ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 2017-2021

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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 both policymakers and the public to understand the actual size of government, the uses to which government resources are put, 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 2017-2021 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 2017-2027 in the Administration's budgetary statement of February 2018.[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 February 9, 2018. Expired or repealed provisions are not listed unless they have continuing revenue effects that are associated with ongoing taxpayer activity.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 January 2017 Congressional Budget Office ("CBO") revenue baseline[4] and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2016-2021.

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 2017-2021 are presented in Table 1. Table 2 shows the distribution of tax returns by income class, and Table 3 presents distributions of selected individual tax expenditures by income class.

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[1] This report may be cited as follows: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2017-2021* (JCX-34-18), May 25, 2018. 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 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.html?func=select&id=5.

[3] Office of Management and Budget, "Tax Expenditures," *Analytical Perspectives, Budget of the United States Government*, *Fiscal Year 2019*, February 2018, pp. 153-194.

[4] While estimates reflect changes in tax law enacted through February 9, 2018, the estimates are based on projections of economic activity based on the CBO revenue baseline for 2017.

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."[5] 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 similar to 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 structure (referred to here as "normal income tax law"). The determination of whether a provision is a tax expenditure is made on the basis of a broad concept of income that is larger in scope than "income" as defined under general U.S. 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 normal income tax law 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 2017-2021. 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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[5] 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 USC 601(f).

The Budget Act uses the term tax expenditure to refer to the special tax provisions that are contained in the Federal income taxes on individuals and corporations.[6] 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.[7] 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.

Some provisions in the Internal Revenue Code ("the Code") provide for special tax treatment that is less favorable than normal income tax law. 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 limitation on deductions for unreimbursed employee expenses. Tax provisions that provide treatment less favorable than normal income tax law and are not related directly to progressivity are called *negative* tax expenditures.[8] 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 the (1) limitation on net operating loss carryforwards and certain built-in losses following ownership changes (sec. 382), (2) wash sale rules (sec. 1091), (3) denial of capital gain treatment for gains on certain obligations not in registered form (sec. 1287), and (4) disallowance of a deduction for fines and penalties (sec. 162(f)).

Individual Income Tax

Under the Joint Committee staff methodology, 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 normal income tax law.

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[6] 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) of the Code). Estates and trusts may benefit from some of the same tax expenditure provisions 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.

[7] 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. Prior to 2003, the President's budget contained a section that reviewed and tabulated estate and gift tax provisions that the Treasury considered tax expenditures.

[8] Although the Budget Act does not require the identification of negative tax expenditures, the Joint Committee staff has presented a number of 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.[9] An itemized deduction that is not necessary for the generation of income is classified as a tax expenditure, but only to the extent that it, when added to a taxpayer's other 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 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,[10] 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 normal income tax law, 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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[9] 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.

[10] 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 normal income tax law, the value of employer-provided accident and health coverage would be includable 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.[11] Under normal income tax law, retirees would be entitled to exclude only the portion of the retirement benefits that represents a return of the payroll taxes that they paid during their working years. Thus, the exclusion of social security and railroad retirement benefits in excess of payroll tax payments 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.

The individual income tax does not include in gross income the imputed income that individuals receive from the services provided by owner-occupied homes and durable goods.[12] However, the Joint Committee staff does not classify this exclusion as a tax expenditure.[13] The measurement of imputed income for tax purposes presents administrative problems and its exclusion from taxable income may be regarded as an administrative necessity.[14] Under normal income tax law, individuals are allowed to deduct only the interest on indebtedness incurred in connection with a trade or business or an investment. 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, normal income tax law 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,[15] 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 same concern for administrative feasibility, it is also assumed that

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[11] 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.

[12] The National Income and Product Accounts include estimates of this imputed income. 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.

[13] The Treasury Department 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.

[14] 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.

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

normal income tax law does not provide for any indexing of the basis of capital assets for changes in the general price level. Thus, under normal income tax law (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.[16] Table 1 contains a separate tax expenditure listing for each type of bond.

Under the Joint Committee staff view of normal tax law, compensatory stock options generally are subject to regular income tax at the time the options are exercised and employers receive a corresponding tax deduction.[17] 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 that is received at the time the option is exercised is excluded for purposes of the regular income tax but, in the case of an incentive stock option, 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, it should be noted that 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 normal income tax law. 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 personal exemptions and the standard deduction; and the net AMT attributable to the net operating loss limitation.

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[16] 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.

[17] If the option has a readily ascertainable fair market value, normal law taxes the option at the time it is granted and the employer is entitled to a deduction at that 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, most business tax expenditures apply equally to unincorporated and incorporated 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 this may not represent the difference between tax depreciation and 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.[18] 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.[19]

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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[18] 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.

[19] 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. Under the Joint Committee staff view, normal income tax law is assumed to require the accrual method of accounting (except where its application is deemed infeasible), the standard of "economic performance" (used in the Code to test whether liabilities are deductible), and the general concept of matching income and expenses. In general, tax provisions that do not satisfy all three standards are viewed as tax expenditures. For example, the deduction for contributions to taxpayer-controlled mining reclamation reserve accounts is viewed as a tax expenditure because the contributions do not satisfy the economic performance standard. (Adherence to the standard would require that the taxpayer make an irrevocable contribution toward future reclamation, involving a trust fund or similar mechanism, as required by a number of other provisions in the Code.) In contrast, the deductions for contributions to nuclear decommissioning trust accounts and certain environmental settlement trust accounts are not viewed as tax expenditures because the contributions are irrevocable (*i.e.*, they satisfy the economic performance standard). However, present law provides for an accelerated deduction for payments made to a nuclear decommissioning fund made within 2 ½ months after the close of the taxable year and a reduced rate of tax on the incomes of these two types of trust accounts. This acceleration and these tax rate reductions are viewed as tax expenditures.

The Joint Committee staff assumes that normal income tax law would provide 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 may be assumed to represent normal income tax law. 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 are considered to be a negative tax expenditure.

In light of the significant reform of the U.S. international tax rules and the uncertain application of existing (and largely unchanged) rules for allocating and apportioning deductible expenses between U.S. and foreign-source income under the reformed system, the Joint Committee staff is reevaluating the extent to which the rules for apportioning research and experimental and interest expenses constitute tax expenditures.

Corporate Income Tax

The income of corporations (other than S corporations) generally is subject to the corporate income tax. The corporate income tax includes a graduated tax rate schedule for taxable years before 2018. The lower tax rates in the schedule are classified by the Joint Committee staff as a tax expenditure (as opposed to normal income tax law) because they are intended to provide tax benefits to small business and, unlike the graduated individual income tax rates, are unrelated directly to concerns about the ability of individuals to pay taxes.

Certain income of pass-through entities is exempt from the corporate income tax. The income of sole proprietorships, S corporations, most partnerships, and other entities (such as regulated investment companies, real estate investment trusts, real estate mortgage investment conduits, and cooperatives) is taxed only at the individual level. The special tax rules for these

pass-through entities are not classified as tax expenditures because the tax benefits are available to any entity that chooses to organize itself and operate in the required manner.[20]

Nonprofit corporations that satisfy the requirements of section 501 also are generally exempt from 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.[21] The tax exemption for certain nonprofit cooperative business organizations, such as trade associations, is not treated as a tax expenditure just as the entity-level exemption given to for-profit pass-through 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 activities are subject to tax.[22] However, there are numerous exceptions that allow for otherwise unrelated business income to escape taxation,[23] 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 Disaster Tax Relief and Airport and Airway Extension Act of 2017, enacted on September 29, 2017 (Pub. L. No. 115-63), modifies several tax expenditures.

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[20] Special rules for certain types of entities may interact with other provisions in a manner that could be viewed as creating or enhancing a tax expenditure. However, the classification of such interactions is ambiguous, and they generally are not listed as tax expenditures. As one example, a C corporation must recognize corporate-level gain when its assets are distributed to shareholders or are sold. To the extent that built-in gain in the assets of a C corporation may escape corporate-level tax following the entity's conversion to S corporation status, it could be argued that the interaction of the different entity rules creates a tax expenditure by relieving the corporate tax on built-in C corporation gain. At the same time, recognized gain is subject to immediate shareholder tax in S corporation form, which some might argue is a negative tax expenditure compared to continuation as a C corporation that defers shareholder-level tax until distributions are made to shareholders. On the other hand, if a C corporation converts to a partnership, rather than an S corporation, both corporate and shareholder-level tax on the built-in gain is imposed immediately. It is unclear whether normal income tax law requires immediate or deferred recognition of gain at both the corporate and shareholder level, only the corporate level, or only the shareholder level. This is an example of how identification of tax expenditures requires an articulation of normal income tax law that is not necessarily automatic and obvious.

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

[22] 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.

[23] 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.

—Special tax treatment is provided for qualified hurricane distributions from eligible retirement plans. These distributions are not subject to the 10-percent early withdrawal tax, the distributions may be included in income ratably over three years, and the distributions may be recontributed to an eligible retirement plan within three years. Individuals may recontribute funds to retirement plans that were distributed for a home purchase in a hurricane disaster area that was cancelled on account of the hurricanes. The limit is increased and the repayment deadline for loans to retirement plans is extended. In Table 1, the provisions are reflected in the tax expenditure estimates for the various retirement plans.

—An employee retention credit is allowed for 40 percent of qualified wages (up to $6,000 per employee) paid to an employee whose principal place of employment was in a hurricane disaster zone.

—A temporary suspension is provided for certain limitations on charitable contributions by individuals and corporations made before December 31, 2017, for relief efforts in the hurricane disaster areas. In Table 1, this suspension is reflected in the various tax expenditure estimates for deductions for charitable contributions.

—The deduction for personal casualty and theft losses is modified with respect to qualified disaster-related personal casualty losses to eliminate the requirement that the losses exceed 10 percent of an individual taxpayer's adjusted gross income and to permit the deduction without regard to whether the taxpayer itemizes deductions.

