625	5,105
Transportation												
Five-year amortization on railroad rolling stock	-40	-40	-35	-20								
Deferral of tax on shipping companies	75	75	80	90	95	105						
Community and regional development												
Five-year amortization for housing rehabilitation	10	15	15	15	10	5	15	20	20	20	15	5
Investment credit for rehabilitation of structures	150	175	205	225	245	265	145	160	180	200	215	230
See footnotes at the end of the table.												

Table 1.—Tax Expenditure Estimates by Function¹—Continued

[Fiscal years, in Millions of dollars]

Function	Corporations						Individuals					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
<i>Education, training, employment, and social services</i>												
Exclusion of scholarship and fellowship income.....							410	490	565	655	765	885
Exclusion of interest on state and local student loan bonds.....	55	85	115	145	175	200	25	40	55	70	85	100
Parental personal exemption for students age 19 or over.....							1,045	1,055	1,065	1,075	1,085	1,095
Exclusion of employee meals and lodging (other than military).....							380	410	445	485	525	570
Employer educational assistance.....							35	40	45	25		
Exclusion of contributions to pre-paid legal services plans.....							35	10				
Investment credit for ESOP's.....	770	820	895	580	195	115						
Deductibility of charitable contributions (education).....	310	310	340	375	420	465	950	1,150	1,400	1,685	2,040	2,465
Deductibility of charitable contributions, other than education and health.....	385	385	380	420	465	520	7,135	8,630	10,445	12,635	15,290	18,500
Maximum tax on personal service income.....							1,655	2,105	2,640	3,270	4,085	5,110
Credit for child and dependent care expenses.....							1,025	1,175	1,350	1,555	1,785	2,055
Credit for employment of AFDC recipients and public assistance recipients under work incentive programs.....	50	50	55	60	60	65	10	10	10	10	10	10
General jobs credit.....	85	25	15	10	10		(?)	(?)	(?)	(?)	(?)	
Targeted jobs credit.....	225	150	20	(?)			50	30				

Exclusion of employer contributions for medical insurance premiums and medical care							14,165	16,610	19,485	22,855	26,810	31,445
Deductibility of medical expenses							3,580	4,080	4,650	5,305	6,045	6,610
Exclusion of interest on State and local hospital bonds	395	450	525	590	655	715	185	220	260	290	325	355
Deductibility of charitable contributions (health)	195	190	210	235	260	285	1,425	1,725	1,975	2,530	3,060	3,700
Income security												
Exclusion of social security benefits:												
Disability insurance benefits:							815	955	1,055	1,185	1,350	1,575
OASI benefits for retired workers							9,020	11,265	13,260	15,605	18,320	21,435
Benefits for dependents and survivors							1,250	1,480	1,695	1,945	2,225	2,535
Exclusion of railroad retirement system benefits							380	435	500	570	655	750
Exclusion of workmen's compensation benefits							2,675	3,260	3,965	4,825	5,870	7,145
Exclusion of special benefits for disabled coal miners							100	105	110	120	130	140
Exclusion of untaxed unemployment insurance benefits							5,275	4,530	4,440	4,335	4,460	4,610
Exclusion of public assistance benefits							465	510	580	665	755	860
Exclusion of disability pay							170	170	170	170	170	170
Net exclusion of pension contributions and earnings:												
Employer plans:							23,605	27,905	32,930	38,855	45,850	54,100
Plans for self-employed and others							2,105	2,305	2,525	2,770	3,040	3,345
Exclusion of other employee benefits:												
Premiums on group term life insurance							1,855	2,055	2,275	2,520	2,790	3,090
Premiums on accident and disability insurance							100	105	110	120	130	140
Income of trusts to finance supplementary unemployment benefits							20	20	25	30	30	35

See footnotes at the end of the table.

Table 1.—Tax Expenditure Estimates by Function —Continued

[Fiscal years, in Millions of dollars]

Function	Corporations						Individuals					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
Income security—Continued												
Additional exemption for the blind.....							30	30	30	30	30	30
Additional exemption for elderly.....							2,260	2,505	2,800	3,015	3,485	3,885
Tax credit for the elderly.....							125	120	115	110	105	100
Deductibility of casualty and theft losses.....							715	895	1,015	1,195	1,410	1,665
Earned income credit ³							635	575	525	475	460	425
Veterans benefits and services												
Exclusion of veterans disability compensation.....							1,300	1,575	1,860	2,135	2,460	2,825
Exclusion of veterans pensions.....							85	95	105	120	130	145
Exclusion of GI bill benefits.....							180	160	130	110	90	75
General government												
Credits for political contributions.....							100	80	80	80	100	80
General purpose fiscal assistance												
Exclusion of interest on general purpose state and local debt.....	4,035	4,315	4,885	5,335	5,720	6,040	1,895	2,165	2,420	2,645	2,840	3,005
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes.....							18,405	23,060	28,060	33,670	40,405	48,485
Tax credit for corporations receiving income from doing business in United States possessions.....	1,005	1,095	1,200	1,320	1,455	1,600						

Interest

Deferral of interest on savings bonds.....	-75	335	335	335	335	335
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¹ All estimates are based on the tax law enacted as of December 31, 1980.

² Less than \$2,500,000.

³ The figures in the table indicate the effect of the earned income credit on receipts. The effect on outlays is: \$1,205 million in 1981, \$1,115 million in 1982, \$1,030 million in 1983, \$955 million in 1984, \$885 million in 1985, and \$815 million in 1986.

