

ESTIMATES OF FEDERAL TAX
EXPENDITURES

COMMITTEE ON WAYS AND MEANS

PREPARED BY THE STAFFS
OF THE
TREASURY DEPARTMENT
AND
JOINT COMMITTEE ON INTERNAL
REVENUE TAXATION



JUNE 1, 1973

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1973

95-923

JCS-20-73

FEDERAL TAX EXPENDITURES

In the Senate version of the Revenue Act of 1971, a provision added on the floor would have required the inclusion in the budget of estimates of losses in revenue from provisions of the Federal income tax laws and also estimates of indirect "expenditures" through the operation of the Federal tax laws. Data of this type have commonly become known as "tax expenditures." The statement made by the conferees in this respect is as follows:

"The conferees concluded that it would be more appropriate to have such estimates of tax expenditures made by the Treasury Department and to have the estimates submitted annually to the Committee on Ways and Means of the House, the Committee on Finance of the Senate, and the Joint Committee on Internal Revenue Taxation. It is expected that these tax expenditure reports to the tax committees will initially be modeled after similar reports previously made and included in the annual reports of the Secretary of the Treasury in 1968 and 1970. Modifications may, of course, be made from time to time in consultation with the tax committees. In addition to making these reports to the tax committees on an annual basis, the Treasury Department may desire to include these data on tax expenditures in the annual report of the Secretary of the Treasury. The Treasury Department has indicated its willingness to submit information to the tax committees in the manner indicated above and as a result the amendment no longer appears necessary."

The Staffs of the Treasury Department and Joint Committee did cooperate in the preparation of such a report last year. This pamphlet, which is a continuation of this cooperative effort, presents data for 1972 and reproduces the data for calendar years 1967 through 1971 which were contained in the report issued on October 4, 1972.

In general terms "tax expenditure" items are intended to represent the amount of tax reductions which occur because of the allowance of an exclusion, deduction, preferential rate of tax, or deferral of tax liability. There are differences in points of view as to the "tax expenditure" concept,¹ including differences as to the items which should be included in, and excluded from, such a listing. Questions have also been raised as to whether there should also be included in such an analysis those items which are taxed more heavily than income generally (such as corporate income) or deductions which are subjected to special limitations (such as capital losses). In this report the staffs have not attempted to consider any changes in the items listed as "tax expenditures." Instead, the items included in this report are those which have previously been included in any of the earlier reported versions of tax expenditure estimates made by the Treasury Department prior to the Revenue Act of 1971 plus items in the Revenue Act of 1971 which are of a similar character. Among items not included as tax expenditures are the personal exemptions and the minimum standard deduction.

¹ See, e.g., the criticism in Bittker, "Accounting for Federal Tax Subsidies in the National Budget," *XXII National Tax Journal* 244 and the reply in Surrey and Hellmuth, "The Tax Expenditure Budget—Response to Professor Bittker," *XXII National Tax Journal* 528.

This report includes two tables. Table 1 shows estimated Federal income tax expenditures for the calendar years 1967 through 1972. The 1971 and 1972 tabulations are broken down into effects on corporate income tax liability and effects on individual income tax liability. Only the 1972 data represent a new tabulation. The data shown in this table are broken down into categories which are comparable to those in the functional classification of budget expenditures. The report also includes a table (Table 2) showing the estimated distribution, by adjusted gross income class, of the decrease in individual income tax liability estimated to result from tax expenditure items affecting such liability.

The purpose of these tax expenditure data is to provide information as to the economic benefits provided by the tax laws to the various sectors of the economy. To aid in the analysis, the cost and beneficiaries (in terms of areas of activity) are shown by the same functional categories as outlays in the Federal budget. The listing of any of these provisions involves no direct, or indirect, presumption about the desirability of any of them in terms of public policy. These tables, however, are intended as a tool which may be helpful to the tax committees of Congress in reviewing various provisions of the tax laws.

The estimates of tax expenditures are difficult to determine and are subject to important limitations. It is believed, however, that despite these limitations, the order of magnitude of the amounts involved may be helpful to the tax committees.