—The earned income tax credit and the child tax credit are modified to allow qualified individuals to elect to calculate the earned income credit and child credit for the taxable year which includes the applicable date using the earned income for the preceding taxable year.

The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (the "2017 Tax Act"), enacted on December 22, 2017 (Pub. L. No. 115-97), creates a number of new tax expenditures.

—A deduction is created for the sum of (1) the lesser of the combined qualified business income amount of the taxpayer (other than a corporation), or an amount equal to 20 percent of the excess of taxable income over net capital gain, plus (2) the lesser of 20 percent of the aggregate amount of qualified cooperative dividends, or taxable income reduced by net capital gain. The combined qualified business income amount is the sum of (1) the lesser of (a) 20 percent of the taxpayer's qualified business income with respect to a qualified trade or business or (b) the greater of 50 percent of the W-2 wages with respect to the qualified trade or business, or the sum of 25 percent of the W-2 wages with respect to the qualified trade or business plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property, plus (2) 20 percent of the aggregate amount of qualified REIT dividends and qualified publicly traded partnership income of the taxpayer. Qualified business income means the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business. Special rules apply in the case of specified agricultural or horticultural cooperatives. The deduction is effective for taxable years beginning after December 31, 2017, and before January 1, 2026. In Table 1, this new tax expenditure is reflected in the tax expenditure estimates for "Deduction for qualified business income."

—Excess active business losses of noncorporate taxpayers are limited to $250,000 (200 percent of that amount in the case of a joint return). Any disallowed loss is treated as a net operating loss carryover to the following year. The $250,000 amount is indexed for inflation. In

Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Limitation on excess business losses of noncorporate taxpayers."

—The deduction for unreimbursed expenses attributable to the trade or business of being an employee to the extent the expenses exceed two percent of adjusted gross income is repealed for taxable years beginning after December 31, 2017, and before January 1, 2026. This new negative tax expenditure does not appear in Table 1 because quantification of the tax expenditure is not available.

—The exclusion of qualified moving expense reimbursement from gross income is repealed except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station for any taxable year beginning after December 31, 2017, and before January 1, 2026. Reimbursement by an employer of moving expenses that an employee must incur to earn income would be excludable to the employee under the normal income tax. In Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Treatment of employee moving expenses."

—The deduction for moving expenses is available only in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station. Moving expenses that an employee or self-employed individual must incur to earn income would be deductible under the normal income tax. In Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Treatment of employee moving expenses."

—The deduction for losses for wagering are limited. This new negative tax expenditure does not appear in Table 1 because the estimated revenue gain is below the *de minimis* amount.

—The deduction for business interest in excess of business interest income and floor planning financing interest is limited to 30 percent of adjusted taxable income. Exemptions for certain small businesses, electing real property trades or businesses, electing farming businesses, and certain utilities businesses apply. In Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Limitation on net interest deduction to 30 percent of adjusted taxable income.

—The deduction for net operating losses is limited to 80 percent of taxable income. In Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Limit on NOL deduction." The carryback for net operating losses generally is repealed, and an indefinite carryforward period is provided. This change represents a revision to the understanding of normal tax law. Losses of a property and casualty insurance company are permitted to be carried back two years and carried forward 20 years. Such losses are exempt from the limitation to 80 percent of taxable income. In Table 1, this new tax expenditure is reflected in the tax expenditure estimates for "Treatment of losses of property and casualty insurance companies."

—No deduction for entertainment expenses is allowed. This new negative tax expenditure corresponds to the positive tax expenditure for the exclusion from gross income of meals and entertainment. In Table 1, this is reflected in the tax expenditure estimates for "Treatment of meals and entertainment."

—Only 50 percent of expenses for meals provided on or near business premises for the convenience of the employer or as a *de minimis* fringe is allowed as a deduction. This new negative tax expenditure corresponds to the positive tax expenditure for the exclusion from gross

income of employee meals and lodging. In Table 1, this is reflected in the tax expenditure estimates for "Treatment of employee meals and lodging (other than military)."

—No deduction for the expense of any qualified transportation fringe provided to an employee is allowed for amounts paid or incurred after December 31, 2017. This new negative tax expenditure corresponds to the positive tax expenditure for the exclusion from gross income of employer-paid transportation benefits. In Table 1, this is reflected in the tax expenditure estimates for "Treatment of employer-paid transportation benefits."

—No deduction is allowed for any settlement or payment related to sexual harassment or sexual abuse if such settlement or payment is subject to a nondisclosure agreement, or attorney's fees related to such a settlement or payment. This new negative tax expenditure is not listed in Table 1 because the estimated revenue gain is below the *de minimis* amount.

—Eligible employers may claim a credit equal to 12.5 percent of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave if the rate of payment under the program is 50 percent of the wages normally paid to an employee. The credit is increased by 0.25 percentage points (but not above 25 percent) for each percentage point by which the rate of payment exceeds 50 percent. The maximum amount of family and medical leave that may be taken into account with respect to any employee for any taxable year is 12 weeks. In Table 1, this is reflected in the tax expenditure estimates for "Credit for family and medical leave."

—The deduction for the applicable percentage of any Federal Deposit Insurance Corporation ("FDIC") premium paid or incurred by the taxpayer is disallowed. For taxpayers with total consolidated assets of $50 billion or more, the applicable percentage is 100 percent. Otherwise, the applicable percentage is the ratio of the excess of total consolidated assets over $10 billion to $40 billion. The provision does not apply to taxpayers with total consolidated assets (as of the close of the taxable year) that do not exceed $10 billion. In Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Limitation on deduction for FDIC premiums."

—The unrelated business taxable income of an organization is increased by the amount of any expenses paid or incurred by a tax-exempt organization for qualified transportation fringe benefits, a parking facility used in connection with qualified parking, or any on-premises athletic facility, provided such amounts are not deductible by reason of section 274. This new negative tax expenditure corresponds to the positive tax expenditure for the exclusion from gross income of employer-paid transportation benefits. In Table 1, this is reflected in the tax expenditure estimates for "Treatment of employer-paid transportation benefits."

—The inclusion in gross income of capital gains reinvested in a qualified opportunity fund may be temporarily deferred and 15 percent of capital gains reinvested may be excluded if the investment is held for seven years. Capital gains from the sale or exchange of an investment in the qualified opportunity fund held for at least 10 years are excluded from gross income. A qualified opportunity fund is an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property that holds at least 90 percent of its assets in qualified opportunity zone property. Qualified opportunity zone property includes any qualified opportunity zone stock, any qualified opportunity zone partnership interest, and any qualified opportunity zone business property. Certain low-income community population census tracts may be designated as qualified opportunity zones by the chief executive officer of the State (which includes the District of Columbia). In Table 1, this is reflected in the tax expenditure estimates for "Qualified opportunity zones."

—Corporations meeting certain requirements are subject to a base erosion minimum tax that is payable in addition to all other tax liabilities. The base erosion minimum tax amount is generally the excess, if any, of 10 percent (five percent in the case of taxable years beginning in calendar year 2018) of its modified taxable income over an amount equal to its regular tax liability reduced by certain tax credits. Special rules for computing the base erosion minimum tax apply to banks and securities dealers. In Table 1, this new negative tax expenditure is reflected in the tax expenditure estimates for "Base erosion and anti-abuse tax."

The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (the "2017 Tax Act"), enacted on December 22, 2017 (Pub. L. No. 115-97), modifies several tax expenditures.

—The child tax credit is increased to $2,000 per qualifying child; the threshold amount above which the taxpayer's modified adjusted gross income reduces the amount of the credit is increased to $400,000 in the case of a joint return ($200,000 in any other case); a new credit is allowed for $500 for each dependent of the taxpayer other than a qualifying child; the maximum amount of the refundable credit is increased to $1,400 (indexed for inflation); the earned income threshold for the refundable credit is reduced to $2,500; and a social security number is required for a credit with respect to a qualifying child. These changes to the child tax credit apply for taxable years beginning after December 31, 2017, and before January 1, 2026.

—The percentage limitation for cash charitable contributions by individuals is increased to 60 percent of the taxpayer's contribution base for taxable years beginning after December 31, 2017, and before January 1, 2026. In Table 1, this modification is reflected in the various tax expenditure estimates for charitable contributions.

—The limitation on contributions to an ABLE account is increased with respect to contributions made by the designated beneficiary of the ABLE account before January 1, 2026. An ABLE account's designated beneficiary may contribute an additional amount, up to the lesser of (a) the Federal poverty line for a one-person household; or (b) the individual's compensation for the taxable year.

—The amount of contributions made before January 1, 2026, to an ABLE account of the designated beneficiary or a member of the family of the designated beneficiary is eligible for the saver's credit. In Table 1, this change is reflected in the tax expenditure estimate for "Credit for certain individuals for elective deferrals, IRA contributions, and ABLE account contributions."

—Rollovers made before January 1, 2026, are permitted to an ABLE account from a section 529 plan.

—Generally, for the first taxable year ending after June 9, 2015, and any subsequent taxable year beginning before January 1, 2026, a qualified hazardous duty area is treated as if it were a combat zone. A qualified hazardous duty area means the Sinai Peninsula of Egypt, if any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code, during the period such entitlement is in effect. In Table 1, this change is reflected in the tax expenditure estimate for "Exclusion of combat pay."

— The adjusted gross income floor for purposes of the deduction for medical expenses and long-term care expenses is reduced to 7.5 percent in the case of any taxpayer for taxable years beginning after December 31, 2016, and ending before January 1, 2019.

