[JOINT COMMITTEE PRINT]

ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 1996–2000

PREPARED FOR THE

COMMITTEE ON WAYS AND MEANS

AND THE

COMMITTEE ON FINANCE

BY THE STAFF OF THE

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This report[1] on tax expenditures for fiscal years 1996-2000 is prepared by the staff of the Joint Committee on Taxation ("Joint Committee staff") for the House Committee on Ways and Means and the Senate Committee on Finance. The report also is submitted to the House and Senate Committees on the Budget.

As in the case of earlier reports,[2] the estimates of tax expenditures in this report were prepared in cooperation with the staff of the Office of Tax Analysis in the Treasury Department ("the Treasury"). The Treasury published its estimates of tax expenditures for fiscal years 1994–2000 in the Administration's budgetary statement of February 1995.[3] The lists of tax expenditures in this Joint Committee staff report and the budgetary statement overlap considerably; the differences are discussed in Part I under the heading "Comparisons with Treasury".

The Joint Committee staff has made its estimates (as shown in Table 1) based on the provisions in tax law as enacted through July 1, 1995. Expired or repealed provisions are not listed unless they have continuing revenue effects that are associated with ongoing taxpayer activity. Proposed extensions or modifications of expiring provisions are not included until they have been enacted into law.

Part I of this report contains a discussion of the concept of tax expenditures, and is followed in Part II by a discussion of the measurement of tax expenditures. Estimates of tax expenditures for fiscal years 1996–2000 are presented in Table 1 in Part III. Table 2 shows the distribution of tax returns by income class, and Table 3 presents distributions of selected individual tax expenditures by income class.

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[1] This report may be cited as follows: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1996–2000* (JCS-21-95), September 1, 1995.

[2] Joint Committee on Taxation, *Estimates of Federal Tax Expenditures*, October 4, 1972, June 1, 1973, July 8, 1975, March 15, 1976, March 16, 1977, March 14, 1978, March 15, 1979, March 6, 1980, March 16, 1981, March 8, 1982, March 7, 1983, November 9, 1984, April 12, 1985, March 1, 1986, February 27, 1987, March 8, 1988, February 28, 1989, March 9, 1990, March 11, 1991, April 24, 1992, April 22, 1993, and November 9, 1994.

[3] Office of Management and Budget, "Tax Expenditures," *Budget of the United States Government: Analytical Perspectives, Fiscal Year 1996*, February 1995, pp. 39–65.

I. THE CONCEPT OF TAX EXPENDITURES

Overview

"Tax expenditures" are defined under the Congressional Budget and Impoundment Control Act of 1974 as reductions in individual and corporate income tax liabilities that result from special tax provisions or regulations that provide tax benefits to particular taxpayers. These special tax provisions can take the form of exclusions, credits, deductions, preferential tax rates, or deferrals of tax liability.

Special income tax provisions are referred to as tax expenditures because they are considered to be analogous to direct outlay programs, and the two can be considered as alternative means of accomplishing similar budget policy objectives. Tax expenditures are most similar to those direct spending programs that have no spending limits, and that are available as entitlements to those who meet the statutory criteria established for the programs.[4]

Estimates of tax expenditures are prepared for use in budget analysis. They are a measure of the economic benefits that are provided through the tax laws to various groups of taxpayers and sectors of the economy. The estimates also may be useful in determining the relative merits of achieving specified public goals through tax benefits or direct outlays.

In this report, the Joint Committee staff follows the definition of tax expenditures that appears in the Congressional Budget and Impoundment Control Act of 1974: ". . . those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral of tax liability."[5] The legislative history of the Act indicates that tax expenditures are to be defined with reference to a normal income tax structure (referred to here as "normal tax law").

The Joint Committee staff has used its judgment in distinguishing between those income tax provisions (and regulations) that can be viewed as a part of normal tax law and those special provisions that result in tax expenditures. A provision traditionally has been listed as a tax expenditure by the Joint Committee staff if there is a reasonable basis for such classification and the provision results in more than a de minimis revenue loss—which in this context means a total revenue loss of at least $50 million over the five fiscal years 1996–2000. The Joint Committee staff emphasizes, however, that in the process of listing tax expenditures, no judgment is made, nor any implication intended, about the desirability of any special tax provision as a matter of public policy.