The major limitations with respect to the estimates of tax expenditures are:

1. The estimate of each tax expenditure item is made independently of any other tax expenditure item. As a result, 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 individually. This, of course, also means that the addition of the various tax expenditure items is of quite limited usefulness. This is why totals are not shown for table 1, except in a footnote.
2. In the case of many of the items, especially those for which information is not available on tax returns, the lack of data makes estimates quite tenuous. Where information is not available on tax returns, it has been necessary to obtain information from whatever sources are available, and, when sources are limited, to make assumptions on which to base the estimates.
3. The estimates for the various tax expenditure items do not take into account any effects that the removal of one or more of the items might have on investment patterns, consumption, or other aspects of economic activity. In other words, the estimates shown do not take into account the induced effects of changing the provisions. Repeal of a provision, therefore, would not necessarily raise the revenue associated with removal of that provision.
4. Often, tax expenditure items which have been added in recent years do not become fully effective until the lapse of several years. As a result, the eventual annual cost of some items added in recent years is not fully reflected in the year 1972. Conversely, if various items now in the law were to be eliminated, it is unlikely, in many cases, that the full revenue effects shown would be realized until an extended period of years has passed.

5. In some cases, if a tax expenditure item were to be eliminated, it is probable that Congress would, at least to some extent, desire to deal with the underlying problem by a direct expenditure program. The effect of any such program is not taken into account in the estimates shown. In addition, if some of these provisions were removed from the tax laws, this removal might be accompanied by revisions in tax rates, personal exemptions or the minimum standard deduction, as has happened in the past. This has not been taken into account in the estimates.

6. There are features of the law which are not taken into account in the estimates shown. For example, personal exemptions, the minimum standard deduction, the foreign tax credit, and the effect of income splitting and head-of-household treatment, as well as the graduation in the rate structure of the individual income tax, are not taken into account in these tables. Also, the effect of estate and gift taxes is not shown nor is the interrelationship of these provisions with some of the tax expenditure items taken into account.

7. Differences in personal income levels and corporate profits can also account for differences in the cost of tax expenditure items from year to year. Also, some tax expenditure items themselves may be larger or smaller from year to year, wholly independent of tax considerations.

TABLE 1—ESTIMATED FEDERAL INCOME TAX EXPENDITURES,¹ CALENDAR YEARS 1967-72²

[In millions of dollars]

