TAX EXPENDITURES FISCAL YEAR 2026

The Congressional Budget Act of 1974 (Public Law 93–344) requires that a list of "tax expenditures'' be included in the Budget. Tax expenditures are defined in the law 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.'' These exceptions may be viewed as alternatives to other policy instruments, such as spending or regulatory programs.

Identification and measurement of tax expenditures depends crucially on the baseline tax system against which the actual tax system is compared. The tax expenditure estimates presented in this document are patterned on a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time.

An important assumption underlying each tax expenditure estimate reported below is that other parts of the Tax Code remain unchanged. The estimates would be different if tax expenditures were changed simultaneously because of potential interactions among provisions. For that reason, this document does not present a grand total for the estimated tax expenditures.

Tax expenditures relating to the individual and corporate income taxes are estimated for fiscal years 2024–2034 using two methods of accounting: current tax receipt effects and present value effects. The present value approach provides estimates of the receipt effects for tax expenditures that generally involve deferrals of tax payments into the future.

TAX EXPENDITURES IN THE INCOME TAX

Tax Expenditure Estimates

All tax expenditure estimates and descriptions presented here are based upon current tax law enacted as of July 31, 2024, and reflect the economic assumptions from the Midsession Review of the Fiscal Year 2025 Budget. In some cases, expired or repealed provisions are listed if their tax receipt effects occur in fiscal year 2024 or later.

The total receipt effects for tax expenditures for fiscal years 2024–2034 are displayed according to the Budget's functional categories in Table 1. Descriptions of the specific tax expenditure provisions follow the discussion of general features of the tax expenditure concept.

Two baseline concepts—the normal tax baseline and the reference tax law baseline—are used to identify and estimate tax expenditures.[1] For the most part, the two concepts coincide. However, items treated as tax expenditures under the normal tax baseline, but not the reference tax law baseline, are indicated by the designation "normal tax method'' in the tables. The receipt effects for these items are zero using the reference tax law. The alternative baseline concepts are discussed in detail below. The tax expenditure tables discussed herein can be obtained for current and previous years from the Department of the Treasury website.[2]

Tables 2A and 2B report separately the respective portions of the total receipt effects that arise under the corporate and individual income taxes. The location of the estimates under the corporate and individual headings does not imply that these categories of filers benefit from the special tax provisions in proportion to the respective tax expenditure amounts shown. Rather, these breakdowns show the form of tax liability that the various provisions affect. The ultimate beneficiaries of corporate tax expenditures could be shareholders, employees, customers, or other providers of capital, depending on economic forces.

Table 3 ranks the major tax expenditures by the size of their 2025–2034 receipt effect. The first column provides the number of the provision in order to cross reference this table to Tables 1, 2A, and 2B, as well as to the descriptions below.

Some tax expenditure provisions increase governmental outlays in addition to leading to revenue losses. These outlay estimates are reported in Table 5.

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[1] These baseline concepts are thoroughly discussed in Special Analysis G of the 1985 Budget, where the former is referred to as the pre-1983 method and the latter the post-1982 method.

[2] https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures.

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Interpreting Tax Expenditure Estimates

The estimates shown for individual tax expenditures in Tables 1 through 3 do not necessarily equal the increase in Federal receipts (or the change in the budget balance) that would result from repealing these special provisions, for the following reasons.

First, eliminating a tax expenditure may have incentive effects that alter economic behavior. These incentives can affect the resulting magnitudes of the activity, or the consequences of other tax provisions or Government programs. For example, if capital gains were taxed at higher ordinary income tax rates, capital gain realizations would be expected to decline, which could result in lower tax receipts depending on the elasticity of the capital gains tax rates. Such behavioral effects are not reflected in the estimates.

Second, tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the tax receipts associated with other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase the receipt costs from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the receipt cost from other deductions if taxpayers are led to claim the standard deduction instead of itemizing. Similarly, if two provisions were repealed simultaneously, the increase in tax liability could be greater or less than the sum of the two separate tax expenditures, because each is estimated assuming that the other remains in force. In addition, the estimates reported in Table 1 are the totals of corporate and individual income tax receipt effects reported in Tables 2A and 2B, and do not reflect any possible interactions between corporate and individual income tax receipts. For this reason, the estimates in Table 1 should be regarded as approximations.

And third, some of the reported estimates reflect the cumulate effects of several legislations enacted over time to expand and modify provisions targeting a particular economic activity or groups of taxpayers. Each successive enacted legislation may have increased or decreased tax expenditures depending on how an existing provision was modified. As an example, the Inflation Reduction Act (IRA) modified and extended several energy provisions. The tax expenditure estimates associated with these energy provisions capture the receipt effects of prior law and the adjustments introduced in IRA.

Present-Value Estimates

The annual value of tax expenditures for tax deferrals is reported on a cash basis in all tables except Table 4. Cash-based estimates reflect the difference between taxes deferred in the current year and incoming receipts that are received due to deferrals of taxes from prior years. Although such estimates are useful as a measure of cash flows into the Government, they do not accurately reflect the true economic cost of these provisions. For example, for a provision where activity levels have changed over time, so that incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative, despite the fact that in present-value terms current deferrals have a real cost to the Government (i.e., taxpayers). Alternatively, in the case of a newly enacted deferral provision, a cash-based estimate can overstate the real effect on receipts to the Government because the newly deferred taxes will ultimately be received.

Discounted present-value estimates of receipt effects are presented in Table 4 for certain provisions that involve tax deferrals or other long-term receipt effects. These estimates complement the cash-based tax expenditure estimates presented in the other tables.

The present-value estimates represent the receipt effects, net of future tax payments that follow from activities undertaken during calendar year 2024 which cause the deferrals or other long-term receipt effects. For instance, a pension contribution in 2024 would cause a deferral of tax payments on wages in 2024 and on pension fund earnings on this contribution (e.g., interest) in later years. In some future year, however, the 2024 pension contribution and accrued earnings will be paid out and taxes will be due; these receipts are included in the present-value estimate. In general, this conceptual approach is similar to the one used for reporting the budgetary effects of credit programs, where direct loans and guarantees in a given year affect future cash flows.

Tax Expenditure Baselines

A tax expenditure is an exception to baseline provisions of the tax structure that usually results in a reduction in the amount of tax owed. The 1974 Congressional Budget Act, which mandated the tax expenditure budget, did not specify the baseline provisions of the tax law. As noted previously, deciding whether provisions are exceptions, therefore, is a matter of judgment. As in prior years, most of this year's tax expenditure estimates are presented using two baselines: the normal tax baseline and the reference tax law baseline. Tax expenditures may take the form of credits, deductions, special exceptions and allowances.

The normal tax baseline is patterned on a practical variant of a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. The normal tax baseline allows personal exemptions, a standard deduction, and deduction of expenses incurred in earning income. It is not limited to a particular structure of tax rates, or by a specific definition of the taxpaying unit.

The reference tax law baseline is also patterned on a comprehensive income tax, but it is closer to existing law. Reference tax law tax expenditures are limited to special exceptions from a generally provided tax rule that serves programmatic functions in a way that is analogous to spending programs. Provisions under the reference tax law baseline are generally tax expenditures under the normal tax baseline, but the reverse is not always true.

Both the normal tax and reference tax law baselines allow several major departures from a pure comprehensive income tax. For example, under the normal tax and reference tax law baselines:

- Income is taxable only when it is realized in exchange. Thus, the deferral of tax on unrealized capital gains is not regarded as a tax expenditure. Accrued income would be taxed under a comprehensive income tax.
- There is a separate corporate income tax.
- Tax rates on noncorporate business income vary by level of income.
- Individual tax rates, including brackets, standard deduction, and personal exemptions, are allowed to vary with marital status.
- Values of assets and debt are not generally adjusted for inflation. A comprehensive income tax would adjust the cost basis of capital assets and debt for changes in the general price level. Thus, under a comprehensive income tax baseline, the failure to take account of inflation in measuring depreciation, capital gains, and interest income would be regarded as a negative tax expenditure (i.e., a tax penalty), and failure to take account of inflation in measuring interest costs would be regarded as a positive tax expenditure (i.e., a tax subsidy).
- The base erosion and anti-abuse tax (BEAT) for multinational corporations is treated as a minimum tax and considered part of the rate structure.

Although the reference tax law and normal tax baselines are generally similar, areas of difference include:

Tax rates. The separate schedules applying to the various taxpaying units and the Alternative Minimum Tax are treated as part of the baseline rate structure under both the reference tax law and normal tax methods.

Income subject to the tax. Income subject to tax is defined as gross income less the costs of earning that income. Under the reference tax law, gross income does not include gifts defined as receipts of money or property that are not consideration in an exchange nor does gross income include most transfer payments from the Government.[3] The normal tax baseline also excludes gifts between individuals from gross income. Under the normal tax baseline, however, all cash transfer payments from the Government to private individuals are counted in gross income, and exemptions of such transfers from tax are identified as tax expenditures. The costs of earning income are generally deductible in determining taxable income under both the reference tax law and normal tax baselines.[4]

Capital recovery. Under the reference tax law baseline no tax expenditures arise from accelerated depreciation. Under the normal tax baseline, the depreciation allowance for property is computed using estimates of economic depreciation.

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[3] Gross income does, however, include transfer payments associated with past employment, such as Social Security benefits.

[4] In the case of individuals who hold "passive" equity interests in businesses, the pro-rata shares of sales and expense deductions reportable in a year are limited. A passive business activity is defined generally to be one in which the holder of the interest, usually a partnership interest, does not actively perform managerial or other participatory functions. The taxpayer may generally report no larger deductions for a year than will reduce taxable income from such activities to zero. Deductions in excess of the limitation may be taken in subsequent years, or when the interest is liquidated. In addition, costs of earning income may be limited under the Alternative Minimum Tax.

Descriptions of Income Tax Provisions

Descriptions of the individual and corporate income tax expenditures reported on in this document follow. These descriptions relate to current law as of July 31, 2024.

National Defense

1. ***Exclusion of benefits and allowances to armed forces personnel.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. For example, a rental voucher of $100 is (approximately) equal in value to $100 of cash income. In contrast to this treatment, certain housing and meals, in addition to other benefits provided military personnel, either in cash or in kind, as well as certain amounts of pay related to combat service, are excluded from income subject to tax.

International Affairs

2. ***Exclusion of income earned abroad by U.S. citizens.***—Under the baseline tax system, all compensation received by U.S. citizens and residents is properly included in their taxable income. It makes no difference whether the compensation is a result of working abroad or whether it is labeled as a housing allowance. In contrast to this treatment, U.S. tax law allows U.S. citizens and residents who live abroad, work in the private sector, and satisfy a foreign residency requirement to exclude up to $80,000, plus adjustments for inflation since 2004, in foreign earned income from U.S. taxes. In addition, if these taxpayers are provided housing by their employers, then they may also exclude the cost of such housing from their income to the extent that it exceeds 16 percent of the earned income exclusion limit. This housing exclusion is capped at 30 percent of the earned income exclusion limit, with geographical adjustments. If taxpayers do not receive a specific allowance for housing expenses, they may deduct housing expenses up to the amount by which foreign earned income exceeds their foreign earned income exclusion.

3. ***Exclusion of certain allowances for Federal employees abroad.***—In general, all compensation received by U.S. citizens and residents is properly included in their taxable income. It makes no difference whether the compensation is a result of working abroad or whether it is labeled as an allowance for the high cost of living abroad. In contrast to this treatment, U.S. Federal civilian employees and Peace Corps members who work outside the continental United States are allowed to exclude from U.S. taxable income certain special allowances they receive to compensate them for the relatively high costs associated with living overseas. The allowances supplement wage income and cover expenses such as rent, education, and the cost of travel to and from the United States.

4. ***Reduced tax rate on active income of controlled foreign corporations (normal tax method).***—Under the baseline tax system, worldwide income forms the tax base of U.S. corporations. In contrast, U.S. tax law exempts or preferentially taxes certain portions of this income. Prior to the passage of the Tax Cuts and Jobs Act TCJA (effective January 1, 2018), active foreign income was generally taxed only upon repatriation. TCJA changed these rules, so that certain active income (called "global intangible low tax income" or "GILTI") is taxed currently, even if it is not distributed. However, U.S. corporations generally receive a 50 percent deduction from U.S. tax on their GILTI (the deduction decreases to 37.5 percent in 2026), resulting in a substantially reduced rate of tax. In addition, some active income is excluded from tax, and distributions out of active income are no longer taxed upon repatriation. These reductions and exemptions from U.S. taxation are considered tax expenditures.

5. ***Deduction for foreign-derived intangible income derived from trade or business within the United States.***—Under the baseline tax system, the United States taxes income earned by U.S. corporations from serving foreign markets (e.g., exports and royalties) at the full U.S. rate. After the passage of TCJA, domestic corporations are allowed a deduction equal to 37.5 percent of "foreign-derived intangible income," which is essentially income from serving foreign markets (defined on a formulaic basis). The deduction falls to 21.875 percent in 2026.

6. ***Interest Charge Domestic International Sales Corporations (IC-DISCs).***—Under the baseline tax system, taxpayer earnings are subject to tax using the regular tax rates applied to all taxpayers. In contrast, IC-DISCs allow a portion of income from exports to be taxed at the qualified dividend rate which is no higher than 20 percent (plus a 3.8 percent surtax for high-income taxpayers).

General Science, Space, and Technology

7. ***Expensing of research and experimentation expenditures (normal tax method).***—The baseline tax system allows a deduction for the cost of producing income. It requires taxpayers to capitalize the costs associated with investments over time to better match the streams of income and associated costs. Research and experimentation (R&E) projects can be viewed as investments because, if successful, their benefits accrue for several years. It is often difficult, however, to identify whether a specific R&E project is successful and, if successful, what its expected life will be. Because of this ambiguity, the reference tax law baseline system would allow expensing of R&E expenditures. In contrast, under the normal tax method, the expensing of R&E expenditures is viewed as a tax expenditure. The baseline assumed for the normal tax method is that all R&E expenditures are successful and have an expected life of five years. Current law requires R&E expenditures paid or incurred in taxable years beginning after December 31, 2021, to be capitalized and amortized over 5 years, while allowing R&E expenditures paid or incurred in prior taxable years to be expensed.

8. ***Credit for increasing research activities.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code allows an R&E credit of up to 20 percent of qualified research expenditures in excess of a base amount. The base amount of the credit is generally determined by multiplying a "fixed-base percentage" by the average amount of the company's gross receipts for the prior four years. The taxpayer's fixed base percentage generally is the ratio of its research expenses to gross receipts for 1984 through 1988. Taxpayers can elect the alternative simplified credit regime, which equals 14 percent of qualified research expenses that exceed 50 percent of the average qualified research expenses for the three preceding taxable years.

Energy

9. ***Expensing of exploration and development costs, oil and gas.***—Under the baseline tax system, the costs of exploring and developing oil and gas wells would be capitalized and then amortized (or depreciated) over an estimate of the economic life of the property. This ensures that the net income from the well or mine is measured appropriately each year. In contrast to this treatment, current law allows the immediate deduction, i.e., expensing, of intangible drilling costs for successful investments in domestic oil and gas wells (such as wages, the cost of using machinery for grading and drilling, and the cost of unsalvageable materials used in constructing wells). Because expensing allows recovery of costs sooner, it is more advantageous to the taxpayer than amortization. Expensing provisions for exploration expenditures apply only to properties for which a deduction for percentage depletion is allowable. For oil and gas wells, integrated oil companies may expense only 70 percent of intangible drilling costs and must amortize the remaining 30 percent over five years. Non-integrated oil companies may expense all such costs.

10. ***Expensing of exploration and development costs, coal.***— This is similar to the above provision but limited to coal. Current law allows immediate deduction of eligible exploration and development costs for domestic coal mines and other natural fuel deposits.

11. ***Excess of percentage over cost depletion, oil and gas.***—The baseline tax system would allow recovery of the costs of developing certain oil and gas properties using cost depletion. Cost depletion is similar in concept to depreciation, in that the costs of developing or acquiring the asset are capitalized and then gradually reduced over an estimate of the asset's economic life, as is appropriate for measuring net income. In contrast, the Tax Code generally allows independent oil and gas producers and royalty owners to take percentage depletion deductions rather than cost depletion on limited quantities of output. Under percentage depletion, taxpayers deduct a percentage of gross income from oil and gas production. In certain cases the deduction is limited to a fraction of the asset's net income. Over the life of an investment, percentage depletion deductions can exceed the cost of the investment. Consequently, percentage depletion may provide more advantageous tax treatment than would cost depletion, which limits deductions to an investment's cost.

12. ***Excess of percentage over cost depletion, coal.***—This is similar to the above provision but limited to coal.

13. ***Exception from passive loss limitation for working interests in oil and gas properties.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct losses from passive activities against nonpassive income (e.g., wages, interest, and dividends). Passive activities generally are defined as those in which the taxpayer does not materially participate, though there are numerous additional considerations brought to bear on the determination of which activities are passive for a given taxpayer. Losses are limited in an attempt to limit tax sheltering activities. Passive losses that are unused may be carried forward and applied against future passive income. An exception from the passive loss limitation is provided for a working interest in an oil or gas property that the taxpayer holds directly or through an entity that does not limit the lia-

bility of the taxpayer with respect to the interest. Thus, taxpayers can deduct losses from such working interests against non-passive income without regard to whether they materially participate in the activity.

14. ***Enhanced oil recovery credit.***—A credit is provided equal to 15 percent of the taxpayer's costs for enhanced oil recovery on U.S. projects. If the reference price of oil for the previous calendar year is above $28 (adjusted for inflation from 1990), the credit is reduced in proportion to the ratio of the excess over the $28 threshold to $6. Beyond a $6 difference, the credit is fully phased out.

15. ***Marginal wells credit.***—A credit is provided for crude oil and natural gas produced from a qualified marginal well. A marginal well is one that does not produce more than 1,095 barrel-of-oil equivalents per year, with this limit adjusted proportionately for the number of days the well is in production in a given year. The credit is no more than $3.00 per barrel of qualified crude oil production and $0.50 per thousand cubic feet of qualified natural gas production. The credit for natural gas is reduced in proportion to the amount by which the reference price of natural gas at the wellhead for the previous calendar year exceeds $1.67 per thousand cubic feet and is zero for a reference price that exceeds $2.00. The credit for crude oil is reduced in proportion to the amount by which the reference price of oil for the previous calendar year exceeds $15.00 per barrel and is zero for a reference price that exceeds $18.00. All dollar amounts are adjusted for inflation from 2004.

16. ***Amortize all geological and geophysical expenditures over Two years***.—The baseline tax system allows taxpayers to deduct the decline in the economic value of an investment over its economic life. However, the Tax Code allows geological and geophysical expenditures incurred in connection with oil and gas exploration in the United States to be amortized over two years for non-integrated oil companies, a span of time that is generally shorter than the economic life of the assets.

17. ***Capital gains treatment of royalties on coal.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. Current law allows capital gains realized by individuals to be taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax). Certain sales of coal under royalty contracts qualify for taxation as capital gains rather than ordinary income.

18. ***Exclusion of interest on energy facility bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance construction of certain energy facilities to be exempt from tax. These bonds are generally subject to the State private-activity-bond annual volume cap.

19. ***Qualified energy conservation bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code provides for the issuance of energy conservation bonds which entitle the bond holder to a Federal income tax credit in lieu of interest. As of March 2010, issuers of the unused authorization of such bonds could opt to receive direct payment with the yield becoming fully taxable.

20. ***Exclusion of utility conservation subsidies.***—The baseline tax system generally takes a comprehensive view of taxable income that includes a wide variety of (measurable) accretions to wealth. In certain circumstances, public utilities offer rate subsidies to non-business customers who invest in energy conservation measures. These rate subsidies are equivalent to payments from the utility to its customer, and so represent accretions to wealth, income that would be taxable to the customer under the baseline tax system. In contrast, the Tax Code exempts these subsidies from the non-business customer's gross income.

21. ***Credit for holding clean renewable energy bonds.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides for the issuance of Clean Renewable Energy Bonds that entitle the bond holder to a Federal income tax credit in lieu of interest. As of March 2010, issuers of the unused authorization of such bonds could opt to receive direct payment with the yield becoming fully taxable.

22. ***Energy production credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides a credit for certain electricity produced from wind energy, biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, or qualified hydropower and sold to an unrelated party. Facilities that begin construction in 2017 receive 80 percent of the credit, facilities that begin construction in 2018 receive 60 percent of the credit, facilities that begin construction in 2019 receive 40 percent of the credit, and facilities that begin construction in 2020 or 2021 receive 60 percent of the credit. The full credit amount is available for projects that begin construction after 2021, but the full rate is dependent on prevailing wage and apprenticeship requirements. Two additional bonus credits worth 10 percent each are available for projects that meet domestic content requirements and projects located in energy communities. Starting in 2025, the credit becomes a technology neutral credit, and it begins to phase out as early as 2034.

23. ***Energy investment credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code provides credits for investments in solar and geothermal energy property, qualified fuel cell property, stationary microturbine property, geothermal heat pumps, waste energy recovery property, small wind property, offshore wind, energy storage technology, qualified biogas property, microgrid controllers, and combined heat and power property. The credit is 30 percent for projects that begin construction before 2020 and 26 percent for projects that begin construction in 2020-2022. The credit returns to 30 percent for projects that begin construction after 2022, but the full credit rate is dependent on meeting prevailing wage and apprenticeship requirements. Additional bonus credits of up to 10 percent of the investment basis are available for projects that meet domestic content requirements and projects located in energy communities. The credit could begin to phase out as early as 2034 depending on annual greenhouse gas emissions from the production of electricity in the United States. Owners of renewable power facilities that qualify for the energy production credit may instead elect to take an energy investment credit at a rate specified by law.