If a tax expenditure were eliminated, Congress might choose to continue financial assistance through other means rather than terminate all Federal assistance for the activity. For example, the Tax Reform Act of 1986 repealed the itemized deduction for certain adoption expenses and in its place authorized a direct spending

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[4] There are a few tax expenditures that have spending limits. One example is the tax credit for low-income rental housing. This credit is available only to those who have received credit allocations from State housing authorities. There are statutory limits on the total amounts of credit allocations that can be issued in any given year.

[5] Congressional Budget and Impoundment Control Act of 1974 (P.L. 93–344), sec. 3(a)(3).

program for such expenses. If a replacement spending program were enacted, the higher revenues received as a result of the elimination of a tax expenditure might not represent a net budget gain. A replacement program could involve direct expenditures, direct loans or loan guarantees, a different form of tax expenditure, or a general reduction in tax rates. Joint Committee staff estimates of tax expenditures do not anticipate such policy responses.

The Congressional Budget and Impoundment Control Act of 1974 uses the term tax expenditure to refer to the special tax provisions that are contained in the individual and corporate income tax structure. Other Federal taxes such as excise taxes, employment taxes, and estate and gift taxes also have exceptions, exclusions, and credits, but those special tax provisions are not included in this report because they are not part of the income tax. Thus, for example, the income tax exclusion for employer-paid health insurance is included, but the Federal Insurance Contributions Act (FICA) tax exclusion for employer-paid health insurance is not treated here as a tax expenditure.[6]

Individual Income Tax

Under the Joint Committee staff methodology, the normal structure of the individual income tax includes the following major components: one personal exemption for each taxpayer and one for each dependent, the standard deduction, the existing tax rate schedule, and deductions for investment and employee business expenses. Most other tax provisions can be classified as exceptions to "normal tax law".[7]

Personal exemptions and the standard deduction are treated as part of normal tax law because one may consider these amounts as approximating the level of income below which it would be difficult for an individual or a family to obtain minimal amounts of food, clothing, and shelter. Those itemized deductions that are not necessary for the generation of income are classified as tax expenditures, but only to the extent that they exceed the standard deduction level.

Under present law, all employee compensation is subject to tax unless the tax code contains a specific exclusion for the income. There are specific exclusions for the following employer-paid benefits: health insurance and medical care,[8] accident and disability insurance, term life insurance, transportation benefits (parking, van pools, and transit passes, up to certain limits), child care, meals and lodging (furnished for the convenience of the employer), em-

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[6] In its budget statement, the Treasury Department identifies tax expenditures in the Unified Transfer Tax (the estate and gift tax and the generation-skipping transfer tax). See, Office of Management and Budget, "Tax Expenditures," pp. 61–63. Other analysts have explored applying the concept of tax expenditures to the payroll and excise taxes. See, Jonathan Barry Forman, "Would a Social Security Tax Expenditure Budget Make Sense?" *Public Budgeting and Financial Management*, 5, 1993, pp. 311–335, and Bruce F. Davie, "Tax Expenditures in the Federal Excise Tax System," *National Tax Journal*, XLVII, March, 1994, pp. 39–62.

[7] Some exceptions to normal tax law are tax disincentives that result in higher tax liabilities (e.g., the phase-out of the personal exemption for taxpayers above certain income levels). Tax disincentives are not shown in this report.

[8] Present law contains an exclusion for employer contributions toward health insurance (sec. 106) and an exclusion for benefits received under an employer-subsidized health insurance policy (sec. 105(b)). These two exclusions are viewed as a single tax expenditure. Under normal tax law, employer contributions toward health insurance would be includable in the income of employees, but employees would not be subject to tax on any health insurance benefits (reimbursements) that they might receive from such insurance.

ployee awards, death benefits, and other miscellaneous fringe benefits (employee discounts, services provided to employees at no additional cost to employers, tuition reductions, and other de minimis fringe benefits). Each of these exclusions is classified as a tax expenditure in this report.

Under normal tax law, employer contributions to pension plans and income earned on pension assets would be taxable to employees as the contributions are made and as the income is earned, and employees would not receive any deduction or exclusion for their pension contributions. Under present law, employer and employee contributions to qualified pension plans and income earned on pension assets generally is not taxed until distributed to the employee during retirement. The tax expenditure is computed as the taxes foregone on current tax-excluded pension contributions and earnings less the taxes paid on current pension distributions to retirees.