—Special tax treatment is provided for qualified 2016 disaster distributions from eligible retirement plans. These distributions are not subject to the 10-percent early withdrawal tax, the distributions may be included in income ratably over three years, and the distributions may be

recontributed to an eligible retirement plan within three years. A qualified 2016 disaster distribution is a distribution from an eligible retirement plan made on or after January 1, 2016, and before January 1, 2018, to an individual whose principal place of abode at any time during calendar year 2016 was located in a 2016 disaster area and who has sustained an economic loss by reason of the events giving rise to the Presidential disaster declaration. In Table 1, the provisions are reflected in the tax expenditure estimates for the various retirement plans.

— In the case of a personal casualty loss arising in taxable years beginning after December 31, 2015, and before January 1, 2018 in a 2016 disaster area that is attributable to the events giving rise to the Presidential disaster declaration, such loss is deductible without regard to whether aggregate net losses exceed ten percent of a taxpayer's adjusted gross income. The loss must exceed $500 per casualty. Such loss may be claimed in addition to the standard deduction. In Table 1, this change is reflected in the tax expenditure estimates for "Deduction for casualty and theft losses."

—The exclusion of income attributable to the discharge of certain student loan debt is modified to include within the exclusion certain discharges on account of death or total and permanent disability of the student for discharges of indebtedness after December 31, 2017, and before January 1, 2026.

—Section 529 plans are modified to allow such plans to distribute not more than $10,000 in expenses for tuition incurred during the taxable year in connection with the enrollment or attendance of the designated beneficiary at a public, private, or religious elementary or secondary school.

—The personal exemption amount is zero for any taxable year beginning after December 31, 2017, and before January 1, 2026. In Table 1, this is reflected in the tax expenditure estimates for "Phase out of the personal exemption for the regular tax, and disallowance of the personal exemption and standard deduction against the alternative minimum tax."

—The deduction of nonbusiness State and local government taxes is modified to allow a taxpayer to claim an itemized deduction of up to $10,000 ($5,000 for a married taxpayer filing a separate return) for the aggregate of (i) State and local property taxes not paid or accrued in carrying on a trade or business, or an activity described in section 212, and (ii) State and local income, war profits, and excess profits taxes (or sales taxes in lieu of income, etc. taxes) paid or accrued in the taxable year. Foreign real property taxes may not be deducted under this exception. The rules apply to taxable years beginning after December 31, 2017, and before January 1, 2026.

—The deduction for mortgage interest on owner-occupied residences is modified in the case of taxable years beginning after December 31, 2017, and before January 1, 2026. A taxpayer may treat no more than $750,000 as acquisition indebtedness ($375,000 in the case of a married taxpayers filing separately). The deduction for home equity indebtedness interest is not permitted.

—The deduction for personal casualty and theft losses is modified to allow a loss only if such loss is attributable to a disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. This limitation is effective for losses incurred in taxable years beginning after December 31, 2017 with respect to losses incurred before January 1, 2026.

—The overall limitation on itemized deductions shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026. In Table 1, this is reflected in the various tax expenditure estimates for the relevant itemized deductions.

—The exclusion of qualified bicycle commuting reimbursement from gross income is suspended for any taxable year beginning after December 31, 2017, and before January 1, 2026. In Table 1, this is reflected in the tax expenditure estimates for "Exclusion of employer-paid transportation benefits."

—The amount of the penalty imposed on a taxpayer who fails to meet the requirement to be covered under minimum essential coverage is zero for months beginning after December 31, 2018. In Table 1, this is reflected in the tax expenditure estimates for the following items: "Exclusion of benefits provided under cafeteria plans," "Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums," "Deduction for health insurance premiums and long-term care insurance premiums by the self-employed," and "Subsidies for insurance purchased through health benefit exchanges."

—The corporate alternative minimum tax is repealed for taxable years beginning after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for "Net alternative minimum tax attributable to net operating loss limitation."

—The exemption amount for the individual alternative minimum tax is increased to $109,400 for married taxpayers filing a joint return (half this amount for married taxpayers filing a separate return), and $70,300 for all other taxpayers (other than estates and trusts). The phaseout thresholds are increased to $1,000,000 for married taxpayers filing a joint return and $500,000 for all other taxpayers (other than estates and trusts). These amounts are indexed for inflation. These changes apply for any taxable years beginning after December 31, 2017, and before January 2, 2026. In Table 1, this is reflected in the tax expenditure estimates for "Phase out of the personal exemption for the regular tax, and disallowance of the personal exemption and standard deduction against the alternative minimum tax."

—The amount a taxpayer may expense under section 179 increases to $1 million, and the phase-out threshold amount increases to $2.5 million; the $1 million and $2.5 million amounts as well as the $25,000 sport utility vehicle limitation are indexed for inflation for taxable years beginning after 2018; certain depreciable tangible personal property used predominantly ito furnish lodging or in connection with furnishing lodging is treated as eligible section 179 property; the definition of qualified real property eligible for section 179 expands to include any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service: roofs; heating, ventilation, and air-conditioning property; fire protection and alarm systems; and security systems. The provision applies to property placed in service in taxable years beginning after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for "Expensing under section 179 of depreciable business property."

—The universe of taxpayers that may use the cash method of accounting is expanded by raising the threshold for satisfying the gross receipts test to $25 million for taxable years beginning after December 31, 2017. The amount is indexed for inflation for taxable years beginning after 2018. The universe of farming C corporations (and farming partnerships with a C Corporation partner) that may use the cash method expands to include any farming C corporation (or farming partnerships with a C corporation partner) that meets the $25 million gross receipts test. Taxpayers that satisfy the gross receipts test are not required to account for inventories under the general rules but may use a method of accounting for inventories that either (1) treats inventories as nonincidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories. The exception for small construction contracts from the requirement to use the percentage-of-completion method is expanded to include contracts for the construction or improvement of real property if the contract (1) is expected to be

completed within two years of commencement of the contract and (2) is performed by a taxpayer that meets the $25 million gross receipts test. In Table 1, this is reflected in the tax expenditure estimates for "Cash accounting, other than agriculture," "Cash accounting for agriculture," "Inventory methods and valuation," and "Completed contract rules."

—The additional first-year depreciation deduction for certain qualified property ("bonus depreciation") is extended and modified through 2026 (through 2027 for longer production period property and certain aircraft). The 50-percent allowance is increased to 100 percent for property acquired and placed in service after September 27, 2017, and before January 1, 2023 (January 1, 2024, for longer production period property and certain aircraft), as well as for specified plants planted or grafted after September 27, 2017, and before January 1, 2023. The 100-percent allowance is phased down by 20 percent per calendar year for property placed in service and specified plants planted or grafted in taxable years beginning after 2022 (after 2023 for longer production period property and certain aircraft). The provision expands the definition of qualified property eligible for the additional first-year depreciation allowance to include qualified film, television, and live theatrical productions acquired and placed in service after September 27, 2017, and before January 1, 2027. The provision removes the requirement that the original use of qualified property must commence with the taxpayer (*i.e.*, it allows the additional first-year depreciation deduction for new and used property). The provision excludes from the definition of qualified property any property which is primarily used in certain businesses not subject to limitation on interest expense. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

—The limitations under section 280F that apply to listed property are increased to $10,000 for the year in which the vehicle is placed in service, $16,000 for the second year, $9,600 for the third year, and $5,760 for the fourth and later years in the recovery period. The limitations are indexed for inflation for passenger automobiles placed in service after 2018. Computer or peripheral equipment is removed from the definition of listed property. In Table 1, this is reflected in the tax expenditure estimates for "Depreciation of equipment in excess of the alternative depreciation system."

—The recovery period for certain farm property is shortened from seven years to five years, and the required use of the 150-percent declining balance method for property used in a farming business is repealed for 3-, 5-, 7-, and 10-year property for property placed in service after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for "Depreciation of equipment in excess of the alternative depreciation system."

—The treatment of qualified improvement property is modified for property placed in service after December 31, 2017. In addition, a real property trade or business electing out of the limitation on the deduction for interest is required to use the alternative depreciation system to depreciate any of its nonresidential real property, residential rental property, and qualified improvement property. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

—Any property with a recovery period of 10 years or more that is held by an electing farming business (that elects out of the application of limitation on interest deductibility) must be depreciated under the alternative depreciation system. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

—Research and experimental expenditures are required to be capitalized and amortized over five years (15 years in the case of expenditures attributable to foreign research) rather than expensed for amounts paid or incurred in taxable years beginning after December 31, 2021.

—Farming losses are permitted to be carried back for two years. In Table 1, this change is reflected in the tax expenditure estimates for "Two-year carryback period for net operating losses attributable to farming."

—The deferral of gain on like-kind exchanges is limited to exchanges of real property for exchanges completed after December 31, 2017.

—The holding period for long-term capital gain treatment is extended from one year to three years in the case of certain partnership profits interests held in connection with the performance of investment services. In Table 1, this is reflected in the tax expenditure estimates for "Reduced rates of tax on dividends and long-term capital gains."

—No deduction is permitted for an employee achievement award in the form of cash, gift cards, and other nontangible personal property. In Table 1, this is reflected in the tax expenditure estimates for "Exclusion of employee awards."

—No deduction is permitted for amounts expended by a Member of Congress for living expenses while away from home. This negative tax expenditure is not listed in Table 1 because quantification of the tax expenditure is not available. It is included with the item related to unreimbursed expenses of the trade or business of being an employee.

—A capital asset does not include certain self-created property (a patent, invention, model or design (whether or not patented), a secret formula or process).

—The credit for orphan drug research is modified to reduce the credit rate from 50 percent to 25 percent for taxable years beginning after December 31, 2017.

—Income or loss resulting from a change in method of computing life insurance company reserves is taken into account consistent with IRS procedures, generally ratably over a four-year period, instead of over a 10-year period. In Table 1, this is reflected in the tax expenditure estimates for "Special treatment of life insurance company reserves."

—The rules for proration for property and casualty insurance companies are modified such that the product of the proration percentage and the top corporate tax rate always equals 5.25 percent.