24. ***Advanced nuclear power facilities production credit.***—The baseline tax system would not allow credits or deductions for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a tax credit equal to 1.8 cents times the number of kilowatt hours of electricity produced at a qualifying advanced nuclear power facility. A taxpayer may claim no more than $125 million per 1,000 megawatts of capacity. The Treasury Department may allocate up to 6,000 megawatts of credit-eligible capacity. Any unutilized national capacity limitation shall be allocated after December 31, 2020, according to prioritization rules set forth by statute.

25. ***Zero-emission nuclear power production credit.***—The baseline tax system would not allow credits or deductions for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a tax credit per unit of electricity produced at a nuclear facility placed in service before enactment of the 2022 Inflation Reduction Act. The credit is based on the gross receipts of the facility, the electricity produced, any other Federal/State/local zero-emissions credits or grants received, and whether the facility adopts certain labor standards.

26. ***Reduced tax rate for nuclear decommissioning funds.***—The baseline tax system would uniformly tax all returns to investments and not allow special rates for particular activities, investments, or industries. In contrast, the Tax Code provides a special 20 percent tax rate for investments made by Nuclear Decommissioning Reserve Funds.

27. ***Alcohol fuel credits.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides an income tax credit for qualified cellulosic biofuel production which was renamed the Second generation biofuel producer credit. This provision expires on December 31, 2024.

28. ***Biodiesel and small agri-biodiesel producer tax credits.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code allows an income tax credit for biodiesel and for biodiesel derived from virgin sources. In lieu of the biodiesel credit, the taxpayer can claim a refundable excise tax credit. In addition, small agri-biodiesel producers are eligible for a separate income tax credit for biodiesel production, and a separate credit is available for qualified renewable diesel fuel mixtures. This provision expires on December 31, 2024.

29. ***Clean fuel production credit.*** – The baseline tax system would not allow credits for particular activities, investments or industries. Instead, it would generally seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows an income tax credit for the production of qualifying transportation fuel with zero or low greenhouse gas emissions. The amount of the credit is calculated from the base amount, or alternate amount, of the credit and the emissions factor of a transportation fuel, with a special rate for sustainable aviation fuel. Producers are eligible for larger credits as the emission of the fuels they produce approach zero. The credit applies to fuel produced after December 31, 2024 and sold on or before December 31, 2027. A sustainable aviation fuel-specific credit is available for fuel produced after December 31, 2022 and before January 1, 2025.

30. ***Clean hydrogen production credit .***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows credits for the production of clean hydrogen. Clean hydrogen is defined in relation to its lifecycle greenhouse has emissions rate; no credit is allowed for hydrogen with a lifecycle greenhouse gas emissions rate greater than 4 kilogram of carbon dioxide equivalent per kilogram of hydrogen. The credit applies to qualified clean hydrogen produced at a

qualified clean hydrogen production facility during the 10-year period beginning on the date such facility was originally placed in service. Qualifying facilities must be placed in service before December 31, 2033.

31. ***Tax credits for clean vehicles.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows. a credit for up to $7,500 for qualifying new plug-in electric vehicle or fuel cell vehicle purchased in 2023.

32. ***Tax credits for refueling property.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows credits for alternative fuel vehicle refueling property.

33. ***Allowance of deduction for certain energy efficient commercial building property.***—The baseline tax system would not allow deductions in lieu of normal depreciation allowances for particular investments in particular industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code allows a deduction for certain energy efficient commercial building property. The basis of such property is reduced by the amount of the deduction. Starting in 2021, the maximum deduction amount per square foot will be increased by a cost-of -living adjustment.

34. ***Credit for construction of new energy efficient homes.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code allowed contractors a tax credit of $2,000 for the construction of a qualified new energy-efficient home that had an annual level of heating and cooling energy consumption at least 50 percent below the annual consumption under the 2006 International Energy Conservation Code. The credit equaled $1,000 in the case of a new manufactured home that met a 30 percent standard or requirements for EPA's Energy Star homes. This provision expired on December 31, 2017, but it was increased up to $5,000 and extended to homes acquired in 2023 through 2032.

35. ***Credit for energy efficiency improvements to existing homes.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code provided an investment tax credit for expenditures made on insulation, exterior windows, and doors that improved the energy efficiency of homes and met certain standards. The Tax Code also provided a credit for purchases of advanced main air circulating fans, natural gas, propane, or oil furnaces or hot water boilers, and other qualified energy efficient property. This provision expired on December 31, 2017, but legislation enacted in 2020 allowed taxpayers to claim tax credits retroactively for three years. The credit was further increased up to $3,200 and extended to homes acquired in 2023 through 2032.

36. ***Credit for residential energy efficient property.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, the Tax Code provides a credit for the purchase of a qualified photovoltaic property and solar water heating property, as well as for fuel cell power plants, geothermal heat pumps, small wind property, and qualified battery storage technology used in or placed on a residence. The credit is 30 percent for property placed in service before January 1, 2020, 26 percent for property placed in service in 2020-2021, 30 percent for property placed in service in 2022-2032, 26 percent for property placed in service in 2033, and 22 percent for property placed in service in 2034. The credit expires after December 31, 2034.

37. ***Advanced energy property credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code provides a 30 percent investment credit for property used in a qualified advanced energy manufacturing project. The Treasury Department may award up to $12.3 billion in tax credits for qualified investments. Of the total $12.3 billion, $4 billion is reserved for projects located in energy communities.

38. ***Advanced manufacturing production credit.***— The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code provides credits of varying amounts for the production within the United States and sale of specified eligible components, including specified solar energy components, wind energy components, inverters, qualifying battery components, and applicable critical minerals. The production of an eligible component is only eligible for a credit if sold after 2022. For all eligible components other than applicable critical minerals, the credit is phased out from 2030 to 2032, with components other than critical minerals no longer receiving any credit if sold after 2032.

Natural Resources and Environment

39. ***Expensing of exploration and development costs, nonfuel minerals.***—The baseline tax system allows the taxpayer to deduct the depreciation of an asset according to the decline in its economic value over time. However, certain capital outlays associated with exploration and development of nonfuel minerals may be expensed rather than depreciated over the life of the asset.

40. ***Excess of percentage over cost depletion, nonfuel minerals.***—The baseline tax system allows the taxpayer to deduct the decline in the economic value of an investment over time. Under current law, however, most nonfuel mineral extractors may use percentage depletion (whereby the deduction is fixed as a percentage of receipts) rather than cost depletion, with percentage depletion rates ranging from 22 percent for sulfur to 5 percent for sand and gravel. Over the life of an investment, percentage depletion deductions can exceed the cost of the investment. Consequently, percentage depletion may provide more advantageous tax treatment than would cost depletion, which limits deductions to an investment's cost.

41. ***Exclusion of interest on bonds for water, sewage, and hazardous waste facilities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance construction of sewage, water, or hazardous waste facilities to be exempt from tax. These bonds are generally subject to the State private-activity bond annual volume cap.

42. ***Capital gains treatment of certain timber income.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. However, under current law certain timber sales can be treated as a capital gain rather than ordinary income and therefore subject to the lower capital-gains tax rate. Current law allows capital gains to be taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax).

43. ***Expensing of multiperiod timber growing costs.***—The baseline tax system requires the taxpayer to capitalize costs associated with investment property. However, most of the production costs of growing timber may be expensed under current law rather than capitalized and deducted when the timber is sold, thereby accelerating cost recovery.

44. ***Tax incentives for preservation of historic structures.***—The baseline tax system would not allow credits for particular activities, investments, or industries. However, expenditures to preserve and restore certified historic structures qualify for an investment tax credit of 20 percent for certified rehabilitation activities. The taxpayer's recoverable basis must be reduced by the amount of the credit. The credit must be claimed ratably over the five years after the property is placed in service, for property placed in service after December 31, 2017.

45. ***Carbon oxide sequestration credit.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. In contrast, the Tax Code allows a credit for qualified carbon oxide captured at a qualified facility and disposed of in secure geological storage. In addition, the provision allows a credit for qualified carbon oxide that is captured at a qualified facility and used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project. The credit differs according to whether the carbon was captured using equipment which was originally placed in service before February 9, 2018, or thereafter.

46. ***Deduction for endangered species recovery expenditures.***—The baseline tax system would not allow deductions in addition to normal depreciation allowances for particular investments in particular industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, under current law farmers can deduct up to 25 percent of their gross income for expenses incurred as a result of site and habitat improvement activities that will benefit endangered species on their farm land, in accordance with site specific management actions included in species recovery plans approved pursuant to the Endangered Species Act of 1973.

Agriculture

47. ***Expensing of certain capital outlays.***—The baseline tax system requires the taxpayer to capitalize costs associated with investment property. However, farmers may expense certain expenditures for feed and fertilizer, for soil and water conservation measures, and certain other capital improvements under current law.

48. ***Expensing of certain multiperiod production costs.***—The baseline tax system requires the taxpayer to capitalize costs associated with an investment over time. However, the production of livestock and crops with a production period greater than two years is exempt from the uniform cost capitalization rules (e.g., for costs for establishing orchards or structure improvements), thereby accelerating cost recovery.

49. ***Treatment of loans forgiven for solvent farmers.***—Because loan forgiveness increases a debtors net worth the baseline tax system requires debtors to include the amount of loan forgiveness as income or else reduce their recoverable basis in the property related to the loan. If the amount of forgiveness exceeds the basis, the excess forgiveness is taxable if the taxpayer is not insolvent. For bankrupt debtors, the amount of loan forgiveness reduces carryover losses, unused credits, and then basis, with the remainder of the forgiven debt excluded from taxation. Qualified farm debt that is forgiven, however, is excluded from income even when the taxpayer is solvent.

50. ***Capital gains treatment of certain agriculture income.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, current law allows capital gains to be taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax). Certain agricultural income, such as unharvested crops, qualify for taxation as capital gains rather than ordinary income, and so benefit from the preferentially low 20 percent maximum tax rate on capital gains (plus the 3.8 percent surtax).

51. ***Income averaging for farmers.***—The baseline tax system generally taxes all earned income each year at the rate determined by the income tax. However, taxpayers may average their taxable income from farming and fishing over the previous three years.

52. ***Deferral of gain on sale of farm refiners.***—The baseline tax system generally subjects capital gains to taxes the year that they are realized. However, the Tax Code allows a taxpayer who sells stock in a farm refiner to a farmers' cooperative to defer recognition of the gain if the proceeds are re-invested in a qualified replacement property.

53. ***Expensing of reforestation expenditures***.—The baseline tax system requires the taxpayer to capitalize costs associated with an investment over time. In contrast, the Tax Code provides for the expensing of the first $10,000 in reforestation expenditures with 7-year amortization of the remaining expenses.

Commerce and Housing

This category includes a number of tax expenditure provisions that also affect economic activity in other functional categories. For example, provisions related to investment, such as accelerated depreciation, could be classified under the energy, natural resources and environment, agriculture, or transportation categories.

54. ***Exemption of credit union income.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. However, in the Tax Code the earnings of credit unions not distributed to members as interest or dividends are exempt from the income tax.

55. ***Exclusion of life insurance death benefits.***—Under the baseline tax system, individuals and corporations would pay taxes on their income when it is (actually or constructively) received or accrued. Nevertheless, current law generally excludes from tax amounts received under life insurance contracts if such amounts are paid by reason of the death of the insured.

56. ***Exemption or special alternative tax for small property and casualty insurance companies.***—The baseline tax system would require corporations to pay taxes on their profits under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, however, stock non-life insurance companies are generally exempt from tax if their gross receipts for the taxable year do not exceed $600,000 and more than 50 percent of such gross receipts consist of premiums. Mutual non-life insurance companies are generally tax-exempt if their annual gross receipts do not exceed $150,000 and more than 35 percent of gross receipts consist of premiums. Also, non-life insurance companies with no more than a specified level of annual net written premiums generally may elect to pay tax only on their taxable investment income provided certain ownership diversification requirements are met. The underwriting income (premiums, less insurance losses and expenses) of electing companies is excluded from tax. The specified premium limit is indexed for inflation; for 2024, the premium limit is $2.8 million.

57. ***Tax exemption of insurance income earned by tax-exempt organizations.***—Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. The baseline tax system would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Generally the income generated by life and property and casualty insurance companies is subject to tax, albeit under special rules. However, income from insurance operations conducted by certain tax-exempt organizations, such as fraternal societies, voluntary employee benefit associations, and others are exempt from tax.

58. ***Exclusion of interest spread of financial institutions.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Consumers pay for some deposit-linked services, such as check cashing, by accepting a below-market interest rate on their demand deposits. If they received a market rate of interest on those deposits and paid explicit fees for the associated services, they would pay taxes on the full market rate and (unlike businesses) could not deduct the fees. The Government thus foregoes tax on the difference between the risk-free market interest rate and below-market interest rates on demand deposits, which under competitive conditions should equal the value of deposit services.

59. ***Exclusion of interest on owner-occupied mortgage subsidy bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds used to finance homes purchased by first-time, low-to-moderate-income buyers to be exempt from tax. These bonds are generally subject to the State private-activity-bond annual volume cap.

60. ***Exclusion of interest on rental housing bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local government bonds used to finance multifamily rental housing projects to be tax-exempt.

61. ***Deductibility of mortgage interest expense on owner-occupied residences.***—Under the baseline tax system, expenses incurred in earning income would be deductible. However, such expenses would not be deductible when the income or the return on an investment is not taxed. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for the value of owner-occupied housing services and also allows the owner-occupant to deduct mortgage interest paid on his or her primary residence and one secondary residence as an itemized non-business deduction. In general, the mortgage interest deduction is limited to interest on debt no greater than the owner's basis in the residence, and is also limited to interest on debt of no more than $1 million. Interest on up to $100,000 of other debt secured by a lien on a principal or second residence is also deductible, irrespective of the purpose of borrowing, provided the total debt does not exceed the fair market value of the residence. As an alternative to the deduction, holders of qualified Mortgage Credit Certificates issued by State or local governmental units or agencies may claim a tax credit equal to a proportion of their interest expense. In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, (1) the $1 million limit is reduced to $750,000 for indebtedness incurred after December 15, 2017, and (2) the deduction for interest on home equity indebtedness is disallowed.

62. ***Deductibility of State and local property tax on owner-occupied homes.***—Under the baseline tax system, expenses incurred in earning income would be deductible. However, such expenses would not be deductible when the income or the return on an investment is not taxed. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for the value of owner-occupied housing services and also allows the owner-occupant to deduct property taxes paid on real property. In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, (1) the deduction for foreign real property taxes paid is disallowed and (2) the deduction for taxes paid in any taxable year, which includes the deduction for property taxes on real property, is limited to $10,000 ($5,000 in the case of a married individual filing a separate return).

63. ***Deferral of income from installment sales.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates, or deferral of tax, to apply to certain types or sources of income. Dealers in real and personal property (i.e., sellers who regularly hold property for sale or resale) cannot defer taxable income from installment sales until the receipt of the loan repayment. Nondealers (i.e., sellers of real property used in their business) are required to pay interest on deferred taxes attributable to their total installment obligations in excess of $5 million. Only properties with sales prices exceeding $150,000 are includable in the total. The payment of a market rate of interest eliminates the benefit of the tax deferral. The tax exemption for nondealers with total installment obligations of less than $5 million is, therefore, a tax expenditure.

64. ***Capital gains exclusion on home sales.***—The baseline tax system would not allow deductions and exemptions for certain types of income. In contrast, the Tax Code allows homeowners to exclude from gross income up to $250,000 ($500,000 in the case of a married couple filing a joint return) of the capital gains from the sale of a principal residence. To qualify, the taxpayer must have owned and used the property as the taxpayer's principal residence for a total of at least two of the five years preceding the date of sale. In addition, the exclusion may not be used more than once every two years.

65. ***Exclusion of net imputed rental income.***—Under the baseline tax system, the taxable income of a taxpayer who is an owner-occupant would include the implicit value of gross rental income on housing services earned on the investment in owner-occupied housing and would allow a deduction for expenses, such as interest, depreciation, property taxes, and other costs, associated with earning such rental income. In contrast, the Tax Code allows an exclusion from taxable income for the implicit gross rental income on housing services, while in certain circumstances allows a deduction for some costs associated with such income, such as for mortgage interest and property taxes.

66. ***Exception from passive loss rules for $25,000 of rental loss.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct losses from passive activities against nonpassive income (e.g., wages, interest, and dividends). Passive activities generally are defined as those in which the taxpayer does not materially participate, and there are numerous additional considerations brought to bear on the determination of which activities are passive for a given taxpayer. Losses are limited in an attempt to limit tax sheltering activities. Passive losses that are unused may be carried forward

and applied against future passive income. In contrast to the general restrictions on passive losses, the Tax Code exempts certain owners of rental real estate activities from "passive income" limitations. The exemption is limited to $25,000 in losses and phases out for taxpayers with income between $100,000 and $150,000.

67. ***Credit for low-income housing investments.***—The baseline tax system would uniformly tax all returns to investments and not allow credits for particular activities, investments, or industries. However, under current law taxpayers who invest in certain low-income housing projects are eligible for a tax credit. The credit rate is set so that the present value of the credit is equal to at least 70 percent of the building's qualified basis for new construction and 30 percent for (1) housing receiving other Federal benefits (such as tax-exempt bond financing) or (2) substantially rehabilitated existing housing. The credit can exceed these levels in certain statutorily defined and State designated areas where project development costs are higher. The credit is allowed in equal amounts over 10 years and is generally subject to a volume cap.

68. ***Accelerated depreciation on rental housing (normal tax method).***—Under a comprehensive economic income tax, the costs of acquiring a building are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This ensures that the net income from the rental property is measured appropriately each year. Current law allows depreciation that is accelerated relative to economic depreciation. However, the depreciation provisions of the Tax Code are part of the reference tax law, and thus do not give rise to tax expenditures under reference tax law. Under normal tax baseline, in contrast, depreciation allowances reflect estimates of economic depreciation.

69. ***Discharge of mortgage indebtedness.***—Under the baseline tax system, all income would generally be taxed under the regular tax rate schedule. The baseline tax system would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for any discharge of indebtedness of up to $750,000 ($375,000 in the case of a married individual filing a separate return) from a qualified principal residence. The provision applies to debt discharged after December 31, 2020, and before January 1, 2026.

70. ***Discharge of business indebtedness.***—Under the baseline tax system, all income would generally be taxed under the regular tax rate schedule. The baseline tax system would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for any discharge of qualified real property business indebtedness by taxpayers other than a C corporation. If the canceled debt is not reported as current income, however, the basis of the underlying property must be reduced by the amount canceled.

71. ***Exceptions from imputed interest rules.***—Under the baseline tax system, holders (issuers) of debt instruments are generally required to report interest earned (paid) in the period it accrues, not when received. In addition, the amount of interest accrued is determined by the actual price paid, not by the stated principal and interest stipulated in the instrument. But under current law, any debt associated with the sale of property worth less than $250,000 is exempted from the general interest accounting rules. This general $250,000 exception is not a tax expenditure under reference tax law but is under normal tax baseline. Current law also includes exceptions for certain property worth more than $250,000. These are tax expenditure under reference tax law and normal tax baselines. These exceptions include, sales of personal residences worth more than $250,000, and sales of farms and small businesses worth between $250,000 and $1 million.

72. ***Treatment of qualified dividends.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. For individuals, tax rates on regular income vary from 10 percent to 39.6 percent in the budget window (plus a 3.8 percent surtax on high income taxpayers), depending on the taxpayer's income. In contrast, under current law, qualified dividends are taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax).

73. ***Capital gains (except agriculture, timber, iron ore, and coal).***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income. Under current law, capital gains on assets held for more than one year are taxed at a preferentially low rate that is no higher than 20 percent (plus the 3.8 percent surtax).

74. ***Capital gains exclusion of small corporation stock.***—The baseline tax system would not allow deductions and exemptions or provide preferential treatment of certain sources of income or types of activities. In contrast, the Tax Code provided an exclusion of 50 percent, applied to ordinary rates with a maximum of a 28 percent tax rate, for capital gains from qualified small business stock held by individuals for more than 5 years; 75 percent for stock issued after February 17, 2009 and before September 28, 2010; and 100 percent for stock issued after September 27, 2010. A qualified small business is a corporation whose gross assets do not exceed $50 million as of the date of issuance of the stock.

75. ***Step-up basis of capital gains at death.***—Under the baseline tax system, unrealized capital gains would be taxed when assets are transferred at death. It would not allow for exempting gains upon transfer of the underlying assets to the heirs. In

contrast, capital gains on assets held at the owner's death are not subject to capital gains tax under current law. The cost basis of the appreciated assets is adjusted to the market value at the owner's date of death which becomes the basis for the heirs.

76. ***Carryover basis of capital gains on gifts.***—Under the baseline tax system, unrealized capital gains would be taxed when assets are transferred by gift. In contrast, when a gift of appreciated asset is made under current law, the donor's basis in the transferred property (the cost that was incurred when the transferred property was first acquired) carries over to the donee. The carryover of the donor's basis allows a continued deferral of unrealized capital gains.