Under present law, with certain exceptions, social security retirement benefits are excluded from taxation. Under normal tax law, retirees would be entitled to an exclusion for only the portion of social security retirement benefits that represents a return of the social security taxes that they paid during their working years. Thus, the exclusion of social security retirement benefits in excess of tax contributions is classified as a tax expenditure.

All Medicare benefits are excluded from taxation. The value of Medicare Part A insurance generally is greater than the Health Insurance (HI) tax contributions that enrollees made during their working years, and the value of Medicare Part B insurance generally is greater than the Part B premium that enrollees must pay. The exclusion of the value of Medicare Part A insurance in excess of HI tax contributions is classified as a tax expenditure, as is the exclusion of the value of Medicare Part B insurance in excess of premiums paid.

Public assistance benefits are excluded from taxation by law or by Internal Revenue Service regulations. Table 1 contains tax expenditure estimates for workers' compensation benefits, special benefits for disabled coal miners, and cash public assistance benefits (which include Supplemental Security Income (SSI) benefits and Aid to Families with Dependent Children (AFDC) benefits).

The National Income and Product Accounts[9] include estimates of the imputed income that individuals receive from the services provided by owner-occupied homes and durable goods. The individual income tax provides a complete exception for this imputed income, but the Joint Committee staff does not classify this exception as a tax expenditure. The measurement of imputed income for tax purposes presents administrative problems, and its exclusion from taxable income may be regarded as an administrative necessity.[10]

Under normal tax law, individuals would be allowed to deduct only the interest on indebtedness incurred in connection with a trade or business and investment interest to the extent of invest-

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[9] The accounts appear in U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, published monthly.

[10] If the imputed income from owner-occupied homes were included in adjusted gross income, it would be proper to include all mortgage interest deductions and related property tax deductions as part of the normal tax structure, since interest and property tax deductions would be allowable as a cost of producing imputed income. It also would be appropriate to allow deductions for depreciation and maintenance expenses for owner-occupied homes.

ment income. Thus, the deduction for mortgage interest on a principal or second residence is classified as a tax expenditure.

The Joint Committee staff assumes that normal tax law would tax capital gains in full in the year the gains are realized through sale or exchange. Thus, the deferral of tax until realization is not classified as a tax expenditure, but reduced rates of tax, further deferrals of tax (beyond the year of sale or exchange), and exclusions of capital gains are classified as tax expenditures.

The maximum 28-percent tax rate on capital gains of individuals has been treated as a tax expenditure since 1991. This maximum 28-percent rate was enacted in the Tax Reform Act of 1986, but it had no effect from 1988 through 1990 because in those years all taxable income of individuals was subject to the same 28-percent maximum statutory rate. In 1991, the maximum statutory rate on individual income was increased from 28 percent to 31 percent, and the maximum tax rate for capital gains became effective.[11] Other capital gains tax expenditure provisions include: the deferral of gain on non-dealer installment sales, the deferral of gain on like-kind exchanges, the deferral of gain on personal residence sales rollovers, the exclusion of up to $125,000 of gain on sales of personal residences for individuals age 55 or over, and the exclusion of unrealized capital gains from income at death.

The Joint Committee staff assumes that normal tax law would not provide for any indexing of the basis of capital assets for changes in the general price level. Thus, under normal tax law (as under present law), the income tax would be levied on nominal gains as opposed to real gains in asset values. If, as an alternative, normal tax law were defined to include full indexing of the basis of capital assets, the capital gains tax expenditure estimates in Table 1 generally would be much lower than those shown.

There are many types of State and local government bonds and private purpose bonds that qualify for tax-exempt status for Federal income tax purposes. Table 1 contains a separate tax expenditure listing for each type of bond. In each case, the tax expenditure is equal to the tax that would be paid by bondholders if the interest were subject to tax.

Business Income Taxation

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

One of the most difficult issues in defining tax expenditures for business income relates to the tax treatment of capital costs. Under present law, capital costs may be recovered under a variety of alternative methods, depending upon the nature of the costs and the status of the taxpayer. For example, investments in equipment and structures may qualify for tax credits, expensing, accelerated depreciation, or straight-line depreciation. The Joint Committee staff classifies the more favorable tax treatments of capital costs as tax expenditures.

[11] The maximum statutory tax rate on individual income is now 39.6 percent.