—The method for determining life insurance company reserves for purposes of determining the deduction for increases in certain reserves of a life insurance company is modified to provide that the amount of the life insurance reserves for any contract (other than certain variable contracts) is the greater of (1) the net surrender value of the contract (if any), or (2) 92.81 percent of the amount determined using the tax reserve method otherwise applicable to the contract as of the date the reserve is determined. In the case of a variable contract, the amount of life insurance reserves for the contract is the sum of (1) the greater of (a) the net surrender value of the contract or (b) the separate-account reserve amount under section 817 for the contract, plus (2) 92.81 percent of the excess (if any) of the amount determined using the tax reserve method otherwise applicable to the contract as of the date the reserve is determined over the amount determined in (1). In no event shall the reserves exceed the amount which would be taken into account in determining statutory reserves. The rules are effective for taxable years beginning after December 31, 2017. A transition rule applies for the one-time change in reserves as a result of the change in reserve method. In Table 1, this is reflected in the tax expenditure estimates for "Special treatment of life insurance company reserves."

—The method for discounting the reserves of a property and casualty insurance company is modified by changing the prescribed interest rate, by extending the periods applicable under the loss payment pattern, and by repealing the election to use a taxpayer's historical loss payment pattern. The rules are effective for taxable years beginning after December 31, 2017. A

transition rule applies for the change in reserves as a result of the change in discounting method. In Table 1, this is reflected in the tax expenditure estimates for "Interest rate and discounting period assumptions for reserves of property and casualty insurance companies."

—The exclusion from gross income for interest on a bond issued to advance refund another bond is repealed for advance refunding bonds issued after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for the exclusion of interest on State and local government private activity bonds for various purposes and for "Exclusion of interest on public purpose State and local government bonds."

—The charitable contribution deduction of an electing small business trust ("ESBT") is not determined by the rules generally applicable to trusts but rather by the rules applicable to individuals. Thus, the percentage limitations and carryforward provisions applicable to individuals apply to charitable contributions made by the portion of an ESBT holding S corporation stock. In Table 1, this is reflected in the tax expenditure estimates for the deduction for charitable contributions to various organizations.

—The $1 million per covered employee limit on deductible compensation is modified by repealing the exceptions for performance-based compensation and commissions, by revising the definition of covered employee, and by expanding the definition of applicable employer.

—The rule that allows a contribution to one type of IRA to be recharacterized as a contribution to the other type of IRA does not apply to a conversion contribution to a Roth IRA for taxable years beginning after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for "Individual retirement arrangements."

—The exception to the contemporaneous written acknowledgement requirement for certain charitable contributions reported by the donee organization is repealed for contributions made in taxable years beginning after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for deductions for charitable contributions to various organizations.

—The tax treatment of Alaska Native Corporations and Settlement Trusts is modified generally for taxable years beginning after December 31, 2016, (1) to allow a Native Corporation to assign certain payments without having to recognize gross income from those payments, provided the assignment is in writing and the Native Corporation has not received the payment prior to assignment, and the Settlement Trust includes the assigned payment in gross income when received; (2) to allow a Native Corporation to elect annually to deduct contributions made to a Settlement Trust; and (3) to require any Native Corporation that has made an election to deduct contributions to a Settlement Trust to furnish a statement to the Settlement Trust. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The U.S. shareholder of a specified 10-percent owned foreign corporation is allowed a deduction for the foreign-source portion of any dividend received. Other rules apply. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations."

—In the case of the sale or exchange by a domestic corporation of stock in a foreign corporation held for one year or more, any amount received by the domestic corporation which is treated as a dividend for purposes of section 1248 (relating to gain from certain sales or exchanges of stock in certain foreign corporations), is treated as a dividend for purposes of applying the deduction for the foreign-source portion of dividends received by domestic corporations from specified 10-percent owned foreign corporations. In Table 1, this is reflected

in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations."

—Generally, for the last taxable year beginning before January 1, 2018, any U.S. shareholder of a specified foreign corporation must include in income its *pro rata* share of the accumulated post-1986 deferred foreign income of the corporation. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations" and "Deferral of active financing income."

—A U.S. shareholder of any controlled foreign corporation must include in gross income for a taxable year its global intangible low-taxed income ("GILTI") in a manner generally similar to inclusions of subpart F income. Corporations are generally allowed a 50-percent deduction on their GILTI. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations" and "Deferral of active financing income."

—A domestic corporation is allowed a deduction equal to 37.5 percent of foreign-derived intangible income. In Table 1, this is reflected in the tax expenditure estimates for "Deduction for foreign-derived intangible income derived from trade or business within the United States."

—The inclusion of foreign base company oil related income as subpart F income is repealed for taxable years of foreign corporations beginning after December 31, 2017, and for taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations."

—A U.S. shareholder in a controlled foreign corporation that invested its previously excluded subpart F income in qualified foreign base company shipping operations is no longer required to include in income a *pro rata* share of the previously excluded subpart F income when the controlled foreign corporation decreases such investments. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations."

—The definition of intangible property and method of valuation in the case of transfers of intangible property is modified to limit income shifting associated with such transfers. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations."

—No deduction is allowed for any disqualified related party amount paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity. In Table 1, this is reflected in the tax expenditure estimates for "Reduced tax rate on active income of controlled foreign corporations."

—Shareholders of surrogate foreign corporations are not eligible for reduced rates of tax on qualified dividends paid by such corporations. In Table 1, this is reflected in the tax expenditure estimates for "Reduced rates of tax on dividends and long-term capital gains."

The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (the "2017 Tax Act"), enacted on December 22, 2017 (Pub. L. No. 115-97), repeals several tax expenditures.

—The deduction under section 199 for income attributable to domestic production activities is repealed for taxable years beginning after December 31, 2017.

—The special rule allowing certain contributions in aid of construction received by a regulated public utility that provides water or sewerage disposal services to be treated as a tax-

free contribution to the capital of the utility is repealed for contributions made after the date of enactment (December 22, 2017).

—The exclusion of gain from the sale of publicly-traded securities to the extent the taxpayer rolls over any gain into specialized small business investment companies is repealed for sales after December 31, 2017. In Table 1, this repeal is reflected in the tax expenditure estimates for "Exclusion for gain from certain small business stock."

—The credit for rehabilitation of structures, other than historic structures, is repealed for amounts paid or incurred generally after December 31, 2017.

—The authority to issue tax-credit bonds and direct-pay bonds is repealed for bonds issued after December 31, 2017. In Table 1, this is reflected in the tax expenditure estimates for "Credit for holders of clean renewable energy bonds (Code sections 54 and 54C)," "Credit for holders of qualified energy conservation bonds," "Recovery zone economic development bonds," "Credit for holders of qualified zone academy bonds," "Qualified school construction bonds," and "Build America bonds."

—The exception to the general limits on the carryback and carryforward of the net operating loss of a life insurance company is repealed for losses arising in taxable years beginning after December 31, 2017.

—The small life insurance company deduction taxable income adjustment is repealed for taxable years beginning after December 31, 2017.

—No charitable deduction is allowed for any payment to an institution of higher education in exchange for which the payor receives the right to purchase tickets or seating at an athletic event. The provision is effective for contributions made in taxable years beginning after December 31, 2017. This item had previously been listed as a tax expenditure for which quantification is not available.

—The source of income from sales of inventory is determined solely on the basis of production activities. In Table 1, this is reflected in the tax expenditure estimates for "Inventory property sales source rule exception."

The Bipartisan Budget Act of 2018, enacted on February 9, 2018 (Pub. L. No. 115-123), modifies several tax expenditures.

—The exclusion from gross income of discharge of qualified principal residence indebtedness is extended for one year for discharges of indebtedness occurring after December 31, 2016.

—The deduction for premiums for qualified mortgage insurance is extended for one year for amounts paid or accrued after December 31, 2016.

—The above-the-line deduction for qualified tuition and related expenses is extended for one year for taxable years beginning after December 31, 2016.

—The Indian employment tax credit is extended for one year for taxable years beginning after December 31, 2016.

—The credit for certain expenditures on railroad track maintenance is extended for one year for expenditures paid or incurred after December 31, 2016.

—The credit for training costs of mine rescue team employees is extended for one year for taxable years beginning after December 31, 2016.

—Three-year cost recovery for race horses two years old or younger is extended for one year for horses placed in service after December 31, 2016. In Table 1, this is reflected in the tax expenditure estimate for "Depreciation of equipment in excess of alternative depreciation system."

—Seven-year cost recovery for any motorsports entertainment complex is extended for one year for property placed in service after December 31, 2016. In Table 1, this is reflected in the tax expenditure estimate for "Depreciation of buildings other than rental housing in excess of alternative depreciation system."

—Accelerated depreciation for business property on Indian reservations is extended for one year for property placed in service after December 31, 2016. In Table 1, this is reflected in the various tax expenditure estimates for depreciation.

—The election to expense 50 percent of the cost of advanced mine safety equipment is extended for one year for property placed in service after December 31, 2016.

—The election to expense qualified film, television, and live theatrical productions is extended for one year for productions commencing after December 31, 2016.

—The deduction for income attributable to domestic production activities in Puerto Rico is extended for one year for taxable years beginning after December 31, 2016.

—The special tax rate for qualified timber gains is extended for one year for taxable years beginning after December 31, 2016.

—The designations and tax incentives for empowerment zones are extended for one year for periods after December 31, 2016.

—The credit for corporate income earned in American Samoa is extended for one year for taxable years beginning after December 31, 2016. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The credit for certain nonbusiness energy property is extended for one year for property placed in service after December 31, 2016.

—The credit for residential energy efficient property is extended, and the credit rate is modified, for five years, through December 31, 2021, with respect to qualified fuel cell property, qualified small wind energy property, and qualified geothermal heat property.