| Item | 1967 | 1968 | 1969 | 1970 | 1971 | | | 1972 | | |
|---|------------------|------------------|------------------|------------------|-------------------|------------------|-------|-------------------|------------------|---------|
| | | | | | Corpo- rations | Indi- viduals | Total | Corpo- rations | Indi- viduals | Total |
| NATIONAL DEFENSE | | | | | | | | | | |
| Exclusion of benefits and allowances to Armed Forces personnel..... | 500 | 550 | 550 | 500 | | 650 | 650 | | 700 | * 700 |
| INTERNATIONAL AFFAIRS | | | | | | | | | | |
| Exemption for certain income earned abroad by U.S. citizens..... | 40 | 45 | 45 | 40 | | 50 | 50 | | 50 | 50 |
| Exclusion of income earned by individuals in U.S. possessions..... | 10 | 10 | 10 | 10 | | 10 | 10 | | 10 | 10 |
| Western Hemisphere trade corporations..... | 50 | 55 | 55 | 50 | 75 | | 75 | 50 | | 50 |
| Exclusion of gross-up on dividends of less-developed country corporations..... | 50 | 55 | 55 | 55 | 55 | | 55 | 60 | | 60 |
| Deferral of income of controlled foreign corporations..... | 150 | 165 | 170 | 165 | 165 | | 165 | 300 | 25 | * 325 |
| Exclusion of income earned by corporations in U.S. possessions..... | 70 | 80 | 85 | 80 | 80 | | 80 | 80 | | 80 |
| Deferral of income of domestic international sales corporations..... | | | | | | | | 100 | | 100 |
| AGRICULTURE | | | | | | | | | | |
| Farming: Expensing and capital gain treatment..... | 800 | 860 | 880 | 820 | 50 | 790 | 840 | 50 | 850 | 900 |
| Timber: Capital gain treatment for certain income..... | 130 | 140 | 140 | 130 | 125 | 50 | 175 | 125 | 50 | 175 |
| NATURAL RESOURCES | | | | | | | | | | |
| Expensing of exploration and development costs..... | 300 | 330 | 340 | 325 | 260 | 65 | 325 | 580 | 70 | * 650 |
| Excess of percentage over cost depletion..... | 1,300 | 1,430 | 1,470 | 980 | 785 | 200 | 985 | 1,400 | 300 | * 1,700 |
| Capital gain treatment of royalties on coal and iron ore..... | 5 | 5 | 5 | 5 | 5 | | 5 | 5 | | 5 |
| COMMERCE AND TRANSPORTATION | | | | | | | | | | |
| Investment credit..... | 2,300 | 3,000 | 2,630 | 910 | 1,495 | 305 | 1,800 | 3,050 | 750 | 3,800 |
| Depreciation on buildings (other than rental housing) in excess of straight-line..... | 500 | 550 | 550 | 500 | 320 | 160 | 480 | 330 | 170 | 500 |
| Asset depreciation range..... | | | | | 600 | 100 | 700 | 850 | 10 | * 860 |
| Dividend exclusion..... | 225 | 260 | 290 | 280 | 380 | 300 | 380 | 400 | 300 | 400 |
| Capital gains: Corporation (other than farming and timber) ³ | 500 | 525 | 525 | 425 | 380 | | 380 | 400 | | 400 |
| Capital gains: Individuals (other than farming and timber) ³ | (⁴) | (⁴) | (⁴) | (⁴) | | 5,600 | 5,600 | | 7,000 | 7,000 |
| Bad debt reserves of financial institutions in excess of actual..... | 600 | 660 | 680 | 380 | 400 | | 400 | 400 | | 400 |
| Exemption of credit unions..... | 40 | 45 | 45 | 40 | 40 | | 40 | 90 | | 90 |
| Deductibility of interest on consumer credit..... | 1,300 | 1,600 | 1,700 | 1,700 | | 1,800 | 1,800 | | 1,100 | * 1,100 |
| Expensing of research and development expenditures..... | 500 | 550 | 565 | 540 | 545 | | 545 | 570 | | 570 |
| \$25,000 surtax exemption..... | 1,800 | 2,000 | 2,300 | 2,000 | 2,300 | | 2,300 | 2,500 | | 2,500 |
| Deferral of tax on shipping companies..... | 10 | 10 | 10 | 10 | 10 | | 10 | 30 | | 30 |
| Rail freight car amortization..... | | | | 105 | 45 | | 45 | 80 | | * 80 |