The Joint Committee staff assumes that normal tax law would not provide for any indexing of the basis of capital assets for changes in the general price level. Thus, normal tax law would not take into account the effects of inflation on tax depreciation. The expensing and depreciation tax expenditure estimates in Table 1 are larger than would be the case if normal tax law provided for inflation adjustments in the basis of assets for tax depreciation purposes.

The alternative minimum tax (AMT) and the passive activity loss rules have the effect of reducing the magnitude of the tax expenditures to which they apply. For example, the AMT reduces the value of business tax credits (for those taxpayers subject to the AMT) by not allowing the tax credits to be claimed in calculation of AMT liability. Similarly, the passive loss rules defer otherwise allowable deductions and credits from passive activities until a time when the taxpayer has passive income or disposes of the assets associated with the passive activity. Exceptions to the AMT and the passive loss rules are not classified as tax expenditures by the Joint Committee staff because the effects of the exceptions are already incorporated in the estimates of related tax expenditures.

Corporate Income Tax

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

Certain income of pass-through entities is exempt from the corporate income tax. The income of sole proprietorships, S corporations, and most partnerships is taxed at the individual level. The special tax rules for these pass-through entities are not classified as tax expenditures because the tax benefits are available to any entity that chooses to organize itself and operate in the required manner in order to avoid the entity-level tax.

Nonprofit corporations that satisfy the requirements of Code section 501 also generally are exempt from corporate income tax. The tax exemption of certain nonprofit cooperative business organizations, such as trade associations, is not treated as a tax expenditure for the same reason applicable to for-profit pass-through business entities. With respect to other nonprofit organizations, such as charities, tax-exempt status is not classified as a tax expenditure because the nonbusiness activities of such organizations generally must predominate and their unrelated business activities are subject to tax. In general, the imputed income derived from nonbusiness activities conducted by individuals or collectively by certain nonprofit organizations is outside the normal tax base. However, the ability of donors to such organizations to claim a charitable contribution deduction is a tax expenditure (because such contributions do not generate income to the donor), as is the exclusion from income granted to holders of tax-exempt financing issued by charities.

Recent Legislation

Several changes in tax expenditures were made by H.R. 831 (P.L. 104–7), which became law on April 11, 1995. The bill permanently extended the deduction for health insurance costs of self-employed individuals (which had expired on December 31, 1993), and it increased the rate of deduction from 25 to 30 percent of health insurance expenses, effective for taxable years beginning after December 31, 1994. The bill also made changes to the eligibility rules for the earned income tax credit (EITC), effective for taxable years beginning after December 31, 1995, which will have the effect of reducing the EITC tax expenditure. In addition, the bill repealed section 1071, which had provided for a deferral of taxation of gains from any sale or exchange of broadcast facilities that was certified by the Federal Communications Commission (FCC) as necessary or appropriate to effectuate a change in FCC policy or a new FCC policy. (In prior Joint Committee tax expenditure pamphlets, this tax expenditure had been listed as "deferral of gains from sale of broadcasting facilities to minority-owned businesses," because such sales accounted for the majority of such deferrals.)

In May 1995, the Ways and Means Subcommittee on Oversight held hearings on a number of tax provisions that recently expired or are scheduled to expire during 1995. A number of income tax provisions expired after December 31, 1994, including the exclusion for employer-provided educational assistance, the targeted jobs tax credit, the orphan drug tax credit, the transitional rule for the nonconventional fuels tax credit, and the deduction at fair market value for contributions of publicly-traded stock to private foundations. The special rules for allocation and apportionment of research expenses for purposes of determining foreign tax credits expired for taxable years beginning after August 1, 1994. The tax credit for research and experimental expenses expired after June 30, 1995. None of these items are listed in Table 1. If these tax provisions are reinstated or extended, they will be included in future Joint Committee staff lists of tax expenditures.

Comparisons with Treasury Department

The Joint Committee staff and Treasury lists of tax expenditures differ in two respects. First, the Treasury uses a different classification of those provisions that can be considered a part of normal tax law under both the individual and business income taxes. In general, the Joint Committee staff methodology involves a narrower concept of normal tax law. The cash method of accounting provides an example. The Treasury considers the cash accounting option for certain businesses as a part of normal tax law, but the Joint Committee staff methodology treats it as a departure from normal tax law that constitutes a tax expenditure.