—The credit for alternative motor vehicles for qualified fuel cell motor vehicles is extended for one year for vehicles placed in service after December 31, 2016.

—The credit for alternative fuel vehicle refueling property is extended for one year for property placed in service after December 31, 2016.

—The credit for two-wheeled plug-in electric vehicles is extended for one year for vehicles acquired after December 31, 2016.

—The second generation biofuel producer credit is extended for one year for qualified second generation biofuel production after December 31, 2016. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The credit for biodiesel and renewable diesel fuel is extended for one year for fuel sold or used after December 31, 2016. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The credit for Indian coal produced at Indian coal production facilities placed in service is extended for one year for Indian coal produced after December 31, 2016.

—The credit for electricity production from renewable resources, other than wind facilities, is extended for one year to include facilities the construction of which begins before January 1, 2018.

—The election to claim the energy investment credit in lieu of the electricity production credit is extended for one year to include property used in facilities the construction of which begins before January 1, 2018. In Table 1, this change is reflected in the tax expenditure estimate for the related energy credits under sections 45 and 48.

—The credit for construction of new energy-efficient homes is extended for one year for homes acquired after December 31, 2016.

—The energy credit is extended for property the construction of which begins before January 1, 2022. The credit percentage is phased-out for fiber-optic solar, qualified fuel cell, and qualified small wind energy property the construction of which begins after December 31, 2019, and which is not placed in service before January 1, 2024.

—The special allowance for 50 percent of basis of second generation biofuel plant property is extended for one year for property placed in service after December 31, 2016. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The deduction for energy efficient commercial building property is extended for one year for property placed in service after December 31, 2016.

—The deferral of gain from the disposition of electric transmission property to implement Federal Energy Regulation Commission restructuring policy is extended for one year for dispositions after December 31, 2016. In Table 1, this change is reflected in the tax expenditure estimate for "Special rule to implement electric transmission restructuring."

—The credit for production from advanced nuclear power facilities is modified to allow the allocation of unutilized national megawatt capacity limitation to facilities that did not receive an allocation equal to their full nameplate capacity. The placed in service date limitation does not apply to any facility that receives such allocation. Further, a qualified public entity may elect to treat an eligible project partner as the taxpayer for purposes of claiming the credit. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The waiver of limitations with respect to the exclusion from gross income of certain amounts received by wrongfully incarcerated individuals is extended for two years after December 15, 2016. This tax expenditure is not listed in Table 1 because the estimated revenue loss is below the *de minimis* amount.

—The rules governing hardship distributions and withdrawals from cash or deferred retirement arrangements are modified to permit contributions during the 6-month period after receipt of the hardship distribution and to remove the requirement that an employee take any available loan under the plan. In Table 1, this is reflected in the tax expenditure estimates for "Net exclusion of pension contributions and earnings."

—Qualified opportunity zones are modified to provide that each population census tract in Puerto Rico that is a low-income community is deemed to be certified and designated as a qualified opportunity zone.

—The exclusion of foreign earned income from gross income is modified by changing the definition of tax home for an individual serving in a combat zone.

—The credit for carbon oxide sequestration is modified including by increasing the credit rate, expanding the credit to carbon oxides used for other industrial purposes, and changing the definition of qualified facility, for facilities and additional carbon capture equipment placed in service on or after the date of enactment (February 9, 2018).

<u>Expiring Tax Expenditure Provisions</u>

A number of tax expenditure provisions expired in 2017. As noted above, expired provisions are not listed in Table 1 unless they have continuing revenue effects that are

associated with ongoing taxpayer activity. These determinations reflect present law as of February 9, 2018.

—The credit for certain nonbusiness energy property expires for expenditures made after December 31, 2017.

—The credit for qualified fuel cell motor vehicles expires for property purchased after December 31, 2017.

—The credit for alternative fuel vehicle refueling property expires for property placed in service after December 31, 2017.

—The credit for two-wheeled plug-in electric vehicles expires for vehicles acquired after December 31, 2017.

—The second generation biofuel producer credit expires for qualified second generation biofuel production after December 31, 2017.

—The credit for biodiesel and renewable diesel fuel expires for fuel sold or used after December 31, 2017.

—The credit for electricity produced from certain renewable resources (other than wind) expires for facilities the construction of which begins after December 31, 2017.

—The election to claim an energy credit in lieu of the credit for electricity produced from certain renewable resources, other than wind, expires for facilities the construction of which begins after December 31, 2017.

—The credit for electricity produced from Indian coal expires for Indian coal produced and sold after December 31, 2017.

—The Indian employment tax credit expires for taxable years beginning after December 31, 2017.

—The credit for certain expenditures on railroad track maintenance expires for expenditures paid or incurred in taxable years beginning after December 31, 2017.

—The credit for construction of new energy-efficient homes expires for homes purchased after December 31, 2017.

—The credit for training costs of mine rescue team employees expires for taxable years beginning after December 31, 2017.

—The exclusion from gross income of discharge of qualified principal residence indebtedness expires for discharges of indebtedness occurring after December 31, 2017.

—The deduction for premiums for qualified mortgage insurance as interest that is qualified residence interest expires for amounts paid, accrued, or properly allocable to any period after December 31, 2017.

—Three-year cost recovery for race horses two years old or younger expires for race horses placed in service after December 31, 2017.

—Seven-year cost recovery for any motorsports entertainment complex expires for property placed in service after December 31, 2017.

—Accelerated depreciation for business property on Indian reservations expires for property placed in service after December 31, 2017.

—The special allowance for 50 percent of basis of second generation biofuel plant property expires for property placed in service after December 31, 2017.

—The deduction for expenditures on energy-efficient commercial building property expires for property placed in service after December 31, 2017.

—The election to expense advanced mine safety equipment expires for property placed in service after December 31, 2017.

—The election to expense qualified film, television, and live theatrical productions expires for productions commencing after December 31, 2017.

—The above-the-line deduction for qualified tuition and related expenses expires for taxable years beginning after December 31, 2017.

—The deferral of gain from the disposition of electric transmission property to implement Federal Energy Regulation Commission restructuring policy expires for dispositions after December 31, 2017.

—The designations and tax incentives for empowerment zones expire after December 31, 2017.

—The credit for corporate income earned in American Samoa expires for taxable years beginning after December 31, 2017.

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).[24]

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)).

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[24] 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 (10 percent (7.5 percent for taxable years ending before January 1, 2017, if the taxpayer or the taxpayer's spouse has attained age 65) of the taxpayer's adjusted gross income).

Second, the Treasury uses a different classification of those provisions that can be considered a part of normal income tax law 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. Thus, 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 normal income tax law, but the Joint Committee staff methodology treats it as a departure from normal income tax law 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 slightly 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 2017-2027. The Joint Committee staff estimates cover the current fiscal year, and the succeeding four fiscal years, *i.e.*, fiscal years 2017-2021.

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 2017 through 2021. The Treasury rounds all yearly estimates to the nearest $10 million 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 2017 through 2027.

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.[25]

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

II. MEASUREMENT OF TAX EXPENDITURES

Tax Expenditure Calculations Generally

A tax expenditure is measured by 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.[26] Taxpayer behavior is assumed to remain unchanged for tax expenditure estimate purposes.[27] 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 January 2016 CBO revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2015-2020. 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. 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 of 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 based partly 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 and the deductions that would have been claimed in the current year if investments in the current

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[26] 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.

[27] 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.

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.[28]

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, the personal exemption amount, and 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, tax expenditure calculations are concerned with changes in the reported tax liabilities of taxpayers.[29] 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. Third, 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

[28] 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.

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

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.

If a tax expenditure provision 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. This is due to the fact that the repeal would be effective 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 2017 through 2021 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 second generation biofuel production (sec. 40(a)(4))
—Credit for biodiesel and renewable diesel fuel (sec. 40A)
—Credit for enhanced oil recovery costs (sec. 43)
—Credit for producing oil and gas from marginal wells (sec. 45I)
—Credit for production of electricity from qualifying advanced nuclear power facilities (sec. 45J)
—Credit for producing fuels from a nonconventional source (sec. 45K)
—Seven-year MACRS Alaska natural gas pipeline (sec. 168(e)(3)(C))
—50-percent expensing of cellulosic biofuel plant property (sec. 168(l))
—Partial expensing of investments in advanced mine safety equipment (sec. 179E)
—Expensing of tertiary injectants (sec. 193)

Commerce and housing credit

—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))

Community and regional development

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

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

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)

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))*

General government

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

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

—Branch profits tax*

—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))

Agriculture

—Ten-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)

—Nondeductibility of annual fees imposed on health insurers* (sec. 275(a)(6); sec. 9010(f)(2) of Pub. L. No. 111-148)

Community and regional development

—Two-year carryback of small businesses' and farmers' casualty losses attributable to Presidentially declared disaster (sec. 172(b)(1)(F))

General government

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

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

—Exclusion of Puerto Rico income (sec. 933)

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 2017-2021, respectively.