77. ***Ordinary income treatment of loss from small business corporation stock sale.***—The baseline tax system limits to $3,000 the write-off of losses from capital assets, with carryover of the excess to future years. In contrast, the Tax Code allows up to $100,000 in losses from the sale of small business corporate stock (capitalization less than $1 million) to be treated as ordinary losses and fully deducted.

78. ***Deferral of capital gains from like-kind exchanges.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates, or deferral of tax, to apply to certain types or sources of income. In contrast, current law allows the deferral of accrued gains on assets transferred in qualified like-kind exchanges.

79. ***Depreciation of buildings other than rental housing (normal tax method).***—Under a comprehensive economic income tax, the costs of acquiring a building are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This ensures that the net income from the property is measured appropriately each year. Current law allows depreciation deductions that differ from those under economic depreciation. However, the depreciation provisions of the Tax Code are part of the reference tax law, and thus do not give rise to tax expenditures under reference tax law. Under normal tax baseline, in contrast, depreciation allowances reflect estimates of economic depreciation.

80. ***Accelerated depreciation of machinery and equipment (normal tax method).***—Under a comprehensive economic income tax, the costs of acquiring machinery and equipment are capitalized and depreciated over time in accordance with the decline in the property's economic value due to wear and tear or obsolescence. This ensures that the net income from the property is measured appropriately each year. Current law allows depreciation deductions that are accelerated relative to economic depreciation. In particular, in 2023, 80 percent of the purchase cost of qualified property is eligible to be expensed immediately; this percentage phases out to zero through 2027. Additionally, subject to investment limitations, the Tax Code allows up to $1 million (indexed for inflation) in qualifying investments in tangible property and certain computer software to be expensed rather than depreciated over time. The depreciation provisions of the Tax Code are part of the reference tax law, and thus do not give rise to tax expenditures under reference tax law. Under the normal tax baseline, in contrast, depreciation allowances reflect estimates of economic depreciation.

81. ***Exclusion of interest on small issue bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on small issue industrial development bonds (IDBs) issued by State and local governments to finance manufacturing facilities to be tax exempt. Depreciable property financed with small issue IDBs must be depreciated, however, using the straight-line method. The annual volume of small issue IDBs is subject to the unified volume cap discussed in the mortgage housing bond section above.

82. ***Special rules for certain film and TV production.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow deductions and exemptions or preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allowed taxpayers to deduct up to $15 million per production ($20 million in certain distressed areas) in non-capital expenditures incurred during the year. This provision is scheduled to expire at the end of 2025.

83. ***Allow 20-percent deduction to certain pass-through income***.—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow deductions and exemptions or preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, for tax years 2018 to 2025, the Tax Code allows for a deduction equal to up to 20 percent of income attributable to domestic pass-through businesses, subject to certain limitations.

84. ***Advanced manufacturiung investment credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. However, the Tax Code provides credits for investments in semiconductor manufacturing equipment within the United States. The credit is 25 percent for qualified property placed into service after December 31, 2022. Construction on a qualified facility must begin by December 31, 2025. Owners of facilities that qualify for the advanced manufacturing investment credit may elect to treat investment credits as a payment of tax equal to the amount of the credit.

Transportation

85. ***Tonnage tax.—***The baseline tax system generally would tax all profits and income under the regular tax rate schedule. U.S. shipping companies may choose to be subject to a tonnage tax based on gross shipping weight in lieu of an income tax, in which case profits would not be subject to tax under the regular tax rate schedule.

86. ***Deferral of tax on shipping companies.—***The baseline tax system generally would tax all profits and income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows certain companies that operate U.S. flag vessels to defer income taxes on that portion of their income used for shipping purposes (e.g., primarily construction, modernization and major repairs to ships, and repayment of loans to finance these investments).

87. ***Exclusion of reimbursed employee parking expenses.—***Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, would be included in taxable income. Dedicated payments and in-kind benefits represent accretions to wealth that do not differ materially from cash wages. In contrast, the Tax Code allows an exclusion from taxable income for employee parking expenses that are paid for by the employer or that are received by the employee in lieu of wages. In 2024, the maximum amount of the parking exclusion is $315 per month. The tax expenditure estimate does not include any subsidy provided through employer-owned parking facilities. However, beginning in 2018, parking expenses are no longer deductible to employers.

88. ***Exclusion for employer-provided transit passes.—***Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, would be included in taxable income. Dedicated payments and in-kind benefits represent accretions to wealth that do not differ materially from cash wages. In contrast, the Tax Code allows an exclusion from a taxpayer's taxable income for passes, tokens, fare cards, and vanpool expenses that are paid for by an employer or that are received by the employee in lieu of wages to defray an employee's commuting costs. Due to a parity to parking provision, the maximum amount of the transit exclusion is $315 per month in 2024. However, beginning in 2018, transit expenses are no longer deductible to employers.

89. ***Tax credit for certain expenditures for maintaining railroad tracks.—***The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code allowed eligible taxpayers to claim a credit equal to the lesser of 50 percent of maintenance expenditures and the product of $3,500 and the number of miles of railroad track owned or leased. This provision applies to maintenance expenditures in taxable years beginning before January 1, 2017.

90. ***Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities.—***The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code provides for $15 billion of tax-exempt bond authority to finance qualified highway or surface freight transfer facilities.

Community and Regional Development

91. ***Exclusion of interest for airport, dock, and similar bonds.—***The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allows interest earned on State and local bonds issued to finance high-speed rail facilities and Government-owned airports, docks, wharves, and sport and convention facilities to be tax-exempt. These bonds are not subject to a volume cap.

92. ***Exemption of certain mutuals' and cooperatives' income.—***Under the baseline tax system, corporations pay taxes on their profits under the regular tax rate schedule. In contrast, the Tax Code provides for the incomes of mutual and cooperative telephone and electric companies to be exempt from tax if at least 85 percent of their receipts are derived from patron service charges.

93. ***Empowerment zones.—***The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low tax rates to apply to certain types or sources of income, tax credits, and write-offs faster than economic depreciation. In contrast, the Tax Code allows qualifying businesses in designated economically depressed areas to receive tax benefits such as an employment credit and special tax-exempt financing. A taxpayer's ability to accrue new tax benefits for empowerment zones expires on December 31, 2025.

94. ***New markets tax credit.—***The baseline tax system would not allow credits for particular activities, investments, or industries. However, the Tax Code allows taxpayers who make qualified equity investments in a community development entity (CDE), which then make qualified investments in low-income communities, to be eligible for a tax credit that is received

over 7 years. The total equity investment available for the credit across all CDEs is generally $5 billion for each calendar year 2020 through 2025, the last year for which credit allocations are authorized.

95. ***Credit to holders of Gulf and Midwest Tax Credit Bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, under current law taxpayers that own Gulf and Midwest Tax Credit bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income.

96. ***Recovery Zone Bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In addition, it would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code allowed local governments to issue up $10 billion in taxable Recovery Zone Economic Development Bonds in 2009 and 2010 and receive a direct payment from Treasury equal to 45 percent of interest expenses. In addition, local governments could issue up to $15 billion in tax exempt Recovery Zone Facility Bonds. These bonds financed certain kinds of business development in areas of economic distress.

97. ***Tribal Economic Development Bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, the Tax Code was modified in 2009 to allow Indian tribal governments to issue tax exempt "tribal economic development bonds." There is a national bond limitation of $2 billion on such bonds.

98. ***Opportunity Zones.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow deferral or exclusion from income for investments made within certain geographic regions. In contrast, the Tax Code allows the temporary deferral of the recognition of capital gain if reinvested prior to December 31, 2026, in a qualifying opportunity fund which in turn invests in qualifying low-income communities designated as opportunity zones. For qualifying investments held at least 5 years, 10 percent of the deferred gain is excluded from income; this exclusion increases to 15 percent for investments held for at least 7 years. In addition, capital gains from the sale or exchange of an investment in a qualified opportunity fund held for at least 10 years are excluded from gross income.

99. ***Disaster Employee Retention Credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides employers located in certain presidentially declared disaster areas during the years 2017 through 2020 a 40 percent credit for up to $6,000 in wages paid to each eligible employee while the business was inoperable as a result of the disaster. Only wages paid after the disaster occurred and within 150 days of the last day of the incident period are eligible for the credit. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

Education, Training, Employment, and Social Services

100. ***Exclusion of scholarship and fellowship income (normal tax method).***—Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income. From an economic point of view, scholarships and fellowships are either gifts not conditioned on the performance of services, or they are rebates of educational costs. Thus, under the baseline tax system of the reference tax law method, this exclusion is not a tax expenditure because this method does not include either gifts or price reductions in a taxpayer's gross income. The exclusion, however, is considered a tax expenditure under the normal tax method, which includes gift-like transfers of Government funds in gross income. (Many scholarships are derived directly or indirectly from Government funding.)

101. ***Tax credits for post-secondary education expenses.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law in 2023, however, there are two credits for certain post-secondary education expenses. The American Opportunity Tax Credit (AOTC) allows a partially refundable credit of up to $2,500 per eligible student for qualified tuition and related expenses paid. The AOTC may be claimed during each of the first four years of the student's post-secondary education. The Lifetime Learning Credit (LLC) allows a non-refundable credit for 20 percent of an eligible student's qualified tuition and fees, up to a maximum credit of $2,000 per return. The LLC may be claimed during any year of the student's post-secondary education. Only one credit may be claimed per student per year. The combined credits are phased out for taxpayers with modified adjusted gross income between $160,000 and $180,000 if married filing jointly ($80,000 and $90,000 for other taxpayers), not indexed. Married individuals filing separate returns cannot claim either credit.

102. ***Deductibility of student loan interest.***—The baseline tax system accepts current law's general rule limiting taxpayers' ability to deduct non-business interest expenses. In contrast, taxpayers may claim an above-the-line deduction of up to $2,500 on interest paid on an education loan. In 2023, the maximum deduction is phased down ratably for taxpayers with modified

AGI between $165,000 and $195,000 if married filing jointly ($80,000 and $95,000 for other taxpayers). Married individuals filing separate returns cannot claim the deduction.

103. ***Qualified tuition programs (includes Education IRA).***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Some States have adopted prepaid tuition plans, prepaid room and board plans, and college savings plans, which allow persons to pay in advance or save for college expenses for designated beneficiaries. Under current law, investment income, or the return on prepayments, is not taxed when earned, and is tax-exempt when withdrawn to pay for qualified expenses. Beginning in 2018, the definition of a qualified expense was expanded to include up to $10,000 per child per year of expenses for primary or secondary education, including tuition at religious schools.

104. ***Exclusion of interest on student-loan bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, interest earned on State and local bonds issued to finance student loans is tax-exempt under current law. The volume of all such private activity bonds that each State may issue annually is limited.

105. ***Exclusion of interest on bonds for private nonprofit educational facilities.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local Government bonds issued to finance the construction of facilities used by private nonprofit educational institutions is not taxed.

106. ***Credit for holders of zone academy bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Under current law, however, financial institutions that own zone academy bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income. Proceeds from zone academy bonds may only be used to renovate, but not construct, qualifying schools and for certain other school purposes. The total amount of zone academy bonds that may be issued was limited to $1.4 billion in 2009 and 2010. As of March 2010, issuers of the unused authorization of such bonds could opt to receive direct payment with the yield becoming fully taxable. An additional $0.4 billion of these bonds with a tax credit was authorized to be issued each year in 2011 through 2017.

107. ***Exclusion of interest on savings bonds redeemed to finance educational expenses.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Under current law, however, interest earned on U.S. savings bonds issued after December 31, 1989, is tax-exempt if the bonds are transferred to an educational institution to pay for educational expenses. The tax exemption is phased out for taxpayers with AGI between $145,200 and 175,200 if married filing jointly ($96,800 and $111,800 for other taxpayers) in 2023.

108. ***Parental personal exemption for students age 19 or over.***—Under the baseline tax system, a personal exemption would be allowed for the taxpayer, as well as for the taxpayer's spouse and dependents who do not claim a personal exemption on their own tax returns. These exemptions are repealed for taxable years beginning after December 31, 2017, and before January 1, 2026. However, the definitions regarding eligibility for dependent exemptions for children (and qualifying relatives), which determine eligibility for a number of family-related provisions, remain in place. These provisions include a $500 credit for dependents other than qualifying children (Other Dependent Credit, or ODC). In general, to be considered a dependent child, a child would have to be under age 19. In contrast, the Tax Code allows taxpayers to consider their children aged 19 to 23 as dependents, as long as the children are full-time students and reside with the taxpayer for over half the year (with exceptions for temporary absences from home, such as for school attendance). Absent this provision, children over 18 would need to meet the more stringent rules for qualified relatives in order to qualify the taxpayer for certain benefits, including the ODC.

109. ***Deductibility of charitable contributions (education).***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code provides taxpayers a deduction for contributions to nonprofit educational institutions that are similar to personal expenditures. Moreover, taxpayers who donate capital assets to educational institutions can deduct the asset's current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent (60 percent for tax years 2018 through 2025) of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

110. ***Exclusion of employer-provided educational assistance.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because it represents accretions to wealth that do not materially differ from cash wages. Under current law, however, employer-provided educational assistance is excluded from an employee's gross income, even though the employer's costs for this assistance are a deductible business expense. The

maximum exclusion is $5,250 per taxpayer. From March 27, 2020 through December 31, 2025 employer-provided student loan payments are considered eligible educational assistance.

111. ***Special deduction for teacher expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, the Tax Code allowed educators in both public and private elementary and secondary schools, who worked at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide, to subtract up to $300 of qualified expenses when determining their adjusted gross income (AGI).

112. ***Discharge of student loan indebtedness.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, the Tax Code allows certain professionals who perform in underserved areas or specific fields, and as a consequence have their student loans discharged, not to recognize such discharge as income.

113. ***Qualified school construction bonds.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code was modified in 2009 to provide a tax credit in lieu of interest to holders of qualified school construction bonds. The national volume limit is $22.4 billion over 2009 and 2010. As of March 2010, issuers of such bonds could opt to receive direct payment with the yield becoming fully taxable.

114. ***Work opportunity tax credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides employers with a tax credit for qualified wages paid to individuals. The credit applies to employees who began work on or before December 31, 2025 and who are certified as members of various targeted groups. The amount of the credit that can be claimed is 25 percent of qualified wages for employment less than 400 hours and 40 percent for employment of 400 hours or more. Generally, the maximum credit per employee is $2,400 and can only be claimed on the first year of wages an individual earns from an employer. However, the credit for long-term welfare recipients can be claimed on second year wages as well and has a $9,000 maximum. Also, certain categories of veterans are eligible for a higher maximum credit of up to $9,600. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

115. ***Employer-provided child care exclusion.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, current law allows up to $5,000 of employer-provided child care to be excluded from an employee's gross income even though the employer's costs for the child care are a deductible business expense.

116. ***Employer-provided child care credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, current law provides a credit equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. Employer deductions for such expenses are reduced by the amount of the credit. The maximum total credit is limited to $150,000 per taxable year.

117. ***Assistance for adopted foster children.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Taxpayers who adopt eligible children from the public foster care system can receive monthly payments for the children's significant and varied needs and a reimbursement of up to $2,000 for nonrecurring adoption expenses; special needs adoptions receive the maximum benefit even if that amount is not spent. These payments are excluded from gross income under current law.

118. ***Adoption credit and exclusion.***—The baseline tax system would not allow credits for particular activities. In contrast, taxpayers can receive a tax credit for qualified adoption expenses under current law. Taxpayers may also exclude qualified adoption expenses provided or reimbursed by an employer from income, subject to the same maximum amounts and phase-out as the credit. The same expenses cannot qualify for tax benefits under both programs; however, a taxpayer may use the benefits of the exclusion and the tax credit for different expenses.

119. ***Exclusion of employee meals and lodging (other than military).***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Furthermore, all compensation would generally be deductible by the employer. In contrast, under current law employer-provided meals and lodging are excluded from an employee's gross income. Additionally, beginning in 2018, employers are allowed a deduction for only 50 percent of the expenses of employer-provided meals, except that in 2021 and 2022, employers are eligible for a full deduction on restaurant meals provided to employees. Employer-provided lodging is fully deductible by the employer, in general.

120. ***Credit for child and dependent care expenses.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides a tax credit to parents who work or attend school and who have child and dependent care expenses. In taxable year 2023, expenditures up to a maximum $3,000 for one dependent and $6,000 for two or more dependents are eligible for a nonrefundable credit. The credit is equal to 35 percent of qualified

expenditures for taxpayers with incomes of up to $15,000. The credit is reduced to a minimum of 20 percent by one percentage point for each $2,000 of income in excess of $15,000.

121. ***Credit for disabled access expenditures.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, the Tax Code provides small businesses (less than $1 million in gross receipts or fewer than 31 full-time employees) a 50 percent credit for expenditures in excess of $250 to remove access barriers for disabled persons. The credit is limited to $5,000.

122. ***Deductibility of charitable contributions, other than education and health.***—The baseline tax system would not allow a deduction for personal expenditures including charitable contributions. In contrast, the Tax Code provides taxpayers a deduction for contributions to charitable, religious, and certain other nonprofit organizations. Taxpayers who donate capital assets to charitable organizations can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent (60 percent between 2018 and 2025) of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

123. ***Exclusion of certain foster care payments.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. Foster parents provide a home and care for children who are wards of the State, under contract with the State. Under current law, compensation received for this service is excluded from the gross incomes of foster parents; the expenses they incur are nondeductible.

124. ***Exclusion of parsonage allowances.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, would be included in taxable income. Dedicated payments and in-kind benefits represent accretions to wealth that do not differ materially from cash wages. In contrast, the Tax Code allows an exclusion from a clergyman's taxable income for the value of the clergyman's housing allowance or the rental value of the clergyman's parsonage.

125. ***Indian employment credit.***—The baseline tax system would not allow credits for particular activities, investments, or industries. Instead, it generally would seek to tax uniformly all returns from investment-like activities. In contrast, the Tax Code provides employers with a tax credit for qualified wages paid to employees who are enrolled members of Indian tribes. The amount of the credit that could be claimed is 20 percent of the excess of qualified wages and health insurance costs paid by the employer in the current tax year over the amount of such wages and costs paid by the employer in 1993. Qualified wages and health insurance costs with respect to any employee for the taxable year could not exceed $20,000. Employees have to live on or near the reservation where they work to be eligible for the credit. Employers must reduce their deduction for wages paid by the amount of the credit claimed. The credit does not apply to taxable years beginning after December 31, 2021.

126. ***Employer-provided paid family and medical leave credit.***— The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, current law provides a credit equal to 12.5 to 25 percent of wages paid to qualifying employees while on family and medical leave for up to 12 weeks per year. In order to qualify for the credit, an employer must have a written policy in place that provides at least two weeks of paid family and medical leave per year for full-time workers; additionally, employers must pay at least 50 percent of an employee's normal wages while they are on paid leave.

Health

127. ***Exclusion of employer contributions for medical insurance premiums and medical care.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law, employer-paid health insurance premiums and other medical expenses (including long-term care or Health Reimbursement Accounts) are not included in employee gross income even though they are deducted as a business expense by the employee.

128. ***Self-employed medical insurance premiums.***—Under the baseline tax system, all compensation and remuneration, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law self-employed taxpayers may deduct their family health insurance premiums. Taxpayers without self-employment income are not eligible for this special deduction. The deduction is not available for any month in which the self-employed individual is eligible to participate in an employer-subsidized health plan and the deduction may not exceed the self-employed individual's earned income from self-employment.

129. ***Medical Savings Accounts and Health Savings Accounts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Also, the baseline tax system would not allow a deduction for personal expenditures and generally would tax investment earnings. In contrast, individual contributions to

Archer Medical Savings Accounts (Archer MSAs) and Health Savings Accounts (HSAs) are allowed as a deduction in determining adjusted gross income whether or not the individual itemizes deductions. Employer contributions to Archer MSAs and HSAs are excluded from income and employment taxes. Archer MSAs and HSAs require that the individual have coverage by a qualifying high deductible health plan. Earnings from the accounts are excluded from taxable income. Distributions from the accounts used for medical expenses are not taxable. The rules for HSAs are generally more flexible than for Archer MSAs and the deductible contribution amounts are greater (in 2024, $4,150 for taxpayers with individual coverage and $8,300 for taxpayers with family coverage). Thus, HSAs have largely replaced MSAs.

130. ***Deductibility of medical expenses.***—The baseline tax system would not allow a deduction for personal expenditures. In contrast, under current law personal expenditures for medical care (including the costs of prescription drugs) exceeding 7.5 percent of the taxpayer's adjusted gross income are deductible. For tax years beginning after 2012, only medical expenditures exceeding 10 percent of the taxpayer's adjusted gross income are deductible. However, for the years 2013, 2014, 2015 and 2016, if either the taxpayer or the taxpayer's spouse turned 65 before the end of the taxable year, the threshold remained at 7.5 percent of adjusted income. Beginning in 2017, the 10 percent threshold applied to all taxpayers, including those over 65.

131. ***Exclusion of interest on hospital construction bonds.***—The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law interest earned on State and local government debt issued to finance hospital construction is excluded from income subject to tax.