Second, the Joint Committee staff and Treasury estimates of tax expenditures span slightly different sets of years. The Treasury's estimates cover a seven-year period—the last fiscal year, the current fiscal year, and the next five fiscal years, i.e., fiscal years 1994–2000. The Joint Committee staff estimates cover the forthcoming fiscal year and the succeeding four fiscal years, i.e., fiscal years 1996–2000.

For the past five years, the President's budget has contained a section that reviews and tabulates the estate and gift tax provisions that Treasury considers as tax expenditures. The Joint Committee staff considers estate and gift tax provisions as being outside of the normal income tax structure and thus omits them from its list of tax expenditures.

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

Tax expenditure items in the Joint Committee staff list that are not classified as tax expenditures by the Treasury are shown below.

Energy

—Expensing of tertiary injectants
—Credit for enhanced oil recovery costs

Agriculture

—Exclusion of cost-sharing payments
—Cash accounting for agriculture

Insurance companies

—Deduction of unpaid property loss reserves of property and casualty companies
—Special treatment of life insurance company reserves
—Exclusion of investment income from structured settlement amounts

Business and commerce

—Expensing of magazine circulation expenditures
—Special rules for magazine, paperback book, and record returns
—Completed contract rules
—Cash accounting, other than agriculture
—Exception from net operating loss limitations for corporations in bankruptcy
—Deferral of gain on like-kind exchanges

Employment

—Exclusion of miscellaneous fringe benefits
—Exclusion of employee awards

Health

—Exclusion of untaxed Medicare benefits:
Hospital Insurance, Supplementary Medical Insurance

II. MEASUREMENT OF TAX EXPENDITURES

Tax Expenditure Estimates Generally

A tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result from a recomputation of tax without benefit of the tax expenditure provision. Taxpayer behavior is assumed to remain unchanged for tax expenditure estimate purposes.[12]

The tax expenditure estimates in this report are based on Congressional Budget Office and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 1995-2000. These projections are used to compute tax liabilities for the present-law baseline and tax liabilities for the alternative baseline that assumes that the tax expenditure provision does not exist.

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

Some tax expenditure estimates are based partly on statistics for income, deductions, and expenses for prior years. Accelerated depreciation is an example. Estimates for this tax expenditure are based on the difference between tax depreciation deductions under present law and the deductions that would have been claimed in the current year if investments in the current year and all prior years had been depreciated using the alternative (normal tax law) depreciation schedule.

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

Year-to-year differences in the estimates for each tax expenditure reflect changes in tax law, including phaseouts of tax expenditure provisions and changes that alter the definition of the normal tax structure, such as the tax rate schedule, the personal exemption amount, and the standard deduction. Some of the estimates for this tax expenditure report may differ from estimates made in previous years because of changes in law and economic conditions, the availability of better data, and improved estimating techniques.

[12] An alternative way to measure tax expenditures is to express their values in terms of "outlay equivalents." An outlay equivalent is the dollar size of a direct spending program that would provide taxpayers with net benefits that would equal what they now receive from a tax expenditure. The Treasury Department presents estimates of outlay equivalents in the President's budget in addition to the method used by the Joint Committee staff.

Tax Expenditures versus Revenue Estimates

A tax expenditure estimate is not the same as a revenue estimate for the repeal of the tax expenditure provision for two reasons. First, tax expenditure estimates do not incorporate any changes in taxpayer behavior, whereas revenue estimates incorporate the effects of the behavioral changes that are anticipated to occur in response to the repeal of a tax provision. Second, tax expenditure estimates are concerned with changes in the tax liabilities of taxpayers. Because the tax expenditure focus is on tax liabilities as opposed to Federal government tax receipts, there is no concern for the timing of tax payments. Revenue estimates are concerned with changes in Federal tax receipts, which are affected by the timing of tax payments.

If a tax expenditure provision were repealed, it is likely that the repeal would be made effective at the beginning of a calendar year. In this case, the revenue estimate for repeal would show a smaller revenue gain in the first fiscal year than in subsequent years, because the repeal would be occurring after the start of the government's fiscal year. The revenue estimate might also reflect some delay in the timing of the revenue gains as a result of the taxpayer tendency to postpone or forego changes in tax withholding and estimated tax payments.

III. TAX EXPENDITURE ESTIMATES

Tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any single budget category have been placed in the most appropriate category.