Several of the tax expenditure items involve small amounts of revenue, and those estimates are indicated in Table 1 by footnote 2. 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 2017 - 2021 [1]

[Billions of Dollars]

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
National Defense											
Deduction for overnight-travel expenses of national guard and reserve members	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of military disability benefits	---	---	---	---	---	0.3	0.2	0.2	0.2	0.2	1.2
Exclusion of combat pay	---	---	---	---	---	1.3	1.2	1.2	1.2	1.3	6.3
Exclusion of benefits and allowances to armed forces personnel	---	---	---	---	---	6.2	5.5	5.7	5.8	6.1	29.4
International Affairs											
Base erosion and anti-abuse tax*	---	-2.9	-12.0	-15.2	-15.7	---	---	---	---	---	-45.9
Deduction for foreign taxes instead of a credit	0.3	0.2	0.2	0.2	0.2	---	---	---	---	---	1.0
Deduction for foreign-derived intangible income derived from trade or business within the United States	---	9.6	15.4	19.3	23.1	---	---	---	---	---	67.3
Reduced tax rate on active income of controlled foreign corporations	105.4	73.9	68.0	76.3	80.6	---	---	---	---	---	404.2
Inventory property sales source rule exception	1.8	0.5	---	---	---	---	---	---	---	---	2.2
Exclusion of foreign earned income:											
Salary	---	---	---	---	---	7.2	7.2	7.5	8.0	8.5	38.3
Housing	---	---	---	---	---	1.2	1.2	1.2	1.3	1.3	6.1
Exclusion of certain allowances for Federal employees abroad	---	---	---	---	---	1.4	1.4	1.5	1.5	1.6	7.3
Deferral of active financing income	9.0	3.7	1.7	1.8	2.5	---	---	---	---	---	18.6
Special rules for interest-charge domestic international sales corporations	0.6	0.6	0.7	0.7	0.7	---	---	---	---	---	3.3
Tonnage tax	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5
General Science, Space, and Technology											
Credit for increasing research activities (Code section 41)	8.3	8.9	9.6	10.6	11.6	0.9	1.0	1.0	1.2	1.3	54.5

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Therapeutic research credit	0.1	---	---	---	---	0.1	---	---	---	---	0.3
Expensing of research and experimental expenditures	3.2	2.0	1.3	1.3	1.3	[2]	[2]	[2]	[2]	[2]	9.1
Energy											
Credit for energy-efficient improvements to existing homes	---	---	---	---	---	0.5	0.1	---	---	---	0.7
Residential energy-efficient property credit	---	---	---	---	---	1.7	1.8	1.9	1.7	1.5	8.6
Credits for alternative technology vehicles:											
Other alternative fuel vehicles	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Credit for plug-in electric vehicles	0.4	0.6	0.7	0.8	0.8	0.4	0.6	0.8	0.9	0.9	6.9
Credits for electricity production from renewable resources (section 45)	4.3	4.8	5.0	5.0	4.9	0.2	0.3	0.3	0.3	0.3	25.3
Wind	4.0	4.5	4.7	4.7	4.6	0.2	0.2	0.2	0.2	0.2	23.7
Closed-loop biomass	---	---	---	---	---	---	---	---	---	---	---
Geothermal	0.1	0.1	0.1	0.2	0.2	[2]	[2]	[2]	[2]	[2]	0.8
Qualified hydropower	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Small irrigation power	---	---	---	---	---	---	---	---	---	---	---
Municipal solid waste	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.3
Open-loop biomass	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.5
Coal production credits:											
Refined coal	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Indian coal	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Credit for carbon oxide sequestration	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Energy credit (section 48)	1.7	2.5	2.4	2.4	2.4	0.2	0.3	0.3	0.3	0.3	12.7
Solar	1.6	2.3	2.2	2.2	2.2	0.2	0.3	0.2	0.2	0.2	11.8
Geothermal	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Fuel Cells	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Microturbines	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Combined heat and power	[2]	0.1	0.1	0.2	0.2	[2]	[2]	[2]	[2]	[2]	0.6
Small wind	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Geothermal heat pump systems	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.0
Credit for investment in advanced energy property	0.2	0.1	[2]	[2]	[2]	0.1	[2]	[2]	[2]	[2]	0.4

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Credit for holders of clean renewable energy bonds (Code sections 54 and 54C) [3][4]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.4
Credit for holders of qualified energy conservation bonds [3][4]	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.2
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]	0.2
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]	0.4
Depreciation recovery periods for energy-specific items:											
Five-year MACRS for certain energy property (solar, wind, etc.)	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.6
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	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.4
Amortization of air pollution control facilities	0.8	0.6	0.4	0.4	0.4	---	---	---	---	---	2.6
Special rule to implement electric transmission restructuring*	-0.2	-0.2	-0.2	-0.2	-0.2	---	---	---	---	---	-1.0
Excess of percentage over cost depletion:											
Oil and gas	0.8	0.5	0.4	0.4	0.6	[2]	[2]	[2]	[2]	[2]	2.6
Other fuels	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.7
Expensing of exploration and development costs:											
Oil and gas	1.2	0.7	0.4	0.4	0.4	0.4	0.2	0.1	0.1	0.1	4.1
Other fuels	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.3
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities	---	---	---	---	---	0.5	0.2	0.2	0.4	0.4	1.8
Natural Resources and Environment											
Expensing of timber-growing costs	0.3	0.3	0.3	0.3	0.3	[2]	[2]	[2]	[2]	[2]	1.5
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	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	1.3
Special rules for mining reclamation reserves	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Special tax rate for nuclear decommissioning reserve funds	0.3	0.1	[2]	[2]	[2]	---	---	---	---	---	0.5
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]	0.3
Expensing of exploration and development costs, nonfuel minerals	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.3
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules	---	---	---	---	---	0.1	[2]	[2]	[2]	[2]	0.2
Agriculture											
Exclusion of cancellation of indebtedness income of farmers	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cost-sharing payments	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Two-year carryback period for net operating losses attributable to farming	[2]	[2]	[2]	[2]	[2]	0.1	[2]	[2]	0.1	0.1	0.3
Expensing of soil and water conservation expenditures	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.6
Expensing by farmers for fertilizer and soil conditioner costs	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.2	0.9
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	0.9
Commerce and Housing Credit											
Reduced rates of tax on dividends and long-term capital gains	---	---	---	---	---	130.7	128.7	127.0	129.3	133.1	648.9
Reduced rates on first $10,000,000 of corporate taxable income	3.1	0.8	---	---	---	---	---	---	---	---	3.9
Credit for low-income housing	8.1	8.5	8.9	9.4	10.0	0.3	0.4	0.4	0.4	0.4	46.9
Credit for employer-paid FICA taxes on tips	0.5	0.5	0.6	0.6	0.6	0.8	0.9	0.9	0.9	1.0	7.4
Credit for rehabilitation of historic structures	0.7	0.7	0.6	0.4	0.4	0.2	0.2	0.1	0.1	0.1	3.4
Credit for rehabilitation of structures, other than historic structures	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Net alternative minimum tax attributable to net operating loss limitation*	-0.4	-0.1	---	---	---	---	---	---	---	---	-0.4

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness	---	---	---	---	---	2.4	0.6	---	---	---	3.0
Exclusion of capital gains on sales of principal residences	---	---	---	---	---	32.9	34.4	36.3	38.3	40.7	182.6
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.3	0.2	0.2	0.2	0.2	0.7	0.7	0.7	0.7	0.7	4.6
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing [5]	0.3	0.3	0.2	0.2	0.2	0.9	0.9	0.9	0.9	0.9	5.8
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	1.8
Limitation on deduction for FDIC premiums*	---	-0.7	-1.5	-1.5	-1.5	---	---	---	---	---	-5.2
Deduction for mortgage interest on owner-occupied residences	---	---	---	---	---	66.4	40.7	33.9	36.9	38.7	216.6
Deduction for premiums for qualified mortgage insurance	---	---	---	---	---	1.1	0.8	---	---	---	1.9
Limitation on net interest deduction to 30 percent of adjusted taxable income*	---	-8.8	-12.4	-9.6	-11.2	---	-0.9	-1.2	-1.0	-1.4	-46.5
Depreciation of equipment in excess of the alternative depreciation system [6]	25.2	44.4	44.7	39.5	34.9	10.3	18.2	18.3	16.2	14.3	266.1
Depreciation of rental housing in excess of alternative depreciation system	0.6	0.6	0.5	0.3	0.3	3.8	3.7	3.6	3.4	3.3	20.2
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.3
Limit NOL deduction*	-2.1	-1.3	-0.9	-1.0	-1.0	-0.2	-0.1	-0.1	-0.1	-0.1	-6.9
Insurance companies two year NOL carryback	---	2.0	3.2	3.2	3.1	---	0.2	0.4	0.4	0.3	12.9
Expensing under section 179 of depreciable business property	7.2	6.6	5.0	4.0	3.2	10.7	9.9	7.4	5.9	4.9	64.8
Expensing of magazine circulation expenditures	0.2	[2]	[2]	[2]	[2]	0.1	[2]	[2]	[2]	[2]	0.3
Amortization of business startup costs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	1.1
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	[2]	[2]	---	---	---	[2]	[2]	---	---	---	[2]

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Deduction for income attributable to domestic production activities	13.5	3.3	---	---	---	5.1	1.2	---	---	---	23.2
20-percent deduction for qualified business income	---	---	---	---	---	---	34.8	50.2	57.6	60.1	202.8
Distributions in redemption of stock to pay various taxes imposed at death	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.3
Cash accounting, other than agriculture	0.3	1.3	1.5	0.9	0.7	1.9	5.0	4.5	2.9	2.5	21.5
Deferral of gain on non-dealer installment sales	6.7	4.7	4.0	4.0	4.1	1.4	1.2	1.2	1.2	1.2	29.7
Special rules for magazine, paperback book, and record returns	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
Completed contract rules	0.9	0.8	0.8	0.7	0.7	0.1	0.4	0.6	0.3	0.1	5.5
Limitation on active passthrough losses in excess of $500,000/$250,000*	---	---	---	---	---	-11.0	-14.9	-15.7	-16.4	-17.1	-75.1
Inventory methods and valuation:											
Last in first out	1.2	0.8	0.7	0.7	0.8	0.2	0.2	0.2	0.2	0.2	5.1
Lower of cost or market	0.1	0.1	[2]	[2]	[2]	[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	2.6	1.7	1.8	1.9	2.1	---	---	---	---	---	10.1
Exclusion from UBTI of certain payments to controlling exempt organizations	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Exclusion of gain or loss on sale or exchange of brownfield property	10.0	10.0	10.0	10.0	10.0	---	---	---	---	---	50.0
Special treatment of life insurance company reserves	3.3	2.0	2.0	2.1	2.1	---	---	---	---	---	11.5
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.4
Proration for property and casualty insurance companies	0.4	0.2	0.2	0.2	0.2	---	---	---	---	---	1.2
Special deduction for Blue Cross and Blue Shield companies	0.4	0.3	0.4	0.4	0.4	---	---	---	---	---	1.9
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	2.4	1.6	1.6	1.6	1.6	---	---	---	---	---	8.8
Exclusion of capital gains at death	---	---	---	---	---	31.4	32.6	34.0	35.5	37.5	171.0