SUM OF THE EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1981-86

[In millions of dollars]

Fiscal year	Corporations and individuals	Corporations	Individuals
1981.....	228,620	48,775	179,845
1982.....	266,250	52,090	214,190
1983.....	306,435	58,190	248,245
1984.....	350,530	63,750	286,780
1985.....	403,725	68,905	334,820
1986.....	465,290	74,565	390,725

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

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

Table 2.—Distribution of Selected Items of Tax Expenditures Under Individual Income Tax, By Expanded Income Class¹

[Amounts in millions of dollars; returns in thousands]

Expanded income class (thousands) ²	Age exemption		Blind exemption		Interest and dividend exclusion	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5.....	363	39	1	(*)	1,632	29
\$5 to \$10.....	2,208	394	27	4	5,309	167
\$10 to \$15.....	1,689	429	9	1	5,765	236
\$15 to \$20.....	1,004	294	46	10	5,658	263
\$20 to \$30.....	1,054	374	9	3	10,655	654
\$30 to \$50.....	799	410	28	10	10,470	1,026
\$50 to \$100.....	390	261	3	2	3,185	508
\$100 to \$200.....	132	102	1	1	598	120
\$200 and over.....	45	38	1	1	157	33
Total.....	7,683	2,341	126	31	43,430	3,035
	Disability pay exclusion		Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount	Returns	Amount

Below \$5	97	73	276	4	319	11
\$5 to \$10	88	63	1,123	99	1,502	109
\$10 to \$15	32	23	1,749	179	1,878	222
\$15 to \$20	29	6	2,452	344	2,716	411
\$20 to \$30	16	4	5,353	912	6,743	1,489
\$30 to \$50			6,554	1,235	8,668	3,575
\$50 to \$100			2,120	687	2,823	2,435
\$100 to \$200			349	203	527	851
\$200 and over			88	82	143	440
Total	262	169	20,065	3,745	25,319	9,544

	State and local income tax deduction		State and local sales and other tax deductions		Home mortgage interest deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5	255	5	409	9	383	23
\$5 to \$10	1,377	65	1,683	63	1,494	216
\$10 to \$15	2,002	151	2,394	149	1,574	408
\$15 to \$20	2,881	329	3,362	311	2,307	995
\$20 to \$30	6,717	1,466	7,715	1,210	5,842	4,035
\$30 to \$50	8,478	4,260	9,609	2,731	7,639	9,328
\$50 to \$100	2,768	3,912	3,105	1,514	2,260	4,998
\$100 to \$200	499	1,925	576	435	336	1,159
\$200 and over	130	1,716	154	224	70	313
Total	25,106	13,829	29,005	6,645	21,905	21,476

See footnotes at end of table.

Table 2.—Distribution of Selected Items of Tax Expenditures Under Individual Income Tax, By Expanded Income Class ¹—Continued

[Amounts in millions of dollars; returns in thousands]

	Consumer interest expense deduction		Charitable contributions deduction		Casualty loss deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5.....	6	0	292	2	17	1
\$5 to \$10.....	73	4	1,483	37	137	10
\$10 to \$15.....	612	52	2,201	135	174	23
\$15 to \$20.....	1,549	185	3,115	287	253	44
\$20 to \$30.....	5,025	855	7,364	1,088	633	123
\$30 to \$50.....	7,845	2,003	9,320	2,743	843	263
\$50 to \$100.....	2,492	1,412	3,042	2,201	302	184
\$100 to \$200.....	414	686	551	1,268	53	72
\$200 and over.....	108	563	148	2,382	18	52
Total.....	18,123	5,750	27,516	10,144	2,431	770

	Elderly credit		Child care credit		Earned income credit ³	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5.....					2,227	660
\$5 to \$10.....	161	24	164	36	3,632	1,035
\$10 to \$15.....	188	41	408	96	46	7

\$15 to \$20.....	119	21	571	133	4	(*)
\$20 to \$30.....	53	16	1,132	265	(*)	(*)
\$30 to \$50.....	61	20	1,495	428	(*)	(*)
\$50 to \$100.....	12	3	238	82	(*)	(*)
\$100 to \$200.....	(*)	(*)	18	8	(*)	(*)
\$200 and over.....	(*)	(*)	3	1	(*)	(*)
Total.....	594	125	4,027	1,049	5,909	1,703
	Political contribution credit		Capital gains exclusion		Maximum tax	
	Returns	Amount	Returns	Amount	Returns	Amount
Below \$5.....	69	2	69	4		
\$5 to \$10.....	345	10	534	100		
\$10 to \$15.....	520	12	712	197		
\$15 to \$20.....	681	15	600	240		
\$20 to \$30.....	1,399	39	1,224	820		
\$30 to \$50.....	1,427	51	1,782	2,300		
\$50 to \$100.....	523	26	1,018	3,899	22	32
\$100 to \$200.....	142	9	311	4,061	173	658
\$200 and over.....	47	4	108	9,905	59	1,243
Total.....	5,152	168	6,357	21,525	253	1,933

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

¹ Estimated for the tax law enacted as of December 31, 1980, and at 1981 income levels.

² Expanded income equals adjusted gross income plus minimum tax preferences (mostly excluded capital gains) less investment interest expense to the extent of investment income.

³ Includes the refundable portion of the earned income credit.