132. ***Refundable Premium Assistance Tax Credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, for taxable years ending after 2013, the Tax Code provides a premium assistance credit to any eligible taxpayer for any qualified health insurance purchased through a Health Insurance Exchange. In general, an eligible taxpayer is a taxpayer with annual household income between 100 percent and 400 percent of the federal poverty level for a family of the taxpayer's size and that does not have access to affordable minimum essential health care coverage. The amount of the credit equals the lesser of (1) the actual premiums paid by the taxpayer for such coverage or (2) the difference between the cost of a statutorily-identified benchmark plan offered on the exchange and a required payment by the taxpayer that increases with income. The American Rescue Plan Act of 2021 (P.L. 117-2) and the Inflation Reduction Act of 2022 (P.L. 117-169) temporarily increased the Premium Tax Credit in three ways. For 2021 through 2025, the legislation increased the Premium Tax Credit for currently eligible individuals and families, providing access to free benchmark plans for those earning 100 to 150 percent of the federal poverty level and expanded eligibility to newly include individuals and families with income above 400 percent of the federal poverty level.

133. ***Credit for employee health insurance expenses of small business.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides a tax credit to qualified small employers that make a certain level of non-elective contributions towards the purchase of certain health insurance coverage for its employees. To receive a credit, an employer must have fewer than 25 full-time-equivalent employees whose average annual full-time-equivalent wages from the employer are less than $50,000 (indexed for taxable years after 2013). However, to receive a full credit, an employer must have no more than 10 full-time employees, and the average wage paid to these employees must be no more than $25,000 (indexed for taxable years after 2013). A qualifying employer may claim the credit for any taxable year beginning in 2010, 2011, 2012, and 2013 and for up to two years for insurance purchased through a Health Insurance Exchange thereafter. For taxable years beginning in 2010, 2011, 2012, and 2013, the maximum credit is 35 percent of premiums paid by qualified taxable employers and 25 percent of premiums paid by qualified tax-exempt organizations. For taxable years beginning in 2014 and later years, the maximum tax credit increases to 50 percent of premiums paid by qualified taxable employers and 35 percent of premiums paid by qualified tax-exempt organizations.

134. ***Deductibility of charitable contributions (health).***—The baseline tax system would not allow a deduction for personal expenditures including charitable contributions. In contrast, the Tax Code provides individuals and corporations a deduction for contributions to nonprofit health institutions. Tax expenditures resulting from the deductibility of contributions to other charitable institutions are listed under the education, training, employment, and social services function.

135. ***Tax credit for orphan drug research.***—The baseline tax system would not allow credits for particular activities, investments, or industries. In contrast, under current law drug firms can claim a tax credit of 25 percent of the costs for clinical testing required by the Food and Drug Administration for drugs that treat rare physical conditions or rare diseases.

136. ***Special Blue Cross/Blue Shield tax benefits.***—The baseline tax system generally would tax all profits under the regular tax rate schedule using broadly applicable measures of baseline income. It would not allow preferentially low tax rates to apply to certain types or sources of income. In contrast, certain Blue Cross and Blue Shield (BC/BS) health insurance providers and certain other health insurers are provided with special tax benefits, provided that their percentage of total premium reve-

nue expended on reimbursement for clinical services provided to enrollees or for activities that improve health care quality is not less than 85 percent for the taxable year. A qualifying insurer may take as a deduction 100 percent of any net increase in its unearned premium reserves, instead of the 80 percent allowed other insurers. A qualifying insurer is also allowed a special deduction equal to the amount by which 25 percent of its health-claim expenses exceeds its beginning-of-the-year accounting surplus. The deduction is limited to the insurer's taxable income determined without the special deduction.

137. ***Distributions from retirement plans for premiums for health and long-term care insurance.***—Under the baseline tax system, all compensation, including dedicated and deferred payments, should be included in taxable income. In contrast, the Tax Code provides for tax-free distributions of up to $3,000 from governmental retirement plans for premiums for health and long term care premiums of public safety officers.

Income Security

138. ***Child tax credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. Under current law, however, taxpayers with children under age 18 can qualify for a child tax credit. In taxable years 2022 through 2025, taxpayers may claim a $2,000 per child partially refundable child tax credit. In 2024 up to $1,700 per child of unclaimed credit due to insufficient tax liability may be refundable—taxpayers may claim a refund for 15 percent of earnings in excess of a $2,500 floor, up to the lesser of the amount of unused credit or $1,700 per child. A taxpayer may also claim a nonrefundable credit of $500 for each qualifying child not eligible for the $2,000 credit (those over sixteen and those without SSNs) and for each dependent relative. The total combined child and other dependent credit is phased out for taxpayers at the rate of $50 per $1,000 of modified AGI above $400,000 if married filing jointly ($200,000 for all other filers). For tax years beginning after December 31, 2025, the credit returns to its pre-TCJA value of $1,000. At that time, up to the full value of the credit (subject to a phase-in of 15 percent of earnings in excess of $3,000) will be refundable and the $500 other dependent credit will expire. The credit will once again phase out at the rate of $50 per $1,000 of modified AGI above $110,000 if married filing jointly ($75,000 for single or head of household filers and $55,000 for married taxpayers filing separately).

139. ***Other dependent tax credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. Under current law, however, taxpayers with dependents who don't qualify for the child tax credit may be able to claim a maximum of $500 in credits for each dependent who meets certain conditions.

140. ***Exclusion of railroad (Social Security equivalent) benefits.***—Under the baseline tax system, all compensation, including dedicated and deferred payments, should be included in taxable income. In contrast, the Social Security Equivalent Benefit paid to railroad retirees and the disabled is not generally subject to the income tax unless the recipient's modified gross income reaches a certain threshold under current law. See provision number 161, Social Security benefits for retired and disabled workers and spouses, dependents, and survivors, for a discussion of the threshold.

141. ***Exclusion of workers' compensation benefits.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. However, workers compensation is not subject to the income tax under current law.

142. ***Exclusion of public assistance benefits (normal tax method).***—Under the reference tax law baseline, gifts and transfers are not treated as income to the recipients. In contrast, the normal tax method considers cash transfers from the Government as part of the recipients' income, and thus, treats the exclusion for public assistance benefits under current law as a tax expenditure.

143. ***Exclusion of special benefits for disabled coal miners.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. However, disability payments to former coal miners out of the Black Lung Trust Fund, although income to the recipient, are not subject to the income tax.

144. ***Exclusion of military disability pensions.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, most of the military disability pension income received by current disabled military retirees is excluded from their income subject to tax.

145. ***Defined benefit employer plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law certain contributions to defined benefit pension plans are excluded from an employee's gross income until the money is withdrawn, even though employers can deduct their contributions. In addition, the tax on the investment income earned by defined benefit pension plans is deferred until the money is withdrawn.

146. ***Defined contribution employer plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast,

under current law individual taxpayers and employers can make tax-preferred contributions to employer-provided 401(k) and similar plans (e.g. 403(b) plans and the Federal Government's Thrift Savings Plan). In 2024, an employee could exclude up to $23,000 of wages from AGI under a qualified arrangement with an employer's 401(k) plan. Employees age 50 or over could exclude up to $30,500 in contributions. The defined contribution plan limit, including both employee and employer contributions, is $69,000 in 2024. The tax on contributions made by both employees and employers and the investment income earned by these plans is deferred until withdrawn.

147. ***Individual Retirement Accounts (IRAs).***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law individual taxpayers can take advantage of traditional and Roth IRAs to defer or otherwise reduce the tax on the return to their retirement savings. The IRA contribution limit is $7,000 in 2024; taxpayers age 50 or over are allowed to make additional "catch-up" contributions of $1,000. Contributions to a traditional IRA are generally deductible but the deduction is phased out for workers with incomes above certain levels if the workers or their spouses are active participants in an employer-provided retirement plan. Contributions and account earnings are includible in income when withdrawn from traditional IRAs. Roth IRA contributions are not deductible, but earnings and withdrawals are exempt from taxation. Income limits also apply to Roth IRA contributions.

148. ***Low- and moderate-income saver's credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides an additional incentive for lower-income taxpayers to save through a nonrefundable credit of up to 50 percent on IRA and other retirement contributions of up to $2,000. This credit is in addition to any deduction or exclusion. The credit is completely phased out by $76,500 for joint filers, $57,375 for head of household filers, and $38,250 for other filers in 2024. Starting in Tax Year 2027, the Saver's Credit, which is nonrefundable, is replaced with the Saver's Match, which is refundable.

149. ***Self-employed plans.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, under current law self-employed individuals can make deductible contributions to their own retirement plans equal to 25 percent of their income, up to a maximum of $69,000 in 2024. Total plan contributions are limited to 25 percent of a firm's total wages. The tax on the investment income earned by self-employed SEP, SIMPLE, and qualified plans is deferred until withdrawn.

150. ***Small employer pension plan startup credit.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. However, under current law, certain small employers are eligible for a tax credit for the start-up cost of a new plan for the first three years in which the plan is maintained.

151. ***Premiums on group term life insurance.***—Under the baseline tax system, all compensation, including deferred and dedicated payments, should be included in taxable income. In contrast, under current law employer-provided life insurance benefits are excluded from an employee's gross income (to the extent that the employer's share of the total costs does not exceed the cost of $50,000 of such insurance) even though the employer's costs for the insurance are a deductible business expense.

152. ***Premiums on accident and disability insurance.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In contrast, under current law employer-provided accident and disability benefits are excluded from an employee's gross income even though the employer's costs for the benefits are a deductible business expense.

153. ***Exclusion of investment income from Supplementary Unemployment Benefit Trusts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In addition, investment income would be taxed as earned. Under current law, employers may establish trusts to pay supplemental unemployment benefits to employees separated from employment. Investment income earned by such trusts is exempt from taxation.

154. ***Exclusion of investment income from Voluntary Employee Benefit Associations trusts.***—Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. Under current law, employers may establish associations, or VEBAs, to pay employee benefits, which may include health benefit plans, life insurance, and disability insurance, among other employee benefits. Investment income earned by such trusts is exempt from taxation.

155. ***Special Employee Stock Ownership Plan (ESOP) rules.***— Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income. In addition, investment income would be taxed as earned. In contrast, employer-paid contributions (the value of stock issued to the ESOP) are deductible by the em-

ployer as part of employee compensation costs. They are not included in the employees' gross income for tax purposes, however, until they are paid out as benefits. In addition, the following special income tax provisions for ESOPs are intended to increase ownership of corporations by their employees: (1) annual employer contributions are subject to less restrictive limitations than other qualified retirement plans; (2) ESOPs may borrow to purchase employer stock, guaranteed by their agreement with the employer that the debt will be serviced by the payment (deductible by firm) of a portion of wages (excludable by the employees) to service the loan; (3) employees who sell appreciated company stock to the ESOP may defer any taxes due until they withdraw benefits; (4) dividends paid to ESOP-held stock are deductible by the employer; and (5) earnings are not taxed as they accrue.

156. ***Additional deduction for the blind.***—Under the baseline tax system, the standard deduction is allowed. An additional standard deduction for a targeted group within a given filing status would not be allowed. In contrast, the Tax Code allows taxpayers who are blind to claim an additional $1,950 standard deduction if single or $1,550 if married in 2024.

157. ***Additional deduction for the elderly.***—Under the baseline tax system, the standard deduction is allowed. An additional standard deduction for a targeted group within a given filing status would not be allowed. In contrast, the Tax Code allows taxpayers who are 65 years or older to claim an additional $1,950 standard deduction if single or $1,550 if married in 2024.

158. ***Deductibility of casualty losses.***—Under the baseline tax system, neither the purchase of property nor insurance premiums to protect the property's value are deductible as costs of earning income. Therefore, reimbursement for insured loss of such property is not included as a part of gross income, and uninsured losses are not deductible. In contrast, the Tax Code provides a deduction for uninsured casualty and theft losses of more than $100 each, to the extent that total losses during the year exceed 10 percent of the taxpayer's adjusted gross income. In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, personal casualty losses are deductible only to the extent they are attributable to a Federally declared disaster area.

159. ***Earned income tax credit (EITC).***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Tax Code provides an EITC to low-income workers at a maximum rate of 45 percent of income. In 2024, for a family with one qualifying child, the credit is 34 percent of the first $12,390 of earned income. The credit is 40 percent of the first $17,400 of income for a family with two qualifying children, and it is 45 percent of the first $17,400 of income for a family with three or more qualifying children. Low-income workers with no qualifying children are eligible for a 7.65 percent credit on the first $8,260 of earned income. The credit plateaus and then phases out with the greater of Adjusted Gross Income or earnings at income levels and rates which depend upon how many qualifying children are eligible and marital status. Earned income tax credits in excess of tax liabilities are refundable to individuals. Beginning in 2018, the parameters of the EITC are indexed by the chained CPI, which results in a smaller inflation adjustment than previously.

160. ***Recovery rebate credits.***—The baseline tax system would not allow credits for particular activities or targeted at specific groups. In contrast, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided rebates of $1,200 ($2,400 for married couples filing jointly) and $500 per child. The total rebate amount begins phasing out at adjusted gross income over $75,000 ($150,000 for married couples filing jointly, $112,500 for heads of household). This was followed by the Consolidated Appropriations Act which provided rebates of $600 per eligible taxpayer ($1,200 for married couples filing jointly) plus an additional $600 per child, with phase-out features similar to the CARES Act. The American Rescue Plan act provided another rebate credit of $1,400 ($2,800 for married couples filing jointly) and $1,400 per dependent in 2021. The phase out begins at the same thresholds as the CARES Act, but the full credit is phased out proportionately by $80,000 of AGI ($160,000 for married couples filing jointly, $120,000 for heads of household).

Social Security

161. ***Social Security benefits for retired and disabled workers and spouses, dependents, and survivors.***—The baseline tax system would tax Social Security benefits to the extent that contributions to Social Security were not previously taxed. Thus, the portion of Social Security benefits that is attributable to employer contributions and to earnings on employer and employee contributions (and not attributable to employee contributions which are taxed at the time of contribution) would be subject to tax. In contrast, the Tax Code may not tax all of the Social Security benefits that exceed the beneficiary's contributions from previously taxed income. Actuarially, previously taxed contributions generally do not exceed 15 percent of benefits, even for retirees receiving the highest levels of benefits. Therefore, up to 85 percent of recipients' Social Security and Railroad Social Security Equivalent retirement benefits are included in (phased into) the income tax base if the recipient's provisional income exceeds certain base amounts. (Provisional income is equal to other items included in adjusted gross income plus foreign or U.S. possession income, tax-exempt interest, and one half of Social Security and Railroad Social Security Equivalent retirement

benefits.) The untaxed portion of the benefits received by taxpayers who are below the income amounts at which 85 percent of the benefits are taxable is counted as a tax expenditure. Benefits paid to disabled workers and to spouses, dependents, and survivors are treated in a similar manner. Railroad Social Security Equivalent benefits are treated like Social Security benefits. See also provision number 141, Exclusion of railroad (Social Security equivalent) benefits.

162. ***Credit for certain employer contributions to Social Security.—***Under the baseline tax system, employer contributions to Social Security represent labor cost and are deductible expenses. Under current law, however, certain employers are allowed a tax credit, instead of a deduction, against taxes paid on tips received from customers in connection with the providing, delivering, or serving of food or beverages for consumption. The tip credit equals the full amount of the employer's share of FICA taxes paid on the portion of tips, when added to the employee's non-tip wages, in excess of $5.15 per hour. The credit is available only with respect to FICA taxes paid on tips.

Veterans Benefits and Services

163. ***Exclusion of veterans death benefits and disability compensation.—***Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. In contrast, all compensation due to death or disability paid by the Veterans Administration is excluded from taxable income under current law.

164. ***Exclusion of veterans pensions.—***Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, pension payments made by the Veterans Administration are excluded from gross income.

165. ***Exclusion of G.I. Bill benefits.—***Under the baseline tax system, all compensation, including dedicated payments and in-kind benefits, should be included in taxable income because they represent accretions to wealth that do not materially differ from cash wages. Under current law, however, G.I. Bill benefits paid by the Veterans Administration are excluded from gross income.

166. ***Exclusion of interest on veterans housing bonds.—***The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law, the interest earned on general obligation bonds issued by State and local governments to finance housing for veterans is excluded from taxable income.

General Government

167. ***Exclusion of interest on public purpose State and local bonds.—***The baseline tax system generally would tax all income under the regular tax rate schedule. It would not allow preferentially low (or zero) tax rates to apply to certain types or sources of income. In contrast, under current law the interest earned on State and local government bonds issued to finance public purpose construction (e.g., schools, roads, sewers), equipment acquisition, and other public purposes is tax-exempt. The interest on bonds issued by Indian tribal governments for essential governmental purposes is also tax-exempt.

168. ***Build America Bonds.—***The baseline tax system would not allow credits for particular activities or targeting specific groups. In contrast, the Tax Code in 2009 allowed State and local governments to issue taxable bonds through 2010 and receive a direct payment from Treasury equal to 35 percent of interest expenses. Alternatively, State and local governments could issue taxable bonds and the private lenders would receive the 35 percent credit which is included in taxable income.

169. ***Deductibility of nonbusiness State and local taxes other than on owner-occupied homes.—***Under the baseline tax system, a deduction for personal consumption expenditures would not be allowed. In contrast, the Tax Code allows taxpayers who itemize their deductions to claim a deduction for State and local income taxes (or, at the taxpayer's election, State and local sales taxes) and property taxes, even though these taxes primarily pay for services that, if purchased directly by taxpayers, would not be deductible. (The estimates for this tax expenditure do not include the estimates for the deductibility of State and local property tax on owner-occupied homes, which are presented in provision number 62.) In the case of taxable years beginning after December 31, 2017, and before January 1, 2026, (1) the deduction for foreign real property taxes paid is disallowed and (2) the deduction for taxes paid in any taxable year, which includes the deduction for property taxes on real property, is limited to $10,000 ($5,000 in the case of a married individual filing a separate return).

Interest

170. ***Deferral of interest on U.S. savings bonds.—***The baseline tax system would uniformly tax all returns to investments and not allow an exemption or deferral for particular activities, investments, or industries. In contrast, taxpayers may defer paying tax on interest earned on U.S. savings bonds until the bonds are redeemed.

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2024-2034

(in millions of dollars)