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

Table 2 presents tax return information for each of nine income classes on the number of all returns filed, the number of all returns and taxable returns with itemized deductions, and the amount of tax liability.

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

Tables 1, 2, and 3 are based on the Federal tax laws in effect on July 1, 1995.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1996–2000

[Billions of Dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel	....	....	....	....	....	2.0	2.0	2.1	2.1	2.2	10.4
Exclusion of military disability benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
International affairs											
Exclusion of income earned abroad by U.S. citizens	....	....	....	....	....	1.6	1.7	1.8	1.9	1.9	8.9
Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	1.5	1.5	1.5	1.6	1.6	....	....	....	....	....	7.7
Deferral of income of controlled foreign corporations	1.1	1.1	1.2	1.2	1.2	....	....	....	....	....	5.8
Inventory property sales source rule exception	3.6	3.7	3.7	3.8	3.8	....	....	....	....	....	18.6
Interest allocation rules exception for certain nonfinancial institutions	0.2	0.2	0.2	0.2	0.2	....	....	....	....	....	1.0
General science, space, and technology											
Expensing of research and development expenditures	2.5	2.7	2.9	3.1	3.2	([1])	([1])	([1])	([1])	([1])	14.5
Energy											
Expensing of exploration and development costs:											
Oil and gas	0.1	0.2	0.2	0.2	0.2	([1])	([1])	([1])	([1])	([1])	1.0
Other fuels	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.1
Excess of percentage over cost depletion:											
Oil and gas	0.3	0.4	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	2.4
Other fuels	([1])	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.5
Credit for enhanced oil recovery costs	([1])	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.3
Credit for non-conventional fuels production	0.9	0.8	0.8	0.8	0.7	0.1	0.1	0.1	0.1	0.1	4.5
Credits for alcohol fuels[2]	([1])	([1])	([1])	([1])	([1])	....	....	....	....	....	0.1

Exclusion of interest on State and local government industrial development bonds for energy production facilities	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of energy conservation subsidies provided by public utilities	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Credit for investments in solar and geothermal energy facilities	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Credits for electricity production from wind and biomass	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Deductions and credits for clean-fuel vehicles and refueling property	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Investment credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of multiperiod timber-growing costs	0.4	0.5	0.5	0.5	0.5	(1)	(1)	0.1	0.1	0.1	2.8
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.8
Investment credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Agriculture											
Expensing of soil and water conservation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of fertilizer and soil conditioner costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of the costs of raising dairy and breeding cattle	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.2	0.8
Exclusion of cost-sharing payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Commerce and housing											
Financial institutions:											
Bad-debt reserves of financial institutions	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exemption of credit union income	0.8	0.8	0.9	0.9	0.9	....	....	....	....	....	4.3

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1996–2000—Continued

[Billions of Dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.5	0.8	1.0	1.4	1.6	8.7	13.1	18.1	23.7	28.3	97.3
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.3
Special treatment of life insurance company reserves	2.2	2.5	2.8	3.1	3.4	....	....	....	....	....	14.0
Deduction of unpaid property loss reserves for property and casualty insurance companies	1.8	1.9	2.1	2.3	2.5	....	....	....	....	....	10.6
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
Special deduction for Blue Cross and Blue Shield companies	0.3	0.4	0.4	0.3	0.2	....	....	....	....	....	1.7
Housing:											
Deductibility of mortgage interest on owner-occupied residences	....	....	....	....	....	59.2	62.7	66.4	70.3	74.5	333.1
Deductibility of property tax on owner-occupied homes	....	....	....	....	....	14.4	15.1	15.9	16.6	17.4	79.5
Deferral of capital gains on sales of principal residences	....	....	....	....	....	15.3	15.9	16.4	17.0	17.6	82.2
Exclusion of capital gains on sales of principal residences for persons age 55 and over ($125,000 exclusion)	....	....	....	....	....	5.1	5.3	5.5	5.7	5.9	27.5
Exclusion of interest on State and local government bonds for owner-occupied housing	0.6	0.6	0.6	0.6	0.7	1.5	1.5	1.5	1.5	1.5	10.8