4

| HOUSING AND COMMUNITY DEVELOPMENT | | | | | | | | | | |
|--|---------|---------|-------|-------|-------|-------|-------|-------|--|----|
| Deductibility of interest on mortgages on owner-occupied homes | 1,900 | 2,200 | 2,600 | 2,800 | 2,400 | 2,400 | 3,500 | 3,500 | | |
| Deductibility of property taxes on owner-occupied homes | 1,800 | 2,350 | 2,800 | 2,900 | 2,700 | 2,700 | 3,250 | 3,250 | | |
| Depreciation on rental housing in excess of straight-line | 250 | 250 | 275 | 255 | 200 | 500 | 250 | 600 | | |
| Housing rehabilitation | | | | 10 | 15 | 25 | 15 | 25 | | 40 |
| HEALTH, LABOR, AND WELFARE | | | | | | | | | | |
| Disability insurance benefits | (9) | 100 | 120 | 130 | 155 | 155 | 175 | 175 | | |
| Provisions relating to aged, blind, and disabled: | | | | | | | | | | |
| Combined cost for additional exemption, retirement income credit, and exclusion of QASDHI for aged | 2,300 | 2,700 | 2,800 | 2,950 | 3,250 | 3,250 | 3,550 | 3,550 | | |
| Additional exemption for blind | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | | |
| Sick pay exclusion | 85 | 95 | 105 | 105 | 120 | 120 | 225 | 225 | | |
| Exclusion of unemployment insurance benefits | 300 | 325 | 350 | 400 | 800 | 800 | 700 | 700 | | |
| Exclusion of workmen's compensation benefits | 150 | 180 | 210 | 210 | 320 | 320 | 375 | 375 | | |
| Exclusion of public assistance benefits | 50 | 50 | 50 | 50 | 65 | 65 | 65 | 65 | | |
| Net exclusion of pension contributions and earnings: | | | | | | | | | | |
| Plans for employees | 3,000 | 4,000 | 3,150 | 3,075 | 3,650 | 3,650 | 4,000 | 4,000 | | |
| Plans for self-employed persons | 60 | 135 | 160 | 175 | 250 | 250 | 200 | 200 | | |
| Exclusion of other employee benefits: | | | | | | | | | | |
| Premiums on group term life insurance | 400 | 400 | 440 | 440 | 500 | 500 | 550 | 550 | | |
| Deductibility of accident and accidental death premiums | 25 | 25 | 25 | 25 | 30 | 30 | 35 | 35 | | |
| Medical insurance premiums and medical care | 1,100 | 1,400 | 1,450 | 1,450 | 2,000 | 2,000 | 2,500 | 2,500 | | |
| Privately financed supplementary unemployment benefits | 25 | 15 | 15 | 20 | 5 | 5 | 5 | 5 | | |
| Meals and lodging | 150 | 165 | 170 | 170 | 170 | 170 | 170 | 170 | | |
| Exclusion of interest on life insurance savings | 900 | 1,000 | 1,050 | 1,050 | 1,100 | 1,100 | 1,200 | 1,200 | | |
| Deductibility of charitable contributions (other than education) | 2,200 | 3,000 | 3,450 | 3,550 | 3,200 | 3,200 | 3,100 | 3,100 | | |
| Deductibility of medical expenses | 1,500 | 1,600 | 1,700 | 1,700 | 1,900 | 1,900 | 1,900 | 1,900 | | |
| Deductibility of child and dependent care expenses | 25 | 25 | 25 | 25 | 30 | 30 | 180 | 180 | | |
| Deductibility of casualty losses | 70 | 80 | 80 | 80 | 165 | 165 | 150 | 150 | | |
| Excess of percentage standard deduction over minimum standard deduction | * 3,200 | * 3,600 | 3,800 | 3,000 | 700 | 700 | 1,040 | 1,040 | | |
| Pollution control amortization | | | 15 | 15 | 15 | 15 | 25 | 25 | | |
| Credit for employing public assistance recipients under WIN program | | | | | | | 5 | 5 | | |
| 5-year amortization of child care facilities | | | | | | | 5 | 5 | | |
| EDUCATION | | | | | | | | | | |
| Parental personal exemption for student age 19 or over | 500 | 500 | 525 | 500 | 550 | 550 | 640 | 640 | | |
| Deductibility of contributions to educational institutions | 170 | 200 | 200 | 200 | 275 | 275 | 275 | 275 | | |
| Exclusion of scholarships and fellowships | 50 | 60 | 60 | 60 | 110 | 110 | 125 | 125 | | |
| VETERANS BENEFITS AND SERVICES | | | | | | | | | | |
| Exclusion of certain veterans' benefits | 550 | 600 | 600 | 650 | 700 | 700 | 480 | 480 | | |
| GENERAL GOVERNMENT | | | | | | | | | | |
| Political contributions | | | | | | | 100 | 100 | | |

See footnotes at end of table, p. 6.