		Total from corporations and individuals											
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
National Defense													
1	Exclusion of benefits and allowances to armed forces personnel	16,910	17,570	18,270	19,000	17,820	18,120	18,830	19,690	20,630	21,640	22,720	194,290
International affairs:													
2	Exclusion of income earned abroad by U.S. citizens	5,500	5,620	5,720	5,820	5,910	6,010	6,110	6,220	6,330	6,440	6,550	60,730
3	Exclusion of certain allowances for Federal employees abroad	330	340	350	360	370	390	400	410	430	440	450	3,940
4	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	36,060	37,140	34,130	35,150	36,200	37,290	38,410	39,560	40,750	41,970	43,230	383,830
5	Deduction for foreign-derived intangible income derived from trade or business within the Un	15,950	16,420	11,200	11,540	11,880	12,240	12,610	12,990	13,380	13,780	14,190	130,230
6	Interest Charge Domestic International Sales Corporations (IC-DISCs)	1,860	1,930	2,180	2,390	2,510	2,610	2,690	2,760	2,870	3,030	3,200	26,170
General science, space, and technology:													
7	Expensing of research and experimentation expenditures (normal tax method)	-25,050	-17,360	-8,830	-2,250	0	0	0	0	0	0	0	-28,440
8	Credit for increasing research activities	30,040	31,890	33,800	35,710	37,640	39,640	41,700	43,840	46,060	48,340	50,700	409,320
Energy:													
9	Expensing of exploration and development costs, oil and gas	550	400	80	80	90	110	180	230	290	350	400	2,210
10	Expensing of exploration and development costs, coal	40	40	0	10	10	10	10	20	30	30	40	200
11	Excess of percentage over cost depletion, oil and gas	1,400	1,480	1,460	1,470	1,500	1,530	1,580	1,640	1,710	1,790	1,870	16,030
12	Excess of percentage over cost depletion, coal	90	90	110	110	120	120	140	140	150	150	150	1,280
13	Exception from passive loss limitation for working interests in oil and gas properties	0	0	0	0	0	0	0	0	0	0	0	0
14	Enhanced oil recovery credit	200	140	40	0	0	0	0	0	0	0	0	180
15	Marginal wells credit	180	300	380	320	210	120	90	90	90	100	100	1,800
16	Amortize all geological and geophysical expenditures over 2 years	130	130	130	130	130	130	120	120	120	120	120	1,250
17	Capital gains treatment of royalties on coal	50	50	50	60	50	50	50	50	50	50	50	510
18	Exclusion of interest on energy facility bonds	0	0	0	0	0	0	0	0	0	0	0	0
19	Qualified energy conservation bonds 1/	30	30	30	30	30	30	30	30	30	30	30	300
20	Exclusion of utility conservation subsidies	70	70	70	70	70	70	70	70	70	60	60	680
21	Credit for holding clean renewable energy bonds 1/	70	70	70	70	70	70	70	70	70	70	70	700
22	Energy production credit 1/	7,220	9,270	13,030	18,480	24,360	28,880	33,310	36,660	38,480	42,370	44,790	289,630
23	Energy investment credit 1/	24,170	16,170	11,890	12,880	11,820	8,610	17,220	11,500	10,940	11,950	18,460	131,440
24	Advanced nuclear power production credit	130	210	240	270	280	280	280	240	110	20	0	1,930
25	Zero-emission nuclear power production credit 1/	2,550	3,160	3,430	4,180	5,420	6,590	7,320	7,240	7,030	2,530	520	47,420
26	Reduced tax rate for nuclear decommissioning funds	120	130	130	140	150	150	160	170	170	180	190	1,570
27	Alcohol fuel credits 2/	20	0	0	0	0	0	0	0	0	0	0	0
28	Bio-Diesel and small agri-biodiesel producer tax credits 3/	20	0	0	0	0	0	0	0	0	0	0	0
29	Clean fuel production credit 1/ 4/	0	3,550	4,990	5,510	2,020	440	60	0	0	0	0	16,570
30	Clean hydrogen production credit 1/	540	860	1,330	1,960	2,780	3,830	5,170	6,840	8,910	11,490	14,690	57,860
31	Tax credit for clean vehicles 1/	14,080	14,700	15,990	16,660	15,640	15,760	15,970	15,670	16,180	-5,190	-15,680	105,700
32	Tax credits for refueling property 1/	280	500	740	1,020	1,280	1,580	1,750	1,870	1,970	240	-80	10,870
33	Allowance of deduction for certain energy efficient commercial building property	510	590	620	620	630	670	690	710	710	690	670	6,600
34	Credit for construction of new energy efficient homes	210	220	250	250	255	260	260	260	260	190	40	2,220
35	Credit for energy efficiency improvements to existing homes	2,340	2,390	2,440	2,490	2,540	2,590	2,640	2,700	2,760	1,870	0	22,410
36	Credit for residential energy efficient property	6,350	6,690	5,140	4,620	4,160	5,250	4,880	5,010	5,000	5,030	4,200	49,980
37	Advanced energy property credit 1/	1,170	1,560	1,010	970	1,080	920	180	150	260	110	50	6,290
38	Advanced manufacturing production credit 1/	870	1,290	1,750	2,150	6,250	10,740	11,960	10,880	6,070	2,230	550	53,870
Natural resources and environment:													
39	Expensing of exploration and development costs, nonfuel minerals	50	40	10	10	10	10	10	20	30	40	40	220
40	Excess of percentage over cost depletion, nonfuel minerals	290	300	300	310	310	320	330	340	350	370	390	3,320
41	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	350	360	390	410	430	440	440	460	470	490	250	4,140
42	Capital gains treatment of certain timber income	180	200	200	210	220	230	240	250	260	280	290	2,380
43	Expensing of multiperiod timber growing costs	320	330	350	370	370	390	400	420	440	460	480	4,010
44	Tax incentives for preservation of historic structures	750	770	820	850	890	910	920	930	940	970	980	8,980
45	Carbon oxide sequestration credit 1/	180	530	940	1,510	2,180	2,500	3,140	3,450	3,560	3,650	3,730	25,190
46	Deduction for endangered species recovery expenditures	40	40	40	60	60	60	70	70	80	90	100	670
Agriculture:													
47	Expensing of certain capital outlays	120	120	140	150	150	150	150	140	150	150	160	1,460
48	Expensing of certain multiperiod production costs	270	280	320	340	340	340	330	330	330	350	360	3,320
49	Treatment of loans forgiven for solvent farmers	120	120	140	140	140	140	140	140	140	140	140	1,380
50	Capital gains treatment of certain agriculture income	1,790	2,000	2,020	2,110	2,150	2,250	2,370	2,500	2,630	2,780	2,930	23,740
51	Income averaging for farmers	200	210	220	220	220	220	220	220	220	220	220	2,190
52	Deferral of gain on sale of farm refiners	20	20	20	20	20	20	20	30	30	30	30	240
53	Expensing of reforestation expenditures	70	70	80	80	80	80	80	80	90	90	100	190
Commerce and housing:													
	Financial institutions and insurance:												
54	Exemption of credit union income	2,450	2,480	2,780	2,930	3,060	3,200	3,320	3,510	3,540	3,680	3,670	32,170
55	Exclusion of life insurance death benefits	16,620	17,220	18,130	19,430	19,900	20,370	20,890	21,600	22,230	22,800	23,330	205,900
56	Exemption or special alternative tax for small property and casualty insurance companies	1,830	1,880	1,920	1,970	1,990	2,030	2,080	2,130	2,180	2,230	2,290	20,700
57	Tax exemption of insurance income earned by tax-exempt organizations	390	400	410	420	430	430	440	450	460	470	480	4,390
58	Exclusion of interest spread of financial institutions	15,800	16,360	17,510	18,250	18,580	18,740	19,110	19,550	19,870	20,130	20,370	188,470
	Housing:												
59	Exclusion of interest on owner-occupied mortgage subsidy bonds	1,110	1,140	1,220	1,290	1,360	1,380	1,400	1,430	1,490	1,540	780	13,030
60	Exclusion of interest on rental housing bonds	2,750	2,830	3,040	3,220	3,380	3,440	3,480	3,540	3,700	3,820	1,930	32,380
61	Deductibility of mortgage interest on owner-occupied homes	29,060	29,600	65,130	85,150	89,140	93,470	98,110	102,970	107,990	113,290	118,830	903,680
62	Deductibility of State and local property tax on owner-occupied homes 5/	6,360	6,210	35,510	52,360	55,250	57,920	60,510	63,180	66,260	69,570	73,000	539,770
63	Deferral of income from installment sales	2,340	2,180	2,090	2,070	2,100	2,180	2,270	2,370	2,470	2,580	2,690	23,000
64	Capital gains exclusion on home sales	59,070	61,740	68,330	73,060	76,050	79,080	82,170	85,390	88,530	91,930	95,590	801,870
65	Exclusion of net imputed rental income	164,730	172,300	185,200	193,560	202,580	211,710	221,190	231,190	241,340	251,910	262,960	2,173,940
66	Exception from passive loss rules for $25,000 of rental loss	8,330	8,660	9,190	9,110	8,710	8,060	7,280	6,830	6,890	7,200	4,950	76,880
67	Credit for low-income housing investments	13,620	14,410	15,170	15,870	16,390	16,860	17,300	17,650	17,960	18,250	18,550	168,410
68	Accelerated depreciation on rental housing (normal tax method)	2,300	2,450	3,080	3,890	4,770	5,420	6,140	6,860	7,550	8,230	8,890	57,280
69	Discharge of mortgage indebtedness	150	150	50	0	0	0	0	0	0	0	0	200
	Commerce:												
70	Discharge of business indebtedness	10	40	60	70	60	50	40	20	20	30	40	430
71	Exceptions from imputed interest rules	80	90	90	90	100	100	100	100	100	100	100	970
72	Treatment of qualified dividends	40,060	43,580	48,300	53,050	55,490	57,920	60,550	63,480	66,480	69,460	72,510	590,820
73	Capital gains (except agriculture, timber, iron ore, and coal)	133,530	149,680	151,030	157,320	160,650	168,180	177,020	186,590	196,720	207,340	218,450	1,772,980
74	Capital gains exclusion of small corporation stock	3,380	3,510	3,690	3,950	4,130	4,320	4,510	4,740	4,970	5,230	5,500	44,550

75	Step-up basis of capital gains at death	33,560	37,830	41,130	45,970	50,030	53,980	58,280	62,860	67,670	73,280	79,020	570,050
76	Carryover basis of capital gains on gifts	4,830	5,310	5,820	6,150	6,010	5,950	6,000	6,170	6,500	6,580	6,550	61,040
77	Ordinary income treatment of loss from small business corporation stock sale	80	80	80	80	80	90	90	90	100	100	100	890
78	Deferral of capital gains from like-kind exchanges	7,650	7,610	8,980	7,920	5,110	7,060	7,430	7,230	7,080	7,140	7,240	72,800
79	Depreciation of buildings other than rental housing (normal tax method)	440	-390	-780	-950	-670	-190	300	790	1,220	1,620	2,020	2,970
80	Accelerated depreciation of machinery and equipment (normal tax method)	-4,040	-15,430	-26,700	-37,350	-26,010	-8,850	1,300	7,510	11,590	14,590	17,160	-62,190
81	Exclusion of interest on small issue bonds	60	50	60	60	70	70	70	80	80	80	40	660
82	Special rules for certain film and TV production	230	290	-470	-650	-300	-150	-60	-20	0	0	0	-1,360
83	Allow 20-percent deduction to certain pass-through income	40,230	69,250	28,280	0	0	0	0	0	0	0	0	97,530
84	Advanced manufacturing investment credit 1/	3,220	2,680	2,250	1,590	1,660	1,690	1,770	1,390	860	530	310	14,730
	Transportation:												
85	Tonnage tax	120	130	130	130	140	140	140	150	150	150	160	1,420
86	Deferral of tax on shipping companies	20	60	80	100	60	-10	-20	-30	-40	-50	-50	100
87	Exclusion of reimbursed employee parking expenses	1,950	2,040	2,110	2,200	2,300	2,410	2,510	2,630	2,740	2,870	2,990	24,800
88	Exclusion for employer-provided transit passes	390	410	420	440	470	490	520	550	580	610	640	5,130
89	Tax credit for certain expenditures for maintaining railroad tracks	80	60	40	30	30	20	10	10	0	0	0	200
90	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	140	130	130	120	110	110	100	100	80	80	80	1,040
	Community and regional development:												
91	Exclusion of interest for airport, dock, and similar bonds	1,480	1,520	1,640	1,730	1,820	1,850	1,880	1,910	1,990	2,060	1,040	17,440
92	Exemption of certain mutuals' and cooperatives' income	110	110	110	110	110	120	120	120	120	130	130	1,180
93	Empowerment zones	90	100	80	60	40	20	20	20	20	10	10	380
94	New markets tax credit	1,250	1,310	1,360	1,340	1,230	1,060	870	640	410	160	0	8,380
95	Credit to holders of Gulf and Midwest Tax Credit Bonds .	0	0	0	0	0	0	0	0	0	0	0	0
96	Recovery Zone Bonds 1/	10	10	10	20	20	20	20	30	30	30	20	210
97	Tribal Economic Development Bonds	0	0	0	0	0	0	0	0	0	0	0	0
98	Opportunity Zones	3,040	3,090	-7,290	-14,990	760	980	1,250	1,460	1,740	1,910	2,120	-8,970
99	Disaster employee retention credit	40	40	20	20	20	10	10	10	10	10	10	160
	Education, training, employment, and social services:												
	Education:												
100	Exclusion of scholarship and fellowship income (normal tax method)	4,860	5,240	5,960	7,050	7,670	8,270	8,940	9,640	10,410	11,240	12,140	86,560
101	Tax credits for post-secondary education expenses 1/	11,190	11,060	10,850	10,800	10,640	10,450	10,240	10,000	9,760	9,520	9,250	102,570
102	Deductibility of student-loan interest	500	2,540	2,740	3,200	3,360	3,350	3,400	3,450	3,440	3,570	3,570	32,620
103	Qualified tuition programs (includes Education IRA)	3,220	3,410	3,800	4,140	4,400	4,680	4,980	5,310	5,680	6,040	6,440	48,880
104	Exclusion of interest on student-loan bonds	130	130	140	150	160	160	170	170	170	190	100	1,540
105	Exclusion of interest on bonds for private nonprofit educational facilities	2,800	2,890	3,090	3,280	3,430	3,500	3,540	3,610	3,780	3,900	1,970	32,990
106	Credit for holders of zone academy bonds 1/	80	60	50	50	40	40	40	30	30	30	30	400
107	Exclusion of interest on savings bonds redeemed to finance educational expenses	40	40	50	50	50	50	50	50	60	60	60	520
108	Parental personal exemption for students age 19 or over	2,130	2,020	4,640	5,910	5,880	5,830	5,800	5,760	5,660	5,570	5,490	52,560
109	Deductibility of charitable contributions to educational institutions	9,090	9,310	10,620	13,040	13,760	14,510	15,260	16,020	16,880	17,830	18,860	146,090
110	Exclusion of employer-provided educational assistance	1,700	1,820	1,610	1,550	1,650	1,730	1,820	1,910	2,010	2,110	2,210	18,420
111	Special deduction for teacher expenses	160	160	160	190	200	200	250	260	220	200	200	2,040
112	Discharge of student loan indebtedness	5,910	5,140	3,880	3,380	3,050	2,840	2,710	2,630	2,610	2,620	2,650	31,510
113	Qualified school construction bonds 1/	470	440	410	390	360	330	320	290	260	240	210	3,250
	Training, employment, and social services:												
114	Work opportunity tax credit	2,050	2,110	1,350	500	330	240	190	150	110	80	60	5,120
115	Employer provided child care exclusion	860	950	1,230	1,390	1,450	1,510	1,570	1,630	1,680	1,740	1,790	14,940
116	Employer-provided child care credit	20	20	20	20	20	30	40	40	40	40	40	310
117	Assistance for adopted foster children	650	700	770	840	920	1,010	1,110	1,230	1,360	1,500	1,650	11,090
118	Adoption credit and exclusion	300	390	450	440	460	480	500	530	570	610	650	5,080
119	Exclusion of employee meals and lodging (other than military)	6,690	6,830	8,070	8,840	9,120	9,430	9,740	10,080	10,420	10,770	11,130	94,430
120	Credit for child and dependent care expenses 1/	3,560	3,660	3,760	3,850	3,910	3,950	3,990	4,030	4,070	4,110	4,150	39,480
121	Credit for disabled access expenditures	10	10	10	10	10	10	10	10	10	10	10	100
122	Deductibility of charitable contributions, other than education and health	46,240	47,460	54,420	67,080	70,770	74,580	78,410	82,230	86,540	91,310	96,470	749,270
123	Exclusion of certain foster care payments	920	1,000	1,080	1,190	1,300	1,430	1,570	1,740	1,920	2,120	2,330	15,680
124	Exclusion of parsonage allowances	1,160	1,220	1,290	1,360	1,430	1,500	1,580	1,670	1,760	1,850	1,950	15,610
125	Indian employment credit	30	20	20	20	20	0	0	0	0	0	0	80
126	Employer-provided paid family and medical leave credit	80	90	80	50	10	10	10	0	0	0	0	250
	Health:												
127	Exclusion of employer contributions for medical insurance premiums and medical care 6/	247,300	262,310	309,410	344,460	363,860	383,870	404,680	425,790	447,860	471,130	495,540	3,436,350
128	Self-employed medical insurance premiums	8,530	9,010	10,990	12,530	13,320	14,120	15,040	16,040	16,970	17,770	18,600	143,310
129	Medical Savings Accounts / Health Savings Accounts	14,020	14,760	17,040	18,540	19,030	19,540	20,140	20,790	21,530	22,260	22,970	180,880
130	Deductibility of medical expenses	12,640	13,420	17,640	20,990	22,790	24,600	26,480	28,480	30,750	33,170	35,860	242,940
131	Exclusion of interest on hospital construction bonds	3,490	3,590	3,850	4,080	4,270	4,350	4,410	4,490	4,690	4,850	2,440	41,020
132	Refundable Premium Assistance Tax Credit 1/	13,670	12,690	11,550	10,710	10,630	10,590	10,860	11,260	12,040	12,730	13,500	116,560
133	Credit for employee health insurance expenses of small business	10	0	0	0	0	0	0	0	0	0	0	10
134	Deductibility of charitable contributions to health institutions	10,490	10,660	11,770	14,150	14,970	15,820	16,650	17,500	18,450	19,500	13,300	152,770
135	Tax credit for orphan drug research	1,930	2,150	2,410	2,690	3,010	3,360	3,760	4,200	4,690	5,240	5,860	37,370
136	Special Blue Cross/Blue Shield tax benefits	420	440	460	480	500	530	560	600	640	680	730	5,620
137	Distributions from retirement plans for premiums for health and long-term care insurance	490	500	590	630	650	660	670	670	680	690	700	6,440
	Income security:												
138	Child credit 1/	24,150	60,930	42,860	14,310	13,900	13,620	13,300	12,930	12,560	12,220	11,910	208,540
139	Other Dependent Tax Credit	3,380	8,700	5,290	0	0	0	0	0	0	0	0	13,990
140	Exclusion of railroad retirement (Social Security equivalent) benefits	230	230	240	240	240	240	240	240	240	250	250	2,410
141	Exclusion of workers' compensation benefits	8,780	8,850	8,910	8,970	9,010	9,040	9,080	9,110	9,150	9,180	9,220	90,520
142	Exclusion of public assistance benefits (normal tax method)	790	810	870	910	950	970	960	1,000	1,030	1,070	1,100	9,670
143	Exclusion of special benefits for disabled coal miners	20	20	20	10	10	10	10	10	10	10	10	120
144	Exclusion of military disability pensions	250	270	320	330	340	340	350	350	360	360	370	3,390
	Net exclusion of pension contributions and earnings:												
145	Defined benefit employer plans	68,430	68,710	77,320	76,570	75,890	74,720	75,080	74,850	73,410	72,280	70,730	739,560
146	Defined contribution employer plans	144,630	152,190	181,120	189,960	198,390	207,120	218,710	229,650	241,100	252,450	263,390	2,134,080
147	Individual Retirement Accounts	33,550	35,110	42,280	45,090	47,660	50,670	53,650	57,600	61,950	65,850	70,190	530,050
148	Low and moderate income savers credit	1,870	1,910	1,960	2,160	4,410	4,310	4,230	4,150	4,080	4,000	3,920	35,130
149	Self-Employed plans	39,350	41,410	49,280	51,690	53,980	56,360	59,510	62,490	65,600	68,690	71,670	580,680
150	Small employer pension plan startup credit	0	320	380	360	310	280	230	180	130	130	130	2,450
	Exclusion of other employee benefits:												
151	Premiums on group term life insurance	3,670	3,770	4,250	4,520	4,650	4,770	4,890	5,020	5,150	5,280	5,420	47,720
152	Premiums on accident and disability insurance	1,800	1,830	2,050	2,170	2,220	2,260	2,310	2,360	2,410	2,460	2,510	22,580
153	Income of trusts to finance supplementary unemployment benefits	50	50	60	60	60	60	60	70	70	70	80	640
154	Income of trusts to finance voluntary employee benefits associations	1,350	1,010	1,060	1,100	1,160	1,210	1,260	1,320	1,370	1,430	1,500	12,420
155	Special Employee Stock Ownership Plan (ESOP) rules	280	290	300	300	320	330	340	340	350	360	370	3,300
156	Additional deduction for the blind	50	60	50	50	50	50	60	60	60	70	70	580

157	Additional deduction for the elderly	8,120	8,770	7,500	8,010	8,360	8,850	9,320	9,810	10,080	10,540	11,040	92,280
158	Deductibility of casualty losses	0	0	720	1,090	1,140	1,180	1,230	1,290	1,340	1,390	1,430	10,810
159	Earned income tax credit 1/	3,010	3,310	3,400	4,990	5,050	5,230	5,450	5,630	5,880	6,140	6,380	51,460
160	Recovery rebate credits 1/	91	20	0	0	0	0	0	0	0	0	0	20
Social Security:													
	Exclusion of social security benefits:												
161	Social Security benefits for retired and disabled workers and spouses, dependents and survi	27,270	30,170	35,100	40,900	43,920	46,700	49,940	53,800	58,420	63,620	69,130	491,700
162	Credit for certain employer contributions to social security	1,740	1,830	1,920	2,010	2,100	2,190	2,280	2,370	2,460	2,550	2,640	22,350
Veterans benefits and services:													
163	Exclusion of veterans death benefits and disability compensation	13,400	14,960	16,600	19,110	19,850	20,510	21,170	21,830	22,460	23,440	24,260	204,190
164	Exclusion of veterans pensions	220	200	200	200	190	180	170	160	150	140	130	1,720
165	Exclusion of GI bill benefits	1,560	1,720	1,940	2,200	2,250	2,270	2,300	2,330	2,370	2,410	2,440	22,230
166	Exclusion of interest on veterans housing bonds	40	50	50	50	50	50	50	50	70	70	40	530
General purpose fiscal assistance:													
167	Exclusion of interest on public purpose State and local bonds	39,920	41,110	44,080	46,680	48,900	49,780	50,440	51,370	53,700	55,490	27,950	469,500
168	Build America Bonds 1/	0	0	0	0	0	0	0	0	0	0	0	0
169	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes 5/	6,540	6,250	69,180	96,460	97,970	103,240	108,530	113,980	119,770	126,140	132,930	974,450
Interest:													
170	Deferral of interest on U.S. savings bonds	910	880	870	860	850	840	830	820	820	810	800	8,380
Addendum: Aid to State and local governments:													
	Deductibility of:												
	Property taxes on owner-occupied homes	6,360	6,210	35,510	52,360	55,250	57,920	60,510	63,180	66,260	69,570	73,000	539,770
	Nonbusiness State and local taxes other than on owner-occupied homes	6,540	6,250	69,180	96,460	97,970	103,240	108,530	113,980	119,770	126,140	132,930	974,450
	Exclusion of interest on State and local bonds for:												
	Public purposes	39,920	41,110	44,080	46,680	48,900	49,780	50,440	51,370	53,700	55,490	27,950	469,500
	Energy facilities	0	0	0	0	0	0	0	0	0	0	0	0
	Water, sewage, and hazardous waste disposal facilities	350	360	390	410	430	440	440	460	470	490	250	4,140
	Small-issues	60	50	60	60	70	70	70	80	80	80	40	660
	Owner-occupied mortgage subsidies	1,110	1,140	1,220	1,290	1,360	1,380	1,400	1,430	1,490	1,540	780	13,030
	Rental housing	2,750	2,830	3,040	3,220	3,380	3,440	3,480	3,540	3,700	3,820	1,930	32,380
	Airports, docks, and similar facilities	1,480	1,520	1,640	1,730	1,820	1,850	1,880	1,910	1,990	2,060	1,040	17,440
	Student loans	130	130	140	150	160	160	170	170	170	190	100	1,540
	Private nonprofit educational facilities	2,800	2,890	3,090	3,280	3,430	3,500	3,540	3,610	3,780	3,900	1,970	32,990
	Hospital construction	3,490	3,590	3,850	4,080	4,270	4,350	4,410	4,490	4,690	4,850	2,440	41,020
	Veterans' housing	40	50	50	50	50	50	50	50	70	70	40	530

1/ See Table 5 for outlay estimates.
2/ The alternative fuel mixture credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2024 $840; 2025 $430; and $0 thereafter.
3/ In addition, the biodiesel producer tax credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2024 $5,820; 2025 $2300; and $0 thereafter.
4/ In addition, the sustainable aviation fuel tax credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2024 $10; 2025 $50; and $0 thereafter.
5/ These estimates understate the combined effects of repealing deductions for both property taxes on owner occupied housing and other non-business taxes.
The estimate of repealing both is (in millions of dollars):
2024 $20,590; 2025 $20,360; 2026 $105,100; 2027 $144,620; 2028 $148,530; 2029 $156,400; 2030 $164,260; 2031 $172,350; 2032 $181,160; 2033 $190,790; and 2034 $201,000.
6/ In addition, the employer contributions for health have effects on payroll tax receipts (in millions of dollars) as follows:
2024 $151,840; 2025 $159,830; 2026 $169,750; 2027 $179,040; 2028 $187,980; 2029 $197,460; 2030 $207,510; 2031 $217,500; 2032 $227,660; 2033 $238,320; and 2034 $249,610.