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Carryover basis of capital gains on gifts	---	---	---	---	---	1.1	1.8	2.7	3.4	4.1	13.2
Deferral of gain on like-kind exchanges	12.2	1.7	2.0	2.3	2.4	6.5	5.4	5.4	5.6	5.8	49.3
Exclusion of gain from certain small business stock	---	---	---	---	---	1.2	1.3	1.3	1.3	1.4	6.5
Income recognition rule for gain or loss from section 1256 contracts	[2]	[2]	[2]	[2]	[2]	1.0	1.0	1.1	1.1	1.1	5.5
Exemptions from imputed interest rules	[2]	[2]	[2]	[2]	[2]	0.7	0.7	0.7	0.8	0.8	3.7
Surtax on net investment income*	---	---	---	---	---	-29.0	-30.1	-30.6	-31.7	-33.0	-154.5
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
Transportation											
Provide a 50 percent tax credit for certain expenditures for maintaining railroad tracks	0.2	0.1	---	---	---	---	---	---	---	---	0.3
Treatment of employer-paid transportation benefits (parking, van pools, and transit passes, black car services)	---	-1.5	-2.1	-2.1	-2.2	6.2	6.2	6.3	6.5	6.6	23.8
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	0.6	0.6	0.6	0.7	4.1
Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
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	0.6
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.4
Community and Regional Development											
Credit for Indian reservation employment	[2]	[2]	---	---	---	[2]	[2]	---	---	---	0.1
New markets tax credit	1.2	1.3	1.3	1.2	1.2	[2]	[2]	[2]	[2]	[2]	6.3

Function	Corporations 2017	Corporations 2018	Corporations 2019	Corporations 2020	Corporations 2021	Individuals 2017	Individuals 2018	Individuals 2019	Individuals 2020	Individuals 2021	Total 2017-21
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	0.3	0.3	0.3	0.3	0.3	2.1
Empowerment zone tax incentives	0.2	[2]	[2]	[2]	[2]	0.1	[2]	[2]	[2]	[2]	0.3
District of Columbia tax incentives	[2]	---	---	---	---	[2]	---	---	---	---	[2]
Recovery zone economic development bonds [3][4]	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.7
Qualified opportunity zones	---	1.0	1.3	1.3	1.4	---	0.3	0.4	0.4	0.5	6.7
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]	---	---	---	---	---	19.4	19.3	19.1	19.2	19.3	96.4
Credit for holders of qualified zone academy bonds [3][4]	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.4
Qualified school construction bonds [3][4]	[2]	[2]	[2]	[2]	[2]	1.1	1.1	1.1	1.1	1.1	5.5
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 NHSC and certain State educational loan repayments	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of scholarship and fellowship income	---	---	---	---	---	2.8	3.0	3.2	3.4	3.6	15.9
Exclusion of employer-provided tuition reduction benefits	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	1.7
Exclusion of employer-provided education assistance benefits	---	---	---	---	---	1.0	1.1	1.1	1.1	1.1	5.5
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	0.9	0.7	0.7	0.7	0.7	2.6	2.4	2.4	2.5	2.6	16.2
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	0.4	0.4	0.4	0.4	0.4	2.5
Parental personal exemption for students aged 19 to 23	---	---	---	---	---	3.3	1.1	---	---	---	4.3
Deduction for charitable contributions to educational institutions	0.9	0.9	1.0	1.0	1.0	9.6	9.2	7.3	7.5	7.7	46.2
Deduction for interest on student loans	---	---	---	---	---	2.3	2.1	2.1	2.2	2.3	11.2
Deduction for higher education expenses	---	---	---	---	---	0.4	0.1	---	---	---	0.4

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Exclusion tax on earnings of qualified tuition programs:											
Prepaid tuition programs	---	---	---	---	---	[2]	[2]	[2]	0.1	0.1	0.1
Savings account programs	---	---	---	---	---	0.6	0.9	1.1	1.3	1.5	5.4
Exclusion of earnings of Coverdell education savings accounts	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.4
Employment:											
Credit for family and medical leave	---	0.7	1.5	1.1	0.5	---	---	---	---	---	3.8
Work opportunity tax credit	1.6	1.7	1.8	0.7	0.1	0.4	0.4	0.4	0.2	[2]	7.3
Exclusion of employee awards	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	1.9
Exclusion of housing allowances for ministers	---	---	---	---	---	0.8	0.7	0.7	0.7	0.7	3.5
Treatment of meals and lodging (other than military)	---	-0.6	-0.8	-0.8	-0.8	3.1	2.9	2.8	2.7	2.8	11.4
Exclusion of benefits provided under cafeteria plans [7]	---	---	---	---	---	33.1	34.3	35.0	36.3	37.1	175.8
Exclusion of miscellaneous fringe benefits	---	---	---	---	---	7.9	7.8	8.0	8.2	8.4	40.3
Treatment of employee moving expenses*	---	---	---	---	---	---	-0.9	-1.3	-1.3	-1.4	-4.9
Exclusion of employer-provided (on-site) gyms	---	---	---	---	---	1.6	1.5	1.5	1.4	1.5	7.5
Limits on deductible compensation [8]*	-0.8	-1.0	-1.7	-1.7	-1.7	[2]	0.2	0.2	0.2	0.2	-6.0
Treatment of meals and entertainment	-2.0	-2.8	-3.1	-3.1	-3.2	3.6	3.4	3.2	3.3	3.3	2.5
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) [8]*	-0.3	-0.2	-0.1	-0.2	-0.2	---	---	---	---	---	-0.9
Special tax provisions for employee stock ownership plans (ESOPs)	2.2	1.7	1.6	1.7	1.8	2.0	2.1	2.2	2.4	2.5	20.2
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	-1.2	-0.7	-0.7	-0.7	-0.8	0.3	0.3	0.3	0.3	0.4	-2.5
Deferral of taxation on spread on employee stock purchase plans*	-0.2	-0.1	-0.1	-0.1	-0.1	[2]	[2]	[2]	0.1	0.1	-0.3
Exclusion of income earned by voluntary employees' beneficiary associations	---	---	---	---	---	1.9	1.7	1.6	1.7	1.7	8.6

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Social services:											
Credit for child and dependent care and exclusion of employer-provided child care [4][9]	---	---	---	---	---	4.6	4.3	4.3	4.3	4.5	21.9
Adoption credit and employee adoption benefits exclusion	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	2.0
Credit for children and other dependents [4]	---	---	---	---	---	54.1	104.2	121.7	122.4	123.8	526.2
Credit for disabled access expenditures	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.2
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	0.4	0.5	0.5	0.5	2.4
Deduction for charitable contributions, other than for education and health [10]	2.0	2.0	2.1	2.1	2.2	42.9	40.8	31.3	31.9	32.9	190.3
Health											
Credit for purchase of health insurance by certain displaced persons [4]	---	---	---	---	---	[2]	[2]	[2]	[2]	---	0.2
Subsidies for insurance purchased through health benefit exchanges [4]	---	---	---	---	---	37.6	48.5	51.3	49.7	44.3	231.4
Credit for orphan drug research	1.7	1.2	1.2	1.4	1.7	[2]	[2]	[2]	[2]	[2]	7.4
Tax credit for small businesses purchasing employer insurance [4]	0.1	0.1	0.1	0.1	0.1	0.6	0.6	0.7	0.8	0.8	4.0
Exclusion of workers' compensation benefits (medical benefits)	---	---	---	---	---	5.2	4.6	4.7	4.8	4.8	24.0
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [11]	---	---	---	---	---	150.6	157.2	172.8	182.5	191.0	854.1
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	---	---	---	---	---	4.5	4.3	4.5	4.8	5.2	23.3
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	---	---	---	---	---	1.3	1.3	1.3	1.5	1.6	7.1
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.6	0.5	0.5	0.5	0.5	1.8	1.6	1.7	1.7	1.8	11.1
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	---	---	---	---	---	5.9	5.1	4.9	5.3	5.5	26.7

Function	Corporations					Individuals					Total
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Deduction for charitable contributions to health organizations	1.1	1.1	1.1	1.2	1.2	4.5	4.3	3.3	3.3	3.5	24.6
Deduction for medical expenses and long-term care expenses	---	---	---	---	---	13.8	10.5	8.4	8.9	9.9	51.6
Health savings accounts	---	---	---	---	---	4.0	3.8	3.9	4.0	4.2	19.8
Income Security											
Credit for certain individuals for elective deferrals and IRA contributions	---	---	---	---	---	1.4	1.2	1.1	1.1	1.1	5.9
Earned income credit [4]	---	---	---	---	---	70.6	71.6	72.6	73.6	74.8	363.2
Phase out of the personal exemption for the regular income tax, and disallowance of the personal exemption and the standard deduction against the alternative minimum tax*	---	---	---	---	---	-17.2	-5.1	-1.0	-1.1	-1.2	-25.6
Additional standard deduction for the blind and the elderly	---	---	---	---	---	3.2	4.4	5.1	5.4	5.7	23.8
Exclusion of other employee benefits:											
Premiums on group term life insurance	---	---	---	---	---	4.0	3.7	3.7	3.8	3.9	19.1
Premiums on accident and disability insurance	---	---	---	---	---	4.4	4.2	4.3	4.5	4.8	22.0
Exclusion of amounts received under life insurance contracts	2.3	1.7	1.7	1.7	1.8	22.8	21.3	21.9	22.4	22.9	120.5
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.1
Exclusion of workers' compensation benefits (disability and survivors payments)	---	---	---	---	---	3.1	2.8	2.7	2.8	2.8	14.1
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	---	---	---	---	---	1.7	1.7	1.8	1.8	1.8	8.8
Exclusion of disaster mitigation payments	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.1
Deduction for casualty and theft losses	---	---	---	---	---	0.4	0.2	0.2	0.2	0.2	1.1
Net exclusion of pension contributions and earnings:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	---	---	---	---	---	7.7	12.1	14.7	16.1	17.2	67.8
Defined benefit plans	---	---	---	---	---	77.4	87.9	90.7	100.1	113.5	469.6
Defined contribution plans	---	---	---	---	---	117.0	125.5	121.5	125.7	134.4	624.1