(Continued)

TABLE 1.—ESTIMATED FEDERAL INCOME TAX EXPENDITURES,¹ CALENDAR YEARS 1967-72—Continued
 [In millions of dollars]

| Item | 1967 | 1968 | 1969 | 1970 | 1971 | | | 1972 | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | | | Corpo- rations | Indi- viduals | Total | Corpo- rations | Indi- viduals | Total |
| AID TO STATE AND LOCAL FINANCING | | | | | | | | | | |
| Exemption of interest on State and local debt..... | 1,800 | 2,000 | 2,200 | 2,300 | 1,800 | 800 | 2,600 | 1,900 | 1,000 | *2,900 |
| Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes)..... | 2,800 | 4,150 | 5,100 | 5,600 | | 5,600 | 5,600 | | 5,300 | 5,300 |
| Total..... | (¹⁰) |

¹ Estimates are prepared on an individual basis for each item on the assumption that the item would be eliminated from the law without any other changes in the law with respect to the other items. If two or more changes in the law are made, the aggregate revenue effect will frequently not equal the sum of the revenue effects of the individual changes. Accordingly, the costs of the items are not additive.

² Roughly reflect fiscal years 1968 through 1973.

³ Changes in the 1972 figures as compared to 1971 which are due wholly or in part to revised data and/or new sources of data and/or improved estimating methods.

⁴ The estimate for 1972 considers this tax expenditure in isolation rather than in conjunction with percentage depletion as has been done for the years 1967-71.

⁵ Assumes present restriction on capital losses is retained.

⁶ Not available.

⁷ This will decline over time as present law becomes fully effective.

⁸ This item is being superseded by use of the investment credit.

⁹ Standard deduction.

¹⁰ As explained more fully in the text and in footnote 1, these totals are of limited significance and utility. However, as a matter of convenience the mathematical sums of the respective 10 columns are given here: \$36,550,000,000; \$44,140,000,000; \$46,635,000,000; \$43,945,000,000; \$9,860,000,000; \$41,850,000,000; \$51,710,000,000; \$13,350,000,000; \$46,460,000,000; and \$59,810,000,000. Much of the increase in the total figures given for 1971 and 1972 over that for 1970 is due to the fact that the 1970 figure does not include any estimate for capital gains of individuals while the 1971 and 1972 totals include \$5,600,000,000 and \$7,000,000,000, respectively.

Note: Changes in the figures from year to year not only reflect changes in the tax laws, in utilization of the items and in personal income and profit levels but also, in some instances, reflect revised and/or new sources of data and/or improved estimating methods.

9

TABLE 2.—ESTIMATED DISTRIBUTION OF SELECTED ITEMS OF TAX PREFERENCES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, CALENDAR YEAR 1972

[In millions of dollars]

| Adjusted gross income class | Exclusion of benefits and allowances to Armed Forces personnel | Exemption for certain income earned abroad by U.S. citizens | Exclusion of income earned by individuals in U.S. possessions | Deferral of income of foreign controlled subsidiaries | Farming: Expensing and capital gain treatment | Timber: Capital gain treatment for certain income | Expensing of exploration and development costs | Excess of percentage over cost depletion | Investment credit | Depreciation on buildings (other than rental housing) in excess of straight-line | Asset depreciation range | Dividend exclusion |
|-----------------------------|--|---|---|---|---|---|--|--|-------------------|--|--------------------------|--------------------|
| 0 to \$3,000..... | 15 | (1) | (1) | (1) | 15 | (1) | (1) | 1 | (1) | 1 | (1) | 2 |
| \$3,000 to \$5,000..... | 150 | 1 | (1) | (1) | 50 | 2 | 1 | 5 | 45 | 3 | (1) | 10 |
| \$5,000 to \$7,000..... | 180 | 3 | 1 | (1) | 90 | 2 | 1 | 4 | 55 | 5 | (1) | 18 |
| \$7,000 to \$10,000..... | 130 | 5 | 1 | (1) | 130 | 3 | 2 | 11 | 95 | 10 | (1) | 27 |
| \$10,000 to \$15,000..... | 115 | 7 | 2 | 1 | 170 | 4 | 9 | 18 | 125 | 19 | 1 | 56 |
| \$15,000 to \$20,000..... | 55 | 16 | 3 | 1 | 100 | 3 | 7 | 20 | 90 | 17 | 1 | 55 |
| \$20,000 to \$50,000..... | 50 | 17 | 3 | 6 | 185 | 9 | 17 | 75 | 185 | 58 | 4 | 109 |
| \$50,000 to \$100,000..... | 4 | 1 | (1) | 6 | 60 | 8 | 11 | 61 | 80 | 36 | 2 | 20 |
| \$100,000 and over..... | 1 | (1) | (1) | 11 | 50 | 19 | 22 | 105 | 75 | 21 | 1 | 3 |
| Total..... | 700 | 50 | 10 | 25 | 850 | 50 | 70 | 300 | 750 | 170 | 10 | 300 |