Table 2a. ESTIMATES OF TOTAL CORPORATE INCOME TAX EXPENDITURES FOR FISCAL YEARS 2024-2034

(in millions of dollars)

		Total from corporations											
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
National Defense													
1	Exclusion of benefits and allowances to armed forces personnel	0	0	0	0	0	0	0	0	0	0	0	0
International affairs:													
2	Exclusion of income earned abroad by U.S. citizens	0	0	0	0	0	0	0	0	0	0	0	0
3	Exclusion of certain allowances for Federal employees abroad	0	0	0	0	0	0	0	0	0	0	0	0
4	Reduced tax rate on active income of controlled foreign corporations (	36,060	37,140	34,130	35,150	36,200	37,290	38,410	39,560	40,750	41,970	43,230	383,830
5	Deduction for foreign-derived intangible income derived from trade or	15,950	16,420	11,200	11,540	11,880	12,240	12,610	12,990	13,380	13,780	14,190	130,230
6	Interest Charge Domestic International Sales Corporations (IC-DISCs	560	580	650	720	750	780	810	830	860	910	960	7,850
General science, space, and technology:													
7	Expensing of research and experimentation expenditures (normal tax	-20,870	-14,400	-7,110	-1,620	0	0	0	0	0	0	0	-23,130
8	Credit for increasing research activities	27,490	29,170	30,910	32,640	34,380	36,170	38,010	39,920	41,890	43,910	45,990	372,990
Energy:													
9	Expensing of exploration and development costs, oil and gas	130	90	20	20	20	20	40	50	60	70	80	470
10	Expensing of exploration and development costs, coal	10	10	0	0	0	0	0	0	10	10	10	40
11	Excess of percentage over cost depletion, oil and gas	940	990	960	960	980	1,000	1,030	1,070	1,120	1,170	1,220	10,500
12	Excess of percentage over cost depletion, coal	60	60	70	70	80	80	90	90	100	100	100	840
13	Exception from passive loss limitation for working interests in oil and g	0	0	0	0	0	0	0	0	0	0	0	0
14	Enhanced oil recovery credit	190	130	40	0	0	0	0	0	0	0	0	170
15	Marginal wells credit	140	240	300	260	170	100	70	70	70	80	80	1,440
16	Amortize all geological and geophysical expenditures over 2 years	40	40	40	40	40	40	40	40	40	40	40	400
17	Capital gains treatment of royalties on coal	0	0	0	0	0	0	0	0	0	0	0	0
18	Exclusion of interest on energy facility bonds	0	0	0	0	0	0	0	0	0	0	0	0
19	Qualified energy conservation bonds 1/	10	10	10	10	10	10	10	10	10	10	10	100
20	Exclusion of utility conservation subsidies	0	0	0	0	0	0	0	0	0	0	0	0
21	Credit for holding clean renewable energy bonds 1/	20	20	20	20	20	20	20	20	20	20	20	200
22	Energy production credit 1/	6,860	8,810	12,380	17,560	23,140	27,440	31,640	34,830	36,560	40,250	42,550	275,160
23	Energy investment credit 1/	22,060	14,780	10,880	11,780	10,830	7,910	15,740	10,550	10,040	10,960	16,880	120,350
24	Advanced nuclear power production credit	130	210	240	270	280	280	280	240	110	20	0	1,930
25	Zero-emission nuclear power production credit 1/	2,550	3,160	3,430	4,180	5,420	6,590	7,320	7,240	7,030	2,530	520	47,420
26	Reduced tax rate for nuclear decommissioning funds	120	130	130	140	150	150	160	170	170	180	190	1,570
27	Alcohol fuel credits 2/	10	0	0	0	0	0	0	0	0	0	0	0
28	Bio-Diesel and small agri-biodiesel producer tax credits 3/	10	0	0	0	0	0	0	0	0	0	0	0
29	Clean fuel production credit 1/ 4/	0	3,200	4,230	4,620	1,430	320	30	0	0	0	0	13,830
30	Clean hydrogen production credit 1/	540	860	1,330	1,960	2,780	3,830	5,170	6,840	8,910	11,490	14,690	57,860
31	Tax credit for clean vehicles 1/	13,170	14,470	15,710	16,230	15,040	14,890	14,760	14,030	13,810	-5,840	-15,680	97,420
32	Tax credits for refueling property 1/	250	450	660	910	1,140	1,400	1,540	1,640	1,730	180	-80	9,570
33	Allowance of deduction for certain energy efficient commercial buildin	90	100	100	100	100	110	110	120	120	110	110	1,080
34	Credit for construction of new energy efficient homes	80	90	100	100	100	100	100	100	100	60	20	890
35	Credit for energy efficiency improvements to existing homes	0	0	0	0	0	0	0	0	0	0	0	0
36	Credit for residential energy efficient property	0	0	0	0	0	0	0	0	0	0	0	0
37	Advanced energy property credit 1/	1,050	1,410	910	880	980	830	170	140	240	100	50	5,710
38	Advanced manufacturing production credit 1/	830	1,230	1,660	2,040	5,940	10,200	11,360	10,340	5,770	2,120	520	51,180
Natural resources and environment:													
39	Expensing of exploration and development costs, nonfuel minerals	10	10	0	0	0	0	0	0	10	10	10	40
40	Excess of percentage over cost depletion, nonfuel minerals	190	200	200	200	200	210	220	220	230	240	250	2,170
41	Exclusion of interest on bonds for water, sewage, and hazardous was	100	90	90	90	100	110	100	110	120	130	130	1,070
42	Capital gains treatment of certain timber income	0	0	0	0	0	0	0	0	0	0	0	0
43	Expensing of multiperiod timber growing costs	170	180	180	190	190	200	210	220	230	240	250	2,090
44	Tax incentives for preservation of historic structures	600	610	640	670	700	710	720	730	740	760	770	7,050
45	Carbon oxide sequestration credit 1/	180	530	940	1,510	2,180	2,500	3,140	3,450	3,560	3,650	3,730	25,190
46	Deduction for endangered species recovery expenditures	10	10	10	20	20	20	20	20	20	30	30	200
Agriculture:													
47	Expensing of certain capital outlays	10	10	10	10	10	10	10	10	10	10	10	100
48	Expensing of certain multiperiod production costs	20	20	20	20	20	20	20	20	20	30	30	220
49	Treatment of loans forgiven for solvent farmers	60	60	70	70	70	70	70	70	70	70	70	690
50	Capital gains treatment of certain agriculture income	0	0	0	0	0	0	0	0	0	0	0	0
51	Income averaging for farmers	0	0	0	0	0	0	0	0	0	0	0	0
52	Deferral of gain on sale of farm refiners	20	20	20	20	20	20	20	30	30	30	30	240
53	Expensing of reforestation expenditures	10	10	10	10	10	10	10	10	10	10	20	110
Commerce and housing:													
	Financial institutions and insurance:												
54	Exemption of credit union income	2,450	2,480	2,780	2,930	3,060	3,200	3,320	3,510	3,540	3,680	3,670	32,170
55	Exclusion of life insurance death benefits	2,050	2,100	2,150	2,200	2,240	2,290	2,340	2,400	2,450	2,510	2,570	23,250
56	Exemption or special alternative tax for small property and casualty in	1,830	1,880	1,920	1,970	1,990	2,030	2,080	2,130	2,180	2,230	2,290	20,700
57	Tax exemption of insurance income earned by tax-exempt organizatio	390	400	410	420	430	430	440	450	460	470	480	4,390
58	Exclusion of interest spread of financial institutions	0	0	0	0	0	0	0	0	0	0	0	0
	Housing:												
59	Exclusion of interest on owner-occupied mortgage subsidy bonds	330	280	270	290	320	330	330	340	370	400	400	3,330
60	Exclusion of interest on rental housing bonds	820	690	670	730	800	830	810	840	930	990	990	8,280
61	Deductibility of mortgage interest on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
62	Deductibility of State and local property tax on owner-occupied ho	0	0	0	0	0	0	0	0	0	0	0	0
63	Deferral of income from installment sales	0	0	0	0	0	0	0	0	0	0	0	0
64	Capital gains exclusion on home sales	0	0	0	0	0	0	0	0	0	0	0	0

65	Exclusion of net imputed rental income	0	0	0	0	0	0	0	0	0	0	0	0
66	Exception from passive loss rules for $25,000 of rental loss	0	0	0	0	0	0	0	0	0	0	0	0
67	Credit for low-income housing investments	13,480	14,260	15,010	15,700	16,220	16,680	17,120	17,460	17,770	18,060	18,360	166,640
68	Accelerated depreciation on rental housing (normal tax method)	30	30	30	40	50	60	70	90	100	110	120	700
69	Discharge of mortgage indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
	Commerce:												
70	Discharge of business indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
71	Exceptions from imputed interest rules	0	0	0	0	0	0	0	0	0	0	0	0
72	Treatment of qualified dividends	0	0	0	0	0	0	0	0	0	0	0	0
73	Capital gains (except agriculture, timber, iron ore, and coal)	0	0	0	0	0	0	0	0	0	0	0	0
74	Capital gains exclusion of small corporation stock	0	0	0	0	0	0	0	0	0	0	0	0
75	Step-up basis of capital gains at death	0	0	0	0	0	0	0	0	0	0	0	0
76	Carryover basis of capital gains on gifts	0	0	0	0	0	0	0	0	0	0	0	0
77	Ordinary income treatment of loss from small business corporatio	0	0	0	0	0	0	0	0	0	0	0	0
78	Deferral of capital gains from like-kind exchanges	450	420	510	510	600	920	1,170	1,100	1,070	1,150	1,230	8,680
79	Depreciation of buildings other than rental housing (normal tax me	170	-140	-350	-430	-360	-240	-120	0	90	150	190	-1,210
80	Accelerated depreciation of machinery and equipment (normal tax	-6,990	-15,220	-21,510	-26,120	-19,980	-11,180	-5,880	-2,690	-660	750	1,880	-100,610
81	Exclusion of interest on small issue bonds	20	10	10	10	20	20	20	20	20	20	20	170
82	Special rules for certain film and TV production	160	200	-310	-430	-200	-100	-40	-10	0	0	0	-890
83	Allow 20-percent deduction to certain pass-through income	0	0	0	0	0	0	0	0	0	0	0	0
84	Advanced manufacturing investment credit 1/	3,180	2,620	2,160	1,480	1,350	1,150	1,170	850	560	420	280	12,040
	Transportation:												
85	Tonnage tax	120	130	130	130	140	140	140	150	150	150	160	1,420
86	Deferral of tax on shipping companies	10	40	50	60	40	-10	-10	-20	-20	-30	-30	70
87	Exclusion of reimbursed employee parking expenses	-1,390	-1,450	-1,500	-1,570	-1,640	-1,710	-1,790	-1,870	-1,960	-2,040	-2,140	-17,670
88	Exclusion for employer-provided transit passes	-460	-480	-500	-530	-560	-590	-620	-650	-690	-730	-770	-6,120
89	Tax credit for certain expenditures for maintaining railroad tracks	50	40	30	20	20	10	10	10	0	0	0	140
90	Exclusion of interest on bonds for Highway Projects and rail-truck trar	30	30	30	30	20	20	20	20	10	10	10	200
	Community and regional development:												
91	Exclusion of interest for airport, dock, and similar bonds	440	370	360	390	430	450	440	450	500	530	530	4,450
92	Exemption of certain mutuals' and cooperatives' income	110	110	110	110	110	120	120	120	120	130	130	1,180
93	Empowerment zones	70	70	60	40	30	20	20	20	20	10	10	300
94	New markets tax credit	1,230	1,280	1,330	1,310	1,200	1,040	850	630	400	160	0	8,200
95	Credit to holders of Gulf and Midwest Tax Credit Bonds .	0	0	0	0	0	0	0	0	0	0	0	0
96	Recovery Zone Bonds 1/	0	0	0	0	0	0	0	10	10	10	10	40
97	Tribal Economic Development Bonds	0	0	0	0	0	0	0	0	0	0	0	0
98	Opportunity Zones	540	560	-2,410	-1,690	140	190	230	280	320	350	390	-1,640
99	Disaster employee retention credit	30	30	20	20	20	10	10	10	10	10	10	150
	Education, training, employment, and social services:												
	Education:												
100	Exclusion of scholarship and fellowship income (normal tax metho	0	0	0	0	0	0	0	0	0	0	0	0
101	Tax credits for post-secondary education expenses 1/	0	0	0	0	0	0	0	0	0	0	0	0
102	Deductibility of student-loan interest	0	0	0	0	0	0	0	0	0	0	0	0
103	Qualified tuition programs (includes Education IRA)	0	0	0	0	0	0	0	0	0	0	0	0
104	Exclusion of interest on student-loan bonds	40	30	30	30	40	40	40	40	40	50	50	390
105	Exclusion of interest on bonds for private nonprofit educational fac	830	710	680	740	810	840	820	860	950	1,010	1,010	8,430
106	Credit for holders of zone academy bonds 1/	80	60	50	50	40	40	40	30	30	30	30	400
107	Exclusion of interest on savings bonds redeemed to finance educa	0	0	0	0	0	0	0	0	0	0	0	0
108	Parental personal exemption for students age 19 or over	0	0	0	0	0	0	0	0	0	0	0	0
109	Deductibility of charitable contributions to educational institutions	710	700	720	810	860	920	970	1,030	1,110	1,200	1,290	9,610
110	Exclusion of employer-provided educational assistance	0	0	0	0	0	0	0	0	0	0	0	0
111	Special deduction for teacher expenses	0	0	0	0	0	0	0	0	0	0	0	0
112	Discharge of student loan indebtedness	0	0	0	0	0	0	0	0	0	0	0	0
113	Qualified school construction bonds 1/	120	110	100	100	90	80	80	70	60	60	50	800
	Training, employment, and social services:												
114	Work opportunity tax credit	1,530	1,570	930	360	240	180	140	110	80	60	50	3,720
115	Employer provided child care exclusion	0	0	0	0	0	0	0	0	0	0	0	0
116	Employer-provided child care credit	20	20	20	20	20	20	30	30	30	30	30	250
117	Assistance for adopted foster children	0	0	0	0	0	0	0	0	0	0	0	0
118	Adoption credit and exclusion	0	0	0	0	0	0	0	0	0	0	0	0
119	Exclusion of employee meals and lodging (other than military)	-990	-1,040	-1,080	-1,130	-1,180	-1,220	-1,280	-1,330	-1,390	-1,450	-1,510	-12,610
120	Credit for child and dependent care expenses 1/	0	0	0	0	0	0	0	0	0	0	0	0
121	Credit for disabled access expenditures	0	0	0	0	0	0	0	0	0	0	0	0
122	Deductibility of charitable contributions, other than education and I	1,150	1,140	1,170	1,320	1,400	1,490	1,560	1,650	1,750	1,860	1,970	15,310
123	Exclusion of certain foster care payments	0	0	0	0	0	0	0	0	0	0	0	0
124	Exclusion of parsonage allowances	0	0	0	0	0	0	0	0	0	0	0	0
125	Indian employment credit	10	10	10	10	10	0	0	0	0	0	0	40
126	Employer-provided paid family and medical leave credit	60	70	70	40	10	10	10	0	0	0	0	210
	Health:												
127	Exclusion of employer contributions for medical insurance premiums a	0	0	0	0	0	0	0	0	0	0	0	0
128	Self-employed medical insurance premiums	0	0	0	0	0	0	0	0	0	0	0	0
129	Medical Savings Accounts / Health Savings Accounts	0	0	0	0	0	0	0	0	0	0	0	0
130	Deductibility of medical expenses	0	0	0	0	0	0	0	0	0	0	0	0
131	Exclusion of interest on hospital construction bonds	1,040	880	850	920	1,010	1,050	1,020	1,070	1,180	1,260	1,250	10,490
132	Refundable Premium Assistance Tax Credit 1/	0	0	0	0	0	0	0	0	0	0	0	0
133	Credit for employee health insurance expenses of small business	0	0	0	0	0	0	0	0	0	0	0	0
134	Deductibility of charitable contributions to health institutions	3,850	3,830	3,920	4,460	4,750	5,050	5,320	5,620	5,960	6,320	6,700	51,930
135	Tax credit for orphan drug research	1,930	2,150	2,410	2,690	3,010	3,360	3,760	4,200	4,690	5,240	5,860	37,370
136	Special Blue Cross/Blue Shield tax benefits	420	440	460	480	500	530	560	600	640	680	730	5,620
137	Distributions from retirement plans for premiums for health and long-te	490	500	590	630	650	660	670	670	680	690	700	6,440

Income security:												
138 Child credit 1/	0	0	0	0	0	0	0	0	0	0	0	0
139 Other Dependent Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0
140 Exclusion of railroad retirement (Social Security equivalent) benefits	0	0	0	0	0	0	0	0	0	0	0	0
141 Exclusion of workers' compensation benefits	0	0	0	0	0	0	0	0	0	0	0	0
142 Exclusion of public assistance benefits (normal tax method)	0	0	0	0	0	0	0	0	0	0	0	0
143 Exclusion of special benefits for disabled coal miners	0	0	0	0	0	0	0	0	0	0	0	0
144 Exclusion of military disability pensions	0	0	0	0	0	0	0	0	0	0	0	0
Net exclusion of pension contributions and earnings:	0	0	0	0	0	0	0	0	0	0	0	0
145 Defined benefit employer plans	0	0	0	0	0	0	0	0	0	0	0	0
146 Defined contribution employer plans	0	0	0	0	0	0	0	0	0	0	0	0
147 Individual Retirement Accounts	0	0	0	0	0	0	0	0	0	0	0	0
148 Low and moderate income savers credit	0	0	0	0	0	0	0	0	0	0	0	0
149 Self-Employed plans	0	0	0	0	0	0	0	0	0	0	0	0
150 Small employer pension plan startup credit	0	30	40	40	30	30	20	20	10	10	10	240
Exclusion of other employee benefits:												
151 Premiums on group term life insurance	0	0	0	0	0	0	0	0	0	0	0	0
152 Premiums on accident and disability insurance	0	0	0	0	0	0	0	0	0	0	0	0
153 Income of trusts to finance supplementary unemployment benefits	0	0	0	0	0	0	0	0	0	0	0	0
154 Income of trusts to finance voluntary employee benefits associations	1,350	1,010	1,060	1,100	1,160	1,210	1,260	1,320	1,370	1,430	1,500	12,420
155 Special Employee Stock Ownership Plan (ESOP) rules	250	260	270	270	280	290	300	300	310	320	330	2,930
156 Additional deduction for the blind	0	0	0	0	0	0	0	0	0	0	0	0
157 Additional deduction for the elderly	0	0	0	0	0	0	0	0	0	0	0	0
158 Deductibility of casualty losses	0	0	0	0	0	0	0	0	0	0	0	0
159 Earned income tax credit 1/	0	0	0	0	0	0	0	0	0	0	0	0
160 Recovery rebate credits 1/	0	0	0	0	0	0	0	0	0	0	0	0
Social Security:												
Exclusion of social security benefits:	0	0	0	0	0	0	0	0	0	0	0	0
161 Social Security benefits for retired and disabled workers and spouses	0	0	0	0	0	0	0	0	0	0	0	0
162 Credit for certain employer contributions to social security	340	350	360	370	380	390	400	410	420	430	440	3,950
Veterans benefits and services:												
163 Exclusion of veterans death benefits and disability compensation	0	0	0	0	0	0	0	0	0	0	0	0
164 Exclusion of veterans pensions	0	0	0	0	0	0	0	0	0	0	0	0
165 Exclusion of GI bill benefits	0	0	0	0	0	0	0	0	0	0	0	0
166 Exclusion of interest on veterans housing bonds	10	10	10	10	10	10	10	10	20	20	20	130
General purpose fiscal assistance:												
167 Exclusion of interest on public purpose State and local bonds	11,880	10,070	9,740	10,570	11,570	11,990	11,720	12,200	13,490	14,400	14,330	120,080
168 Build America Bonds 1/	0	0	0	0	0	0	0	0	0	0	0	0
169 Deductibility of nonbusiness State and local taxes other than on owne	0	0	0	0	0	0	0	0	0	0	0	0
Interest:												
170 Deferral of interest on U.S. savings bonds	0	0	0	0	0	0	0	0	0	0	0	0
Addendum: Aid to State and local governments:												
Deductibility of:												
Property taxes on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
Nonbusiness State and local taxes other than on owner-occupied homes	0	0	0	0	0	0	0	0	0	0	0	0
Exclusion of interest on State and local bonds for:												
Public purposes	11,880	10,070	9,740	10,570	11,570	11,990	11,720	12,200	13,490	14,400	14,330	120,080
Energy facilities	0	0	0	0	0	0	0	0	0	0	0	0
Water, sewage, and hazardous waste disposal facilities	100	90	90	90	100	110	100	110	120	130	130	1,070
Small-issues	20	10	10	10	20	20	20	20	20	20	20	170
Owner-occupied mortgage subsidies	330	280	270	290	320	330	330	340	370	400	400	3,330
Rental housing	820	690	670	730	800	830	810	840	930	990	990	8,280
Airports, docks, and similar facilities	440	370	360	390	430	450	440	450	500	530	530	4,450
Student loans	40	30	30	30	40	40	40	40	40	50	50	390
Private nonprofit educational facilities	830	710	680	740	810	840	820	860	950	1,010	1,010	8,430
Hospital construction	1,040	880	850	920	1,010	1,050	1,020	1,070	1,180	1,260	1,250	10,490
Veterans' housing	10	10	10	10	10	10	10	10	20	20	20	130