Exclusion of interest on State and local government bonds for rental housing	0.4	0.3	0.3	0.3	0.3	0.8	0.8	0.7	0.7	0.7	5.3
Depreciation of rental housing in excess of alternative depreciation system	1.2	1.2	1.1	1.0	1.0	0.8	0.8	0.8	0.7	0.7	9.3
Low-income housing tax credit	0.9	1.0	1.1	1.2	1.4	1.7	1.9	2.2	2.4	2.5	16.3
Other business and commerce:											
Maximum 28% tax rate on long-term capital gains	....	....	....	....	....	9.1	10.2	11.4	12.7	14.3	57.6
Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.7	3.2	2.6	1.9	1.5	1.5	1.4	1.1	0.9	0.7	18.5
Depreciation of equipment in excess of alternative depreciation system	22.5	22.2	21.6	21.4	21.1	5.6	5.8	5.8	5.8	5.8	137.6
Expensing of up to $17,500 of depreciable business property	0.8	0.5	0.3	0.2	0.2	0.5	0.3	0.2	0.1	0.1	3.2
Exclusion of capital gains at death	....	....	....	....	....	14.0	15.4	17.1	18.3	19.5	84.3
Deferral of capital gains on gifts	....	....	....	....	....	1.5	1.5	1.6	1.7	1.7	8.0
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Reduced rates on first $10,000,000 of corporate taxable income	4.1	4.3	4.4	4.6	4.7	....	....	....	....	....	22.1
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.4	0.4	0.5	0.5	0.5	0.3	0.3	0.4	0.4	0.4	4.1
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.5
Exclusion of interest on State and local government small-issue industrial development bonds	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.4	0.4	0.4	3.3
Deferral of gain on like-kind exchanges	0.5	0.5	0.5	0.6	0.6	0.3	0.3	0.3	0.4	0.4	4.5
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.4	0.5	0.5	0.5	0.5	....	....	....	....	....	2.4
Transportation											
Deferral of tax on capital construction funds of shipping companies.	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1996–2000—Continued

[Billions of Dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Exclusion of employer-paid transportation benefits	....	....	....	....	....	2.1	2.2	2.3	2.4	2.5	11.5
Exclusion of interest on State and local government bonds for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Community and regional development											
Investment credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilties	0.3	0.3	0.3	0.3	0.4	0.7	0.7	0.7	0.8	0.9	5.4
Regional economic development tax incentives: empowerment zones, enterprise communities, and Indian investment incentives	0.2	0.2	0.3	0.3	0.4	0.2	0.2	0.3	0.3	0.4	2.8
Education, training, employment, and social services											
Education and training:											
Exclusion of scholarship and fellowship income	....	....	....	....	....	0.8	0.9	0.9	1.0	1.1	4.6
Parental personal exemption for students age 19 to 23	....	....	....	....	....	0.8	0.8	0.8	0.8	0.8	4.1
Exclusion of interest on State and local government student loan bonds0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.2	0.1	1.4	
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.3	0.3	0.3	0.3	0.3	0.6	0.6	0.7	0.7	0.7	4.8
Deductibility of charitable contributions for educational institutions	0.5	0.5	0.5	0.5	0.5	2.0	2.1	2.1	2.2	2.3	13.5
Exclusion of interest on educational savings bonds	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1

Employment:											
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	0.6	0.6	0.6	0.7	0.7	3.2
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.2	(1)	(1)	(1)	(1)	(1)	5.4
Exclusion of benefits provided under cafeteria plans [3]	....	....	....	....	....	4.4	5.0	5.7	6.5	7.2	28.8
Exclusion of rental allowances for ministers' homes	....	....	....	....	....	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	5.2	5.5	5.8	6.2	6.5	29.1
Exclusion of employee awards	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of income earned by voluntary employees' beneficiary associations	....	....	....	....	....	0.5	0.5	0.6	0.6	0.6	2.7
Targeted jobs tax credit	0.1	(1)	(1)	....	....	(1)	....	....	....	....	0.1
Social services:											
Deductibility of charitable contributions, other than for education and health	0.5	0.5	0.5	0.5	0.5	14.0	14.7	15.3	16.0	16.7	79.3
Credit for child and dependent care expenses	....	....	....	....	....	2.7	2.8	2.8	2.9	3.0	14.2
Exclusion of employer-provided child care [14]	....	....	....	....	....	0.7	0.8	0.9	1.0	1.2	4.6
Exclusion of certain foster care payments	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of costs for removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of employer contributions for medical insurance premiums and medical care [5]	....	....	....	....	....	48.4	52.0	55.7	59.8	64.0	279.8
Exclusion of medical care and CHAMPUS medical insurance for military dependents, retirees, and retiree dependents	....	....	....	....	....	0.5	0.6	0.6	0.6	0.6	2.9
Deductibility of medical insurance premiums by the self-employed	....	....	....	....	....	0.5	0.6	0.6	0.7	0.7	3.1
Deductibility of medical expenses	....	....	....	....	....	3.5	3.8	4.1	4.4	4.8	20.7
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.6	0.6	0.6	0.6	0.7	1.3	1.3	1.4	1.5	1.6	10.2
Deductibility of charitable contributions to health organizations	0.4	0.4	0.4	0.4	0.4	1.4	1.5	1.6	1.6	1.7	9.8