¹ Less than \$500,000.

(Continued)

7

TABLE 2.—ESTIMATED DISTRIBUTION OF SELECTED ITEMS OF TAX PREFERENCES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, CALENDAR YEAR 1972—Continued
 [In millions of dollars]

| Adjusted gross income class | Deductibility of interest on consumer credit | Deductibility of interest on mortgages on owner-occupied homes | Deductibility of property taxes on owner-occupied homes | Depreciation on rental housing in excess of straight-line | Housing re-habilitation | Disability insurance benefits | Provisions relating to aged, blind, and disabled | | Sick pay exclusion | Exclusion of unemployment insurance benefits | Exclusion of workmen's compensation benefits | Exclusion of public assistance benefits |
|-----------------------------|--|--|---|---|-------------------------|-------------------------------|--|--------------------------------|--------------------|--|--|---|
| | | | | | | | Combined cost for additional exemption, retirement income credit, and exclusion of OASDHI for aged | Additional exemption for blind | | | | |
| 0 to \$3,000..... | (1) | (1) | 5 | 1 | (1) | 30 | 880 | 1 | 8 | 60 | 12 | 25 |
| \$3,000 to \$5,000..... | 10 | 15 | 25 | 4 | (1) | 45 | 820 | 2 | 16 | 95 | 26 | 20 |
| \$5,000 to \$7,000..... | 40 | 85 | 95 | 7 | (1) | 35 | 460 | 2 | 18 | 95 | 41 | 15 |
| \$7,000 to \$10,000..... | 145 | 310 | 240 | 14 | (1) | 35 | 640 | 2 | 34 | 160 | 66 | 5 |
| \$10,000 to \$15,000..... | 275 | 845 | 590 | 28 | (1) | 12 | 265 | 1 | 62 | 200 | 96 | (1) |
| \$15,000 to \$20,000..... | 235 | 835 | 640 | 25 | 1 | 7 | 135 | 1 | 55 | 60 | 63 | (1) |
| \$20,000 to \$50,000..... | 285 | 1,160 | 1,135 | 86 | 3 | 7 | 235 | 1 | 27 | 25 | 65 | (1) |
| \$50,000 to \$100,000..... | 60 | 195 | 340 | 53 | 8 | 3 | 75 | (1) | 4 | 5 | 5 | (1) |
| \$100,000 and over..... | 50 | 55 | 180 | 32 | 12 | 1 | 40 | (1) | 1 | (1) | 1 | (1) |
| Total..... | 1,100 | 3,500 | 3,250 | 250 | 25 | 175 | 3,550 | 10 | 225 | 700 | 375 | 65 |

¹ Less than \$500,000.

(Continued)

TABLE 2.—ESTIMATED DISTRIBUTION OF SELECTED ITEMS OF TAX PREFERENCES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, CALENDAR YEAR 1972—Continued