See Table 1 footnotes for specific table information

Table 2b. ESTIMATES OF TOTAL INDIVIDUAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2024-2034

(in millions of dollars)

		Total from individuals											
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
National Defense													
1	Exclusion of benefits and allowances to armed forces personnel	16,910	17,570	18,270	19,000	17,820	18,120	18,830	19,690	20,630	21,640	22,720	194,290
International affairs:													
2	Exclusion of income earned abroad by U.S. citizens	5,500	5,620	5,720	5,820	5,910	6,010	6,110	6,220	6,330	6,440	6,550	60,730
3	Exclusion of certain allowances for Federal employees abroad	330	340	350	360	370	390	400	410	430	440	450	3,940
4	Reduced tax rate on active income of controlled foreign corporations (n	0	0	0	0	0	0	0	0	0	0	0	0
5	Deduction for foreign-derived intangible income derived from trade or b	0	0	0	0	0	0	0	0	0	0	0	0
6	Interest Charge Domestic International Sales Corporations (IC-DISCs)	1,300	1,350	1,530	1,670	1,760	1,830	1,880	1,930	2,010	2,120	2,240	18,320
General science, space, and technology:													
7	Expensing of research and experimentation expenditures (normal tax m	-4,180	-2,960	-1,720	-630	0	0	0	0	0	0	0	-5,310
8	Credit for increasing research activities	2,550	2,720	2,890	3,070	3,260	3,470	3,690	3,920	4,170	4,430	4,710	36,330
Energy:													
9	Expensing of exploration and development costs, oil and gas	420	310	60	60	70	90	140	180	230	280	320	1,740
10	Expensing of exploration and development costs, coal	30	30	0	10	10	10	10	20	20	20	30	160
11	Excess of percentage over cost depletion, oil and gas	460	490	500	510	520	530	550	570	590	620	650	5,530
12	Excess of percentage over cost depletion, coal	30	30	40	40	40	40	50	50	50	50	50	440
13	Exception from passive loss limitation for working interests in oil and ga	0	0	0	0	0	0	0	0	0	0	0	0
14	Enhanced oil recovery credit	10	10	0	0	0	0	0	0	0	0	0	10
15	Marginal wells credit	40	60	80	60	40	20	20	20	20	20	20	360
16	Amortize all geological and geophysical expenditures over 2 years	90	90	90	90	90	90	80	80	80	80	80	850
17	Capital gains treatment of royalties on coal	50	50	50	60	50	50	50	50	50	50	50	510
18	Exclusion of interest on energy facility bonds	0	0	0	0	0	0	0	0	0	0	0	0
19	Qualified energy conservation bonds 1/	20	20	20	20	20	20	20	20	20	20	20	200
20	Exclusion of utility conservation subsidies	70	70	70	70	70	70	70	70	70	60	60	680
21	Credit for holding clean renewable energy bonds 1/	50	50	50	50	50	50	50	50	50	50	50	500
22	Energy production credit 1/	360	460	650	920	1,220	1,440	1,670	1,830	1,920	2,120	2,240	14,470
23	Energy investment credit 1/	2,110	1,390	1,010	1,100	990	700	1,480	950	900	990	1,580	11,090
24	Advanced nuclear power production credit	0	0	0	0	0	0	0	0	0	0	0	0
25	Zero-emission nuclear power production credit 1/	0	0	0	0	0	0	0	0	0	0	0	0
26	Reduced tax rate for nuclear decommissioning funds	0	0	0	0	0	0	0	0	0	0	0	0
27	Alcohol fuel credits 2/	10	0	0	0	0	0	0	0	0	0	0	0
28	Bio-Diesel and small agri-biodiesel producer tax credits 3/	10	0	0	0	0	0	0	0	0	0	0	0
29	Clean fuel production credit 1/ 4/	0	350	760	890	590	120	30	0	0	0	0	2,740
30	Clean hydrogen production credit 1/	0	0	0	0	0	0	0	0	0	0	0	0
31	Tax credit for clean vehicles 1/	910	230	280	430	600	870	1,210	1,640	2,370	650	0	8,280
32	Tax credits for refueling property 1/	30	50	80	110	140	180	210	230	240	60	0	1,300
33	Allowance of deduction for certain energy efficient commercial building	420	490	520	520	530	560	580	590	590	580	560	5,520
34	Credit for construction of new energy efficient homes	130	140	150	150	150	150	150	150	150	130	30	1,340
35	Credit for energy efficiency improvements to existing homes	2,340	2,390	2,440	2,490	2,560	2,590	2,640	2,700	2,760	1,870	0	22,410
36	Credit for residential energy efficient property	6,350	6,690	5,140	4,620	4,160	5,250	4,880	5,010	5,000	5,030	4,200	49,980
37	Advanced energy property credit 1/	120	150	100	90	100	90	10	10	20	10	0	580
38	Advanced manufacturing production credit 1/	40	60	90	110	310	540	600	540	300	110	30	2,690
Natural resources and environment:													
39	Expensing of exploration and development costs, nonfuel minerals	40	30	10	10	10	10	10	20	20	30	30	180
40	Excess of percentage over cost depletion, nonfuel minerals	100	100	100	110	110	110	110	120	120	130	140	1,150
41	Exclusion of interest on bonds for water, sewage, and hazardous waste	250	270	300	320	330	330	340	350	350	360	120	3,070
42	Capital gains treatment of certain timber income	180	200	200	210	220	230	240	250	260	280	290	2,380
43	Expensing of multiperiod timber growing costs	150	150	170	180	180	190	190	200	210	220	230	1,920
44	Tax incentives for preservation of historic structures	150	160	180	180	190	200	200	200	200	210	210	1,930
45	Carbon oxide sequestration credit 1/	0	0	0	0	0	0	0	0	0	0	0	0
46	Deduction for endangered species recovery expenditures	30	30	30	40	40	40	50	50	60	60	70	470
Agriculture:													
47	Expensing of certain capital outlays	110	110	130	140	140	140	140	130	140	140	150	1,360
48	Expensing of certain multiperiod production costs	250	260	300	320	320	320	310	310	310	320	330	3,100
49	Treatment of loans forgiven for solvent farmers	60	60	70	70	70	70	70	70	70	70	70	690
50	Capital gains treatment of certain agriculture income	1,790	2,000	2,020	2,110	2,150	2,250	2,370	2,500	2,630	2,780	2,930	23,740
51	Income averaging for farmers	200	210	220	220	220	220	220	220	220	220	220	2,190
52	Deferral of gain on sale of farm refiners	0	0	0	0	0	0	0	0	0	0	0	0
53	Expensing of reforestation expenditures	60	60	70	70	70	70	70	70	80	80	80	80
Commerce and housing:													
	Financial institutions and insurance:												
54	Exemption of credit union income	0	0	0	0	0	0	0	0	0	0	0	0
55	Exclusion of life insurance death benefits	14,570	15,120	15,980	17,230	17,660	18,080	18,550	19,200	19,780	20,290	20,760	182,650
56	Exemption or special alternative tax for small property and casualty	0	0	0	0	0	0	0	0	0	0	0	0
57	Tax exemption of insurance income earned by tax-exempt organiza	0	0	0	0	0	0	0	0	0	0	0	0
58	Exclusion of interest spread of financial institutions	15,800	16,360	17,510	18,250	18,580	18,740	19,110	19,550	19,870	20,130	20,370	188,470
	Housing:												
59	Exclusion of interest on owner-occupied mortgage subsidy bonds	780	860	950	1,000	1,040	1,050	1,070	1,090	1,120	1,140	380	9,700
60	Exclusion of interest on rental housing bonds	1,930	2,140	2,370	2,490	2,580	2,610	2,670	2,700	2,770	2,830	940	24,100
61	Deductibility of mortgage interest on owner-occupied homes	29,060	29,600	65,130	85,150	89,140	93,470	98,110	102,970	107,990	113,290	118,830	903,680
62	Deductibility of State and local property tax on owner-occupied hom	6,360	6,210	35,510	52,360	55,250	57,920	60,510	63,180	66,260	69,570	73,000	539,770
63	Deferral of income from installment sales	2,340	2,180	2,090	2,070	2,100	2,180	2,270	2,370	2,470	2,580	2,690	23,000
64	Capital gains exclusion on home sales	59,070	61,740	68,330	73,060	76,050	79,080	82,170	85,390	88,530	91,930	95,590	801,870

65	Exclusion of net imputed rental income	164,730	172,300	185,200	193,560	202,580	211,710	221,190	231,190	241,340	251,910	262,960	2,173,940
66	Exception from passive loss rules for $25,000 of rental loss	8,330	8,660	9,190	9,110	8,710	8,060	7,280	6,830	6,890	7,200	4,950	76,880
67	Credit for low-income housing investments	140	150	160	170	170	180	180	190	190	190	190	1,770
68	Accelerated depreciation on rental housing (normal tax method)	2,270	2,420	3,050	3,850	4,720	5,360	6,070	6,770	7,450	8,120	8,770	56,580
69	Discharge of mortgage indebtedness	150	150	50	0	0	0	0	0	0	0	0	200
	Commerce:												
70	Discharge of business indebtedness	10	40	60	70	60	50	40	20	20	30	40	430
71	Exceptions from imputed interest rules	80	90	90	90	100	100	100	100	100	100	100	970
72	Treatment of qualified dividends	40,060	43,580	48,300	53,050	55,490	57,920	60,550	63,480	66,480	69,460	72,510	590,820
73	Capital gains (except agriculture, timber, iron ore, and coal)	133,530	149,680	151,030	157,320	160,650	168,180	177,020	186,590	196,720	207,340	218,450	1,772,980
74	Capital gains exclusion of small corporation stock	3,380	3,510	3,690	3,950	4,130	4,320	4,510	4,740	4,970	5,230	5,500	44,550
75	Step-up basis of capital gains at death	33,560	37,830	41,130	45,970	50,030	53,980	58,280	62,860	67,670	73,280	79,020	570,050
76	Carryover basis of capital gains on gifts	4,830	5,310	5,820	6,150	6,010	5,950	6,000	6,170	6,500	6,580	6,550	61,040
77	Ordinary income treatment of loss from small business corporation s	80	80	80	80	80	90	90	90	100	100	100	890
78	Deferral of capital gains from like-kind exchanges	7,200	7,190	8,470	7,410	4,510	6,140	6,260	6,130	6,010	5,990	6,010	64,120
79	Depreciation of buildings other than rental housing (normal tax meth	270	-250	-430	-520	-310	50	420	790	1,130	1,470	1,830	4,180
80	Accelerated depreciation of machinery and equipment (normal tax n	2,950	-210	-5,190	-11,230	-6,030	2,330	7,180	10,200	12,250	13,840	15,280	38,420
81	Exclusion of interest on small issue bonds	40	40	50	50	50	50	50	60	60	60	20	490
82	Special rules for certain film and TV production	70	90	-160	-220	-100	-50	-20	-10	0	0	0	-470
83	Allow 20-percent deduction to certain pass-through income	40,230	69,250	28,280	0	0	0	0	0	0	0	0	97,530
84	Advanced manufacturing investment credit 1/	40	60	90	110	310	540	600	540	300	110	30	2,690
Transportation:													
85	Tonnage tax	0	0	0	0	0	0	0	0	0	0	0	0
86	Deferral of tax on shipping companies	10	20	30	40	20	0	-10	-10	-20	-20	-20	30
87	Exclusion of reimbursed employee parking expenses	3,340	3,490	3,610	3,770	3,940	4,120	4,300	4,500	4,700	4,910	5,130	42,470
88	Exclusion for employer-provided transit passes	850	890	920	970	1,030	1,080	1,140	1,200	1,270	1,340	1,410	11,250
89	Tax credit for certain expenditures for maintaining railroad tracks	30	20	10	10	10	10	0	0	0	0	0	60
90	Exclusion of interest on bonds for Highway Projects and rail-truck transf	110	100	100	90	90	90	80	80	70	70	70	840
Community and regional development:													
91	Exclusion of interest for airport, dock, and similar bonds	1,040	1,150	1,280	1,340	1,390	1,400	1,440	1,460	1,490	1,530	510	12,990
92	Exemption of certain mutuals' and cooperatives' income	0	0	0	0	0	0	0	0	0	0	0	0
93	Empowerment zones	20	30	20	20	10	0	0	0	0	0	0	80
94	New markets tax credit	20	30	30	30	30	20	20	10	10	0	0	180
95	Credit to holders of Gulf and Midwest Tax Credit Bonds .	0	0	0	0	0	0	0	0	0	0	0	0
96	Recovery Zone Bonds 1/	10	10	10	20	20	20	20	20	20	20	10	170
97	Tribal Economic Development Bonds	0	0	0	0	0	0	0	0	0	0	0	0
98	Opportunity Zones	2,500	2,530	-4,880	-13,300	620	790	1,020	1,180	1,420	1,560	1,730	-7,330
99	Disaster employee retention credit	10	10	0	0	0	0	0	0	0	0	0	10
Education, training, employment, and social services:													
	Education:												
100	Exclusion of scholarship and fellowship income (normal tax method)	4,860	5,240	5,960	7,050	7,670	8,270	8,940	9,640	10,410	11,240	12,140	86,560
101	Tax credits for post-secondary education expenses 1/	11,190	11,060	10,850	10,800	10,640	10,450	10,240	10,000	9,760	9,520	9,250	102,570
102	Deductibility of student-loan interest	500	2,540	2,740	3,200	3,360	3,350	3,400	3,450	3,440	3,570	3,570	32,620
103	Qualified tuition programs (includes Education IRA)	3,220	3,410	3,800	4,140	4,400	4,680	4,980	5,310	5,680	6,040	6,440	48,880
104	Exclusion of interest on student-loan bonds	90	100	110	120	120	120	130	130	130	140	50	1,150
105	Exclusion of interest on bonds for private nonprofit educational facili	1,970	2,180	2,410	2,540	2,620	2,660	2,720	2,750	2,830	2,890	960	24,560
106	Credit for holders of zone academy bonds 1/	0	0	0	0	0	0	0	0	0	0	0	0
107	Exclusion of interest on savings bonds redeemed to finance educati	40	40	50	50	50	50	50	50	60	60	60	520
108	Parental personal exemption for students age 19 or over	2,130	2,020	4,640	5,910	5,880	5,830	5,800	5,760	5,660	5,570	5,490	52,560
109	Deductibility of charitable contributions to educational institutions	8,380	8,610	9,900	12,230	12,900	13,590	14,290	14,990	15,770	16,630	17,570	136,480
110	Exclusion of employer-provided educational assistance	1,700	1,820	1,610	1,550	1,650	1,730	1,820	1,910	2,010	2,110	2,210	18,420
111	Special deduction for teacher expenses	160	160	160	190	200	200	250	260	220	200	200	2,040
112	Discharge of student loan indebtedness	5,910	5,140	3,880	3,380	3,050	2,840	2,710	2,630	2,610	2,620	2,650	31,510
113	Qualified school construction bonds 1/	350	330	310	290	270	250	240	220	200	180	160	2,450
	Training, employment, and social services:												
114	Work opportunity tax credit	520	540	420	140	90	60	50	40	30	20	10	1,400
115	Employer provided child care exclusion	860	950	1,230	1,390	1,450	1,510	1,570	1,630	1,680	1,740	1,790	14,940
116	Employer-provided child care credit	0	0	0	0	0	10	10	10	10	10	10	60
117	Assistance for adopted foster children	650	700	770	840	920	1,010	1,110	1,230	1,360	1,500	1,650	11,090
118	Adoption credit and exclusion	300	390	450	440	460	480	500	530	570	610	650	5,080
119	Exclusion of employee meals and lodging (other than military)	7,680	7,870	9,150	9,970	10,300	10,650	11,020	11,410	11,810	12,220	12,640	107,040
120	Credit for child and dependent care expenses 1/	3,560	3,660	3,760	3,850	3,910	3,950	3,990	4,030	4,070	4,110	4,150	39,480
121	Credit for disabled access expenditures	10	10	10	10	10	10	10	10	10	10	10	100
122	Deductibility of charitable contributions, other than education and he	45,090	46,320	53,250	65,760	69,370	73,090	76,850	80,580	84,790	89,450	94,500	733,960
123	Exclusion of certain foster care payments	920	1,000	1,080	1,190	1,300	1,430	1,570	1,740	1,920	2,120	2,330	15,680
124	Exclusion of parsonage allowances	1,160	1,220	1,290	1,360	1,430	1,500	1,580	1,670	1,760	1,850	1,950	15,610
125	Indian employment credit	20	10	10	10	10	0	0	0	0	0	0	40
126	Employer-provided paid family and medical leave credit	20	20	10	10	0	0	0	0	0	0	0	40
Health:													
127	Exclusion of employer contributions for medical insurance premiums an	247,300	262,310	309,410	344,460	363,860	383,870	404,680	425,790	447,860	471,130	495,540	3,436,350
128	Self-employed medical insurance premiums	8,530	9,010	10,990	12,530	13,320	14,120	15,040	16,040	16,970	17,770	18,600	143,310
129	Medical Savings Accounts / Health Savings Accounts	14,020	14,760	17,040	18,540	19,030	19,540	20,140	20,790	21,530	22,260	22,970	180,880
130	Deductibility of medical expenses	12,640	13,420	17,640	20,990	22,790	24,600	26,480	28,480	30,750	33,170	35,860	242,940
131	Exclusion of interest on hospital construction bonds	2,450	2,710	3,000	3,160	3,260	3,300	3,390	3,420	3,510	3,590	1,190	30,530
132	Refundable Premium Assistance Tax Credit 1/	13,670	12,690	11,550	10,710	10,630	10,590	10,860	11,260	12,040	12,730	13,500	116,560
133	Credit for employee health insurance expenses of small business	10	0	0	0	0	0	0	0	0	0	0	10
134	Deductibility of charitable contributions to health institutions	6,640	6,830	7,850	9,690	10,220	10,770	11,330	11,880	12,490	13,180	6,600	100,840
135	Tax credit for orphan drug research	0	0	0	0	0	0	0	0	0	0	0	0
136	Special Blue Cross/Blue Shield tax benefits	0	0	0	0	0	0	0	0	0	0	0	0
137	Distributions from retirement plans for premiums for health and long-ter	0	0	0	0	0	0	0	0	0	0	0	0