Function	Corporations 2017	Corporations 2018	Corporations 2019	Corporations 2020	Corporations 2021	Individuals 2017	Individuals 2018	Individuals 2019	Individuals 2020	Individuals 2021	Total 2017-21
Individual retirement arrangements:											
Traditional IRAs	---	---	---	---	---	18.0	16.9	17.2	18.3	19.4	89.8
Roth IRAs	---	---	---	---	---	7.5	7.3	7.7	8.4	9.2	40.1
ABLE accounts [12]	---	---	---	---	---	[2]	[2]	[2]	0.1	0.1	0.2
Social Security and Railroad Retirement											
Exclusion of untaxed Social Security and railroad retirement benefits	---	---	---	---	---	39.8	36.5	37.0	39.3	41.8	194.3
Veterans' Benefits and Services											
Exclusion of veterans' disability compensation	---	---	---	---	---	8.9	8.3	8.2	8.4	8.6	42.4
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	---	---	---	---	---	0.2	0.1	0.1	0.1	0.1	0.7
Exclusion of veterans' readjustment benefits	---	---	---	---	---	1.7	1.6	1.6	1.7	1.8	8.3
General Government											
Build America bonds [3][4]	---	---	---	---	---	3.2	3.2	3.2	3.2	3.2	16.0
Exclusion of interest on public purpose State and local government bonds	9.4	7.4	6.7	6.6	6.5	26.0	24.5	24.5	25.1	26.5	163.2
Deduction of nonbusiness State and local government taxes	---	---	---	---	---	100.9	36.6	21.2	24.4	25.2	208.3
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.5	0.4	0.4	0.4	0.4	---	---	---	---	---	2.1
Interest											
Deferral of interest on savings bonds	---	---	---	---	---	1.3	1.2	1.1	1.0	0.9	5.4

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NOTE: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2017-2021 period.

[Footnotes for the Table are on the following page]

Footnotes for the Table:

[1] Reflects legislation enacted by February 9, 2018. Significant changes in certain tax expenditures are the result of tax reform enacted in P.L. 115-97.

[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
outlay effects:	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017-21
Credit for holders of clean renewable energy bonds....................	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.2
Credit for holders of qualified energy conservation bonds..........	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.2
Recovery zone economic development bonds............................	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.6
Credit for holders of qualified zone academy bonds....................	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.3
Credits for tuition for post-secondary education.........................	---	---	---	---	---	6.4	6.6	6.7	6.8	6.8	33.4
Qualified school construction bonds..	---	---	---	---	---	1.1	1.1	1.1	1.1	1.1	5.4
Credit for children and other dependents....................................	---	---	---	---	---	31.3	44.1	48.5	48.3	48.7	221.1
Credit for child and dependent care and exclusion of employer-provided child care..	---	---	---	---	---	0.8	0.8	0.8	0.8	0.8	4.1
Credit for purchase of health insurance by certain displaced persons...	---	---	---	---	---	[2]	[2]	[2]	[2]	---	0.1
Tax credit for small businesses purchasing employer insurance...	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
Subsidies for insurance purchased through health benefit exchanges..	---	---	---	---	---	33.1	43.0	45.1	43.6	38.9	203.7
Earned income credit...	---	---	---	---	---	61.9	63.3	64.2	64.9	65.7	320.0
Build America bonds..	---	---	---	---	---	3.2	3.2	3.2	3.2	3.2	16.0

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

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

[7] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.

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

[Footnotes for the Table continue on the following page]

Footnotes for the Table continued:

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

[10] 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.

[11] 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.

[12] Estimate does not include outlays due to Medicaid.

Table 2.--Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability at 2018 Rates, 2018 Law, and 2017 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 $10,000	19,288	8,109	91	-5,705
$10,000 to $20,000	20,528	6,557	169	-41,157
$20,000 to $30,000	21,380	8,952	285	-31,630
$30,000 to $40,000	16,006	9,513	473	-11,458
$40,000 to $50,000	12,731	8,699	679	3,245
$50,000 to $75,000	27,206	22,284	2,428	69,000
$75,000 to $100,000	17,589	16,414	2,759	104,175
$100,000 to $200,000	30,326	30,090	7,599	420,352
$200,000 and over	10,764	10,760	5,734	1,168,666
Total	**175,819**	**121,379**	**20,218**	**1,675,489**

[1] Tax law as in effect on January 1, 2018. Income categories are measured at 2017 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 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 2018 Rates and 2017 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 $10,000	3	$1	4	$1
$10,000 to $20,000	508	148	28	9
$20,000 to $30,000	5,000	1,759	81	39
$30,000 to $40,000	4,354	4,081	161	81
$40,000 to $50,000	3,124	4,175	301	167
$50,000 to $75,000	6,975	8,516	1,036	877
$75,000 to $100,000	5,483	6,674	1,001	1,342
$100,000 to $200,000	8,011	6,180	1,939	4,026
$200,000 and over	2,441	3,299	461	2,562
Total	**35,899**	**$34,833**	**5,012**	**$9,104**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2018 Rates and 2017 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 $10,000	5	[3]	3	[3]
$10,000 to $20,000	51	$10	23	$3
$20,000 to $30,000	136	34	82	$13
$30,000 to $40,000	270	80	201	$43
$40,000 to $50,000	456	139	329	$84
$50,000 to $75,000	2,092	985	1,667	$572
$75,000 to $100,000	2,597	1,961	2,140	$1,082
$100,000 to $200,000	7,447	8,219	6,600	$5,170
$200,000 and over	5,444	10,940	5,367	$34,031
Total	**18,497**	**$22,368**	**16,412**	**$40,997**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2018 Rates and 2017 Income Levels [1] -- Continued

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

Income Class [2]	Dependent Care Credit		Earned Income Credit [4]	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	1	[3]	4,886	$4,756
$10,000 to $20,000	17	$3	8,646	26,431
$20,000 to $30,000	115	42	5,131	17,853
$30,000 to $40,000	234	115	3,817	10,668
$40,000 to $50,000	318	169	2,794	6,221
$50,000 to $75,000	957	556	3,140	5,310
$75,000 to $100,000	736	433	345	443
$100,000 to $200,000	2,420	1,846	10	12
$200,000 and over	1,117	1,060	---	---
Total	**5,915**	**$4,224**	**28,769**	**$71,693**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2018 Rates and 2017 Income Levels [1] -- Continued

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

Income Class [2]	Education Credits		Student Loan Interest Deduction	
	Returns	***Amount***	***Returns***	***Amount***
Below $10,000	1,009	$876	10	[3]
$10,000 to $20,000	1,829	$1,649	369	$33
$20,000 to $30,000	1,501	$1,658	865	$113
$30,000 to $40,000	1,172	$1,480	976	$151
$40,000 to $50,000	942	$1,303	954	$133
$50,000 to $75,000	2,249	$3,478	2,968	$539
$75,000 to $100,000	1,346	$2,390	1,844	$279
$100,000 to $200,000	3,056	$6,037	3,843	$786
$200,000 and over	138	$182	23	$1
Total	**13,242**	**$19,053**	**11,852**	**$2,035**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2018 Rates and 2017 Income Levels [1] -- Continued

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

Income Class [2]	Mortgage Interest Deduction	
	Returns	*Amount*
Below $10,000	2	$1
$10,000 to $20,000	51	22
$20,000 to $30,000	102	42
$30,000 to $40,000	203	104
$40,000 to $50,000	351	190
$50,000 to $75,000	1,660	1,194
$75,000 to $100,000	2,115	2,149
$100,000 to $200,000	6,446	9,726
$200,000 and over	4,908	18,342
Total	**15,838**	**$31,770**

Footnotes appear at the end of the table.

Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items, at 2018 Rates and 2017 Income Levels [1] -- Continued

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

Income Class [2]	Child Tax Credit [4]		Phase out of Personal Exemption for Regular Income Tax, and Denial the Standard Deduction for AMT	
	Returns	*Amount*	*Returns*	*Amount*
Below $10,000	1,338	875	[5]	-$2
$10,000 to $20,000	5,733	9,005	[5]	[6]
$20,000 to $30,000	5,244	10,499	[5]	-1
$30,000 to $40,000	4,054	9,103	[5]	[6]
$40,000 to $50,000	3,627	8,884	1	-3
$50,000 to $75,000	8,100	20,729	3	-7
$75,000 to $100,000	5,467	14,686	[5]	-2
$100,000 to $200,000	12,505	35,156	41	-72
$200,000 and over	4,264	11,870	267	-866
Total	**50,332**	**$120,807**	**313**	**-$953**

[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] Positive tax expenditure of less than $500,000.
[4] Includes the refundable portion.
[5] Fewer than 500 returns.
[6] Negative tax expenditure of less than $500,000.

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

Source: Joint Committee on Taxation