[In millions of dollars]

| Adjusted gross income class | Exclusion of other employee benefits | | | | | | | | | | | |
|--------------------------------|--|--------------------------------|--|---|--|--|----------------------|--|--|---|---|--|
| | Net exclusion of pension contributions and earnings | | Premiums on term group life insurance | Deductibility of accident and acciden- tal death premiums | Medical insurance of premiums and medical care | Privately financed supple- mentary unemploy- ment benefits | Meals and lodging | Exclusion of interest on life insurance savings | Deductibility of charitable contributions (other than education) | Deductibility of medical expenses | Deductibility of child and dependent care expense | Deductibility of casualty losses |
| | Plans for employees | Plans for self- employed | | | | | | | | | | |
| 0 to \$3,000..... | 45 | (1) | 10 | (1) | 45 | (1) | 3 | 10 | 5 | 5 | 1 | (1) |
| \$3,000 to \$5,000..... | 150 | (1) | 40 | (1) | 180 | (1) | 13 | 35 | 20 | 60 | 12 | (1) |
| \$5,000 to \$7,000..... | 240 | 1 | 50 | 3 | 225 | 1 | 22 | 65 | 80 | 155 | 21 | 5 |
| \$7,000 to \$10,000..... | 580 | 2 | 95 | 6 | 430 | 1 | 33 | 105 | 195 | 300 | 36 | 10 |
| \$10,000 to \$15,000..... | 1,080 | 5 | 150 | 10 | 675 | 2 | 37 | 175 | 410 | 460 | 42 | 25 |
| \$15,000 to \$20,000..... | 740 | 9 | 90 | 5 | 400 | 1 | 27 | 160 | 380 | 320 | 43 | 30 |
| \$20,000 to \$50,000..... | 885 | 93 | 95 | 6 | 420 | (1) | 28 | 400 | 820 | 435 | 25 | 40 |
| \$50,000 to \$100,000..... | 195 | 76 | 15 | 2 | 85 | (1) | 5 | 130 | 450 | 115 | ----- | 15 |
| \$100,000 and over..... | 85 | 14 | 5 | 1 | 40 | (1) | 2 | 120 | 740 | 50 | ----- | 20 |
| Total..... | 4,000 | 200 | 550 | 35 | 2,500 | 5 | 170 | 1,200 | 3,100 | 1,900 | 180 | 150 |

¹ Less than \$500,000.

(Continued)

TABLE 2.—ESTIMATED DISTRIBUTION OF SELECTED ITEMS OF TAX PREFERENCES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, CALENDAR YEAR 1972—Continued
 [In millions of dollars]

| Adjusted gross income class | Excess of percentage standard deduction over minimum standard deduction | Capital gains: individuals | Parental personal exemption for student age 19 or over | Deductibility of contributions to educational institutions | Exclusion of scholarships and fellowships | Exclusion of certain veterans' benefits | Tax credit or deduction for political contributions | Exemption of interest on State and local debt | Deductibility of nonbusiness State and local taxes (other than on owner occupied homes) |
|-----------------------------|---|----------------------------|--|--|---|---|---|---|---|
| 0 to \$3,000..... | 0 | 20 | (1) | (1) | 4 | 20 | (1) | 5 | (1) |
| \$3,000 to \$5,000..... | 1 | 70 | 8 | 3 | 26 | 45 | 1 | (1) | 30 |
| \$5,000 to \$7,000..... | 12 | 120 | 39 | 7 | 32 | 50 | 2 | (1) | 110 |
| \$7,000 to \$10,000..... | 63 | 190 | 102 | 20 | 26 | 110 | 7 | 5 | 335 |
| \$10,000 to \$15,000..... | 609 | 340 | 207 | 58 | 19 | 140 | 21 | 10 | 785 |
| \$15,000 to \$20,000..... | 254 | 340 | 122 | 70 | 12 | 60 | 17 | 25 | 835 |
| \$20,000 to \$50,000..... | 98 | 1,260 | 69 | 90 | 6 | 45 | 37 | 125 | 1,770 |
| \$50,000 to \$100,000..... | 2 | 1,080 | 72 | 20 | (1) | 9 | 11 | 375 | 770 |
| \$100,000 and over..... | 1 | 3,580 | 21 | 7 | (1) | 1 | 4 | 455 | 665 |
| Total..... | 1,040 | 7,000 | 640 | 275 | 125 | 480 | 100 | 1,000 | 5,300 |

¹ Less than \$500,000.