	Income security:												
138	Child credit 1/	24,150	60,930	42,860	14,310	13,900	13,620	13,300	12,930	12,560	12,220	11,910	208,540
139	Other Dependent Tax Credit	3,380	8,700	5,290	0	0	0	0	0	0	0	0	13,990
140	Exclusion of railroad retirement (Social Security equivalent) benefits	230	230	240	240	240	240	240	240	240	250	250	2,410
141	Exclusion of workers' compensation benefits	8,780	8,850	8,910	8,970	9,010	9,040	9,080	9,110	9,150	9,180	9,220	90,520
142	Exclusion of public assistance benefits (normal tax method)	790	810	870	910	950	970	960	1,000	1,030	1,070	1,100	9,670
143	Exclusion of special benefits for disabled coal miners	20	20	20	10	10	10	10	10	10	10	10	120
144	Exclusion of military disability pensions	250	270	320	330	340	340	350	350	360	360	370	3,390
	Net exclusion of pension contributions and earnings:												
145	Defined benefit employer plans	68,430	68,710	77,320	76,570	75,890	74,720	75,080	74,850	73,410	72,280	70,730	739,560
146	Defined contribution employer plans	144,630	152,190	181,120	189,960	198,390	207,120	218,710	229,650	241,100	252,450	263,390	2,134,080
147	Individual Retirement Accounts	33,550	35,110	42,280	45,090	47,660	50,670	53,650	57,600	61,950	65,850	70,190	530,050
148	Low and moderate income savers credit	1,870	1,910	1,960	2,160	4,410	4,310	4,230	4,150	4,080	4,000	3,920	35,130
149	Self-Employed plans	39,350	41,410	49,280	51,690	53,980	56,360	59,510	62,490	65,600	68,690	71,670	580,680
150	Small employer pension plan startup credit	0	290	340	320	280	250	210	160	120	120	120	2,210
	Exclusion of other employee benefits:												
151	Premiums on group term life insurance	3,670	3,770	4,250	4,520	4,650	4,770	4,890	5,020	5,150	5,280	5,420	47,720
152	Premiums on accident and disability insurance	1,800	1,830	2,050	2,170	2,220	2,260	2,310	2,360	2,410	2,460	2,510	22,580
153	Income of trusts to finance supplementary unemployment benefits	50	50	60	60	60	60	60	70	70	70	80	640
154	Income of trusts to finance voluntary employee benefits associations	0	0	0	0	0	0	0	0	0	0	0	0
155	Special Employee Stock Ownership Plan (ESOP) rules	30	30	30	30	40	40	40	40	40	40	40	370
156	Additional deduction for the blind	50	60	50	50	50	50	60	60	60	70	70	580
157	Additional deduction for the elderly	8,120	8,770	7,500	8,010	8,360	8,850	9,320	9,810	10,080	10,540	11,040	92,280
158	Deductibility of casualty losses	0	0	720	1,090	1,140	1,180	1,230	1,290	1,340	1,390	1,430	10,810
159	Earned income tax credit 1/	3,010	3,310	3,400	4,990	5,050	5,230	5,450	5,630	5,880	6,140	6,380	51,460
160	Recovery rebate credits 1/	91	20	0	0	0	0	0	0	0	0	0	20
	Social Security:												
	Exclusion of social security benefits:												
161	Social Security benefits for retired and disabled workers and spouses, c	27,270	30,170	35,100	40,900	43,920	46,700	49,940	53,800	58,420	63,620	69,130	491,700
162	Credit for certain employer contributions to social security	1,400	1,480	1,560	1,640	1,720	1,800	1,880	1,960	2,040	2,120	2,200	18,400
	Veterans benefits and services:												
163	Exclusion of veterans death benefits and disability compensation	13,400	14,960	16,600	19,110	19,850	20,510	21,170	21,830	22,460	23,440	24,260	204,190
164	Exclusion of veterans pensions	220	200	200	200	190	180	170	160	150	140	130	1,720
165	Exclusion of GI bill benefits	1,560	1,720	1,940	2,200	2,250	2,270	2,300	2,330	2,370	2,410	2,440	22,230
166	Exclusion of interest on veterans housing bonds	30	40	40	40	40	40	40	40	50	50	20	400
	General purpose fiscal assistance:												
167	Exclusion of interest on public purpose State and local bonds	28,040	31,040	34,340	36,110	37,330	37,790	38,720	39,170	40,210	41,090	13,620	349,420
168	Build America Bonds 1/	0	0	0	0	0	0	0	0	0	0	0	0
169	Deductibility of nonbusiness State and local taxes other than on owner-	6,540	6,250	69,180	96,460	97,970	103,240	108,530	113,980	119,770	126,140	132,930	974,450
	Interest:												
170	Deferral of interest on U.S. savings bonds	910	880	870	860	850	840	830	820	820	810	800	8,380
	Addendum: Aid to State and local governments:												
	Deductibility of:												
	Property taxes on owner-occupied homes	6,360	6,210	35,510	52,360	55,250	57,920	60,510	63,180	66,260	69,570	73,000	539,770
	Nonbusiness State and local taxes other than on owner-occupied homes	6,540	6,250	69,180	96,460	97,970	103,240	108,530	113,980	119,770	126,140	132,930	974,450
	Exclusion of interest on State and local bonds for:												
	Public purposes	28,040	31,040	34,340	36,110	37,330	37,790	38,720	39,170	40,210	41,090	13,620	349,420
	Energy facilities	0	0	0	0	0	0	0	0	0	0	0	0
	Water, sewage, and hazardous waste disposal facilities	250	270	300	320	330	330	340	350	350	360	120	3,070
	Small-issues	40	40	50	50	50	50	50	60	60	60	20	490
	Owner-occupied mortgage subsidies	780	860	950	1,000	1,040	1,050	1,070	1,090	1,120	1,140	380	9,700
	Rental housing	1,930	2,140	2,370	2,490	2,580	2,610	2,670	2,700	2,770	2,830	940	24,100
	Airports, docks, and similar facilities	1,040	1,150	1,280	1,340	1,390	1,400	1,440	1,460	1,490	1,530	510	12,990
	Student loans	90	100	110	120	120	120	130	130	130	140	50	1,150
	Private nonprofit educational facilities	1,970	2,180	2,410	2,540	2,620	2,660	2,720	2,750	2,830	2,890	960	24,560
	Hospital construction	2,450	2,710	3,000	3,160	3,260	3,300	3,390	3,420	3,510	3,590	1,190	30,530
	Veterans' housing	30	40	40	40	40	40	40	40	50	50	20	400

See Table 1 footnotes for specific table information

Table 3. INCOME TAX EXPENDITURES RANKED BY TOTAL FISCAL YEAR 2025-2034 PROJECTED REVENUE EFFECT

(in millions of dollars)

	Provision	2024	2025	2025-34
127	Exclusion of employer contributions for medical insurance premiums and medical care 6/	247,300	262,310	3,908,910
65	Exclusion of net imputed rental income	164,730	172,300	2,173,940
146	Defined contribution employer plans	144,630	152,190	2,134,080
73	Capital gains (except agriculture, timber, iron ore, and coal)	133,530	149,680	1,772,980
169	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes 5/	6,540	6,250	974,450
61	Deductibility of mortgage interest on owner-occupied homes	29,060	29,600	903,680
64	Capital gains exclusion on home sales	59,070	61,740	801,870
122	Deductibility of charitable contributions, other than education and health	46,240	47,460	749,270
145	Defined benefit employer plans	68,430	68,710	739,560
72	Treatment of qualified dividends	40,060	43,580	590,820
149	Self-Employed plans	39,350	41,410	580,680
75	Step-up basis of capital gains at death	33,560	37,830	570,050
62	Deductibility of State and local property tax on owner-occupied homes 5/	6,360	6,210	539,770
147	Individual Retirement Accounts	33,550	35,110	530,050
161	Social Security benefits for retired and disabled workers and spouses, dependents and survivors	27,270	30,170	491,700
167	Exclusion of interest on public purpose State and local bonds	39,920	41,110	469,500
8	Credit for increasing research activities	30,040	31,890	409,320
4	Reduced tax rate on active income of controlled foreign corporations (normal tax method)	36,060	37,140	383,830
22	Energy production credit 1/	7,220	9,270	289,630
130	Deductibility of medical expenses	12,640	13,420	254,180
138	Child credit 1/	24,150	60,930	208,540
55	Exclusion of life insurance death benefits	16,620	17,220	205,900
163	Exclusion of veterans death benefits and disability compensation	13,400	14,960	204,190
129	Medical Savings Accounts / Health Savings Accounts	14,020	14,760	196,600
1	Exclusion of benefits and allowances to armed forces personnel	16,910	17,570	194,290
58	Exclusion of interest spread of financial institutions	15,800	16,360	188,470
67	Credit for low-income housing investments	13,620	14,410	168,410
134	Deductibility of charitable contributions to health institutions	10,490	10,660	152,770
109	Deductibility of charitable contributions to educational institutions	9,090	9,310	146,090
128	Self-employed medical insurance premiums	8,530	9,010	144,390
23	Energy investment credit 1/	24,170	16,170	131,440
5	Deduction for foreign-derived intangible income derived from trade or business within the United States	15,950	16,420	130,230
132	Refundable Premium Assistance Tax Credit 1/	13,670	12,690	116,560
31	Tax credit for clean vehicles 1/	14,080	14,700	105,700
101	Tax credits for post-secondary education expenses 1/	11,190	11,060	102,570
83	Allow 20-percent deduction to certain pass-through income	40,230	69,250	97,530
119	Exclusion of employee meals and lodging (other than military)	6,690	6,830	94,430
157	Additional deduction for the elderly	8,120	8,770	92,280
141	Exclusion of workers' compensation benefits	8,780	8,850	90,520
100	Exclusion of scholarship and fellowship income (normal tax method)	4,860	5,240	86,560
66	Exception from passive loss rules for $25,000 of rental loss	8,330	8,660	76,880
78	Deferral of capital gains from like-kind exchanges	7,650	7,610	72,800
76	Carryover basis of capital gains on gifts	4,830	5,310	61,040
2	Exclusion of income earned abroad by U.S. citizens	5,500	5,620	60,730
30	Clean hydrogen production credit 1/	540	860	57,860
68	Accelerated depreciation on rental housing (normal tax method)	2,300	2,450	57,280
38	Advanced manufacturing production credit 1/	870	1,290	53,870
108	Parental personal exemption for students age 19 or over	2,130	2,020	52,560
159	Earned income tax credit 1/	3,010	3,310	51,460
36	Credit for residential energy efficient property	6,350	6,690	49,980
103	Qualified tuition programs (includes Education IRA)	3,220	3,410	48,880
151	Premiums on group term life insurance	3,670	3,770	47,720
25	Zero-emission nuclear power production credit 1/	2,550	3,160	47,420
74	Capital gains exclusion of small corporation stock	3,380	3,510	44,550
120	Credit for child and dependent care expenses 1/	3,560	3,660	39,480
135	Tax credit for orphan drug research	1,930	2,150	37,370
148	Low and moderate income savers credit	1,870	1,910	35,130
105	Exclusion of interest on bonds for private nonprofit educational facilities	2,800	2,890	32,990
102	Deductibility of student-loan interest	500	2,540	32,620
60	Exclusion of interest on rental housing bonds	2,750	2,830	32,380
54	Exemption of credit union income	2,450	2,480	32,170
112	Discharge of student loan indebtedness	5,910	5,140	31,510
131	Exclusion of interest on hospital construction bonds	3,490	3,590	30,530
6	Interest Charge Domestic International Sales Corporations (IC-DISCs)	1,860	1,930	26,170
45	Carbon oxide sequestration credit 1/	180	530	25,190
87	Exclusion of reimbursed employee parking expenses	1,950	2,040	24,800
50	Capital gains treatment of certain agriculture income	1,790	2,000	23,740
63	Deferral of income from installment sales	2,340	2,180	23,000
152	Premiums on accident and disability insurance	1,800	1,830	22,580
35	Credit for energy efficiency improvements to existing homes	2,340	2,390	22,410
162	Credit for certain employer contributions to social security	1,740	1,830	22,350
165	Exclusion of GI bill benefits	1,560	1,720	22,230
56	Exemption or special alternative tax for small property and casualty insurance companies	1,830	1,880	20,700
110	Exclusion of employer-provided educational assistance	1,700	1,820	18,420

91	Exclusion of interest for airport, dock, and similar bonds	1,480	1,520	17,440
29	Clean fuel production credit 1/ 4/	0	3,550	16,570
11	Excess of percentage over cost depletion, oil and gas	1,400	1,480	16,030
123	Exclusion of certain foster care payments	920	1,000	15,680
124	Exclusion of parsonage allowances	1,160	1,220	15,610
115	Employer provided child care exclusion	860	950	14,940
84	Advanced manufacturing investment credit 1/	3,220	2,680	14,730
139	Other Dependent Tax Credit	3,380	8,700	13,990
59	Exclusion of interest on owner-occupied mortgage subsidy bonds	1,110	1,140	13,030
154	Income of trusts to finance voluntary employee benefits associations	1,350	1,010	12,420
117	Assistance for adopted foster children	650	700	11,090
32	Tax credits for refueling property 1/	280	500	10,870
158	Deductibility of casualty losses	0	0	10,810
142	Exclusion of public assistance benefits (normal tax method)	790	810	9,670
44	Tax incentives for preservation of historic structures	750	770	8,980
94	New markets tax credit	1,250	1,310	8,380
170	Deferral of interest on U.S. savings bonds	910	880	8,380
33	Allowance of deduction for certain energy efficient commercial building property	510	590	6,600
137	Distributions from retirement plans for premiums for health and long-term care insurance	490	500	6,440
37	Advanced energy property credit 1/	1,170	1,560	6,290
136	Special Blue Cross/Blue Shield tax benefits	420	440	5,620
88	Exclusion for employer-provided transit passes	390	410	5,130
114	Work opportunity tax credit	2,050	2,110	5,120
118	Adoption credit and exclusion	300	390	5,080
57	Tax exemption of insurance income earned by tax-exempt organizations	390	400	4,390
41	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	350	360	4,140
43	Expensing of multiperiod timber growing costs	320	330	4,010
3	Exclusion of certain allowances for Federal employees abroad	330	340	3,940
144	Exclusion of military disability pensions	250	270	3,390
40	Excess of percentage over cost depletion, nonfuel minerals	290	300	3,320
48	Expensing of certain multiperiod production costs	270	280	3,320
155	Special Employee Stock Ownership Plan (ESOP) rules	280	290	3,300
113	Qualified school construction bonds 1/	470	440	3,250
79	Depreciation of buildings other than rental housing (normal tax method)	440	-390	2,970
150	Small employer pension plan startup credit	0	320	2,450
140	Exclusion of railroad retirement (Social Security equivalent) benefits	230	230	2,410
42	Capital gains treatment of certain timber income	180	200	2,380
34	Credit for construction of new energy efficient homes	210	220	2,220
9	Expensing of exploration and development costs, oil and gas	550	400	2,210
51	Income averaging for farmers	200	210	2,190
111	Special deduction for teacher expenses	160	160	2,040
24	Advanced nuclear power production credit	130	210	1,930
15	Marginal wells credit	180	300	1,800
164	Exclusion of veterans pensions	220	200	1,720
26	Reduced tax rate for nuclear decommissioning funds	120	130	1,570
104	Exclusion of interest on student-loan bonds	130	130	1,540
47	Expensing of certain capital outlays	120	120	1,460
85	Tonnage tax	120	130	1,420
49	Treatment of loans forgiven for solvent farmers	120	120	1,380
12	Excess of percentage over cost depletion, coal	90	90	1,280
16	Amortize all geological and geophysical expenditures over 2 years	130	130	1,250
92	Exemption of certain mutuals' and cooperatives' income	110	110	1,180
90	Exclusion of interest on bonds for Highway Projects and rail-truck transfer facilities	140	130	1,040
71	Exceptions from imputed interest rules	80	90	970
77	Ordinary income treatment of loss from small business corporation stock sale	80	80	890
21	Credit for holding clean renewable energy bonds 1/	70	70	700
20	Exclusion of utility conservation subsidies	70	70	680
46	Deduction for endangered species recovery expenditures	40	40	670
81	Exclusion of interest on small issue bonds	60	50	660
153	Income of trusts to finance supplementary unemployment benefits	50	50	640
156	Additional deduction for the blind	50	60	580
166	Exclusion of interest on veterans housing bonds	40	50	530
107	Exclusion of interest on savings bonds redeemed to finance educational expenses	40	40	520
17	Capital gains treatment of royalties on coal	50	50	510
70	Discharge of business indebtedness	10	40	430
106	Credit for holders of zone academy bonds 1/	80	60	400
93	Empowerment zones	90	100	380
116	Employer-provided child care credit	20	20	310
19	Qualified energy conservation bonds 1/	30	30	300
126	Employer-provided paid family and medical leave credit	80	90	250
52	Deferral of gain on sale of farm refiners	20	20	240
39	Expensing of exploration and development costs, nonfuel minerals	50	40	220
96	Recovery Zone Bonds 1/	10	10	210
10	Expensing of exploration and development costs, coal	40	40	200
69	Discharge of mortgage indebtedness	150	150	200
89	Tax credit for certain expenditures for maintaining railroad tracks	80	60	200
53	Expensing of reforestation expenditures	70	70	190
14	Enhanced oil recovery credit	200	140	180
99	Disaster employee retention credit	40	40	160

143	Exclusion of special benefits for disabled coal miners	20	20	120
86	Deferral of tax on shipping companies	20	60	100
121	Credit for disabled access expenditures	10	10	100
125	Indian employment credit	30	20	80
160	Recovery rebate credits 1/	90	20	20
133	Credit for employee health insurance expenses of small business	10	0	10
13	Exception from passive loss limitation for working interests in oil and gas properties	0	0	0
18	Exclusion of interest on energy facility bonds	0	0	0
27	Alcohol fuel credits 2/	20	0	0
28	Bio-Diesel and small agri-biodiesel producer tax credits 3/	20	0	0
95	Credit to holders of Gulf and Midwest Tax Credit Bonds .	0	0	0
97	Tribal Economic Development Bonds	0	0	0
168	Build America Bonds 1/	0	0	0
82	Special rules for certain film and TV production	230	290	-1,360
98	Opportunity Zones	3,040	3,090	-8,970
7	Expensing of research and experimentation expenditures (normal tax method)	-25,050	-17,360	-28,440
80	Accelerated depreciation of machinery and equipment (normal tax method)	-4,040	-15,430	-62,190

See Table 1 footnotes for specific table information

Table 4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 2024

(in millions of dollars)

	Provision	Present Value of Revenue Loss
9	Expensing of exploration and development costs, oil and gas	1,210
10	Expensing of exploration and development costs, coal	110
39	Expensing of exploration and development costs, nonfuel minerals	110
43	Expensing of multiperiod timber growing costs	300
48	Expensing of certain multiperiod production costs	60
47	Expensing of certain capital outlays - agriculture	20
54	Expensing of reforestation expenditures	60
68	Accelerated depreciation on rental housing	5,240
79	Depreciation of buildings other than rental	3,230
80	Accelerated depreciation of machinery and equipment	31,150
67	Credit for low-income housing investments	13,780
103	Qualified tuition programs	8,900
145	Defined benefit employer plans	84,160
146	Defined contribution employer plans	202,620
147	Exclusion of IRA contributions and earnings	2,660
	Exclusion of Roth earnings and distributions	580
	Exclusion of non-deductible IRA earnings	530
152	Exclusion of contributions and earnings for Self-Employed plans	8,600
167	Exclusion of interest on public purpose State and local bonds	12,470
	Exclusion of interest on non-public purpose bonds 1/	4,570
170	Deferral of interest on U.S. savings bonds	90

1/ Includes all components, other than public purpose, listed under ‘Exclusion of interest on State and local bonds’ in the Addendum to Table 1.

Table 5. ESTIMATES OF OUTLAY TAX EXPENDITURES FOR FISCAL YEARS 2024-2034

(in millions of dollars)

		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025-2034
Energy:													
19	Qualified energy conservation bonds	30	30	30	30	30	30	30	30	30	30	30	300
21	Credit for holding clean renewable energy bonds	40	40	40	40	40	40	40	30	30	30	30	360
22	Energy production credit	370	380	550	800	1,110	1,400	1,630	1,840	2,120	2,230	2,450	14,510
23	Energy investment credit	1,460	1,050	630	570	680	570	530	900	540	570	510	6,550
25	Zero-emission nuclear power production credit	0	1,130	910	1,020	1,180	1,420	1,620	1,710	1,690	1,690	0	12,370
29	Clean fuel production credit	0	210	290	300	80	0	0	0	0	0	0	880
30	Clean hydrogen production credit	310	610	950	1,390	1,960	2,690	3,630	4,780	6,510	8,480	10,830	41,830
31	Tax credits for clean vehicles	3,130	4,060	4,880	6,620	8,350	11,270	14,320	18,490	25,420	6,840	0	100,250
32	Tax credits for refueling property	0	0	0	10	10	10	10	10	10	0	0	60
37	Advanced energy property credit	30	70	80	50	50	60	40	0	10	10	0	370
38	Advanced manufacturing production credit	6,000	8,980	12,830	16,840	19,430	18,720	19,110	16,390	13,210	8,760	1,600	135,870
Natural resources and environment:													
45	Carbon oxide sequestration credit	140	400	690	1,080	1,560	1,750	2,230	2,420	2,590	2,690	2,750	18,160
Commerce and housing:													
84	Advanced manufacturing investment credit	220	1,130	1,910	1,300	1,240	1,040	1,020	790	660	520	360	9,960
Community and regional development:													
96	Recovery Zone Bonds	60	60	60	60	50	50	50	50	50	50	50	530
Education, training, employment, and social services:													
	Education:												
101	Tax credits for post-secondary education expenses	2,460	2,420	2,360	2,330	2,290	2,260	2,220	2,170	2,120	2,070	2,030	22,270
106	Credit for holders of zone academy bonds	40	40	40	40	40	40	40	40	40	40	40	400
113	Qualified school construction bonds	490	480	480	480	470	470	470	460	490	490	490	4,780
Health:													
132	Refundable Premium Assistance Tax Credit	92,793	92,190	78,640	78,323	81,685	84,838	88,065	91,837	95,882	100,346	104,882	896,688
Income security:													
138	Child credit	44,310	45,410	43,950	25,170	25,030	24,930	24,920	25,010	25,250	25,380	25,590	290,640
159	Earned income tax credit	63,920	74,080	73,540	73,480	74,280	75,220	76,610	78,200	80,020	81,730	83,490	770,650
160	Recovery rebate credits	150	30	0	0	0	0	0	0	0	0	0	30
General purpose fiscal assistance:													
168	Build America Bonds	2,260	2,230	2,110	2,090	2,060	2,040	2,010	1,990	2,080	2,050	2,020	20,680

1/ See Table 1 for corresponding revenue loss estimates.