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1996–2000—Continued

[Billions of Dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance	....	....	....	....	....	9.0	10.0	11.0	12.1	13.3	55.3
Supplementary medical insurance	....	....	....	....	....	4.2	4.9	5.7	6.5	7.5	28.7
Income security											
Exclusion of workers' compensation benefits	....	....	....	....	....	3.9	4.0	4.1	4.2	4.3	20.5
Exclusion of special benefits for disabled coal miners	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cash public assistance benefits	....	....	....	....	....	0.5	0.5	0.6	0.6	0.7	3.0
Net exclusion of pension contributions and earnings:											
Employer plans	....	....	....	....	....	69.6	70.5	73.5	76.7	80.0	370.3
Individual retirement plans	....	....	....	....	....	8.8	9.3	9.8	10.3	10.9	49.1
Keogh plans	....	....	....	....	....	3.5	3.7	3.9	4.2	4.4	19.7
Exclusion of other employee benefits:											
Premiums on group term life insurance	....	....	....	....	....	2.0	2.0	2.1	2.1	2.2	10.5
Premiums on accident and disability insurance	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of employer-provided death benefits	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.2
Additional standard deduction for the blind and the elderly	....	....	....	....	....	1.7	1.9	2.0	2.1	2.3	10.0
Tax credit for the elderly and disabled	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Deductibility of casualty and theft losses	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.4
Earned income tax credit (EITC)[6]	....	....	....	....	....	3.6	4.0	4.1	4.3	4.6	20.6
Social Security and railroad retirement											
Exclusion of untaxed Social Security and railroad retirement benefits	....	....	....	....	....	23.1	24.2	25.2	26.4	27.5	126.4
Veterans' benefits and services											
Exclusion of veterans' disability compensation	....	....	....	....	....	1.7	1.8	1.8	1.9	1.9	9.1
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of GI bill benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6

Exclusion of interest on State and local government bonds for veterans' housing	[1]	[1]	[1]	[1]	[1]	0.1	0.1	0.1	0.1	0.1	0.5
General purpose fiscal assistance											
Exclusion of interest on public purpose State and local government debt	4.4	4.4	4.6	4.9	5.4	10.3	10.3	10.8	11.5	12.5	79.1
Deduction of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	27.5	29.0	30.5	32.1	33.8	152.8
Tax credit for section 936 income	3.4	3.5	3.8	4.1	4.4	....	....	....	....	....	19.3
Interest											
Deferral of interest on savings bonds	....	....	....	....	....	1.5	1.5	1.6	1.6	1.7	7.9

Footnotes to Table 1:

[1] Less than $50 million.

[2] In addition, the 5.4-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effects of $0.6 billion per year in fiscal years 1996 and 1997, and $0.5 billion per year in fiscal years 1998 through 2000.

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

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

[5] Estimate includes employer-provided health insurance purchased through cafeteria plans.

[6] The figures in the table show the effect of the EITC on receipts. The increase in outlays is: $19.9 billion in 1996, $21.9 billion in 1997, $22.9 billion in 1998, $23.9 billion in 1999, and $24.9 billion in 2000.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

Table 2.—Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability at 1995 Rates and 1995 Law and 1995 Income Levels [1]

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

Income class (thousands) [2]	All returns [3]	Taxable returns	Itemized returns	Tax liability
Below $10	22,750	2,324	157	−$5,442
$10 to $20	25,752	9,538	899	−1,870
$20 to $30	20,735	13,669	2,058	18,777
$30 to $40	16,649	14,202	3,489	35,921
$40 to $50	12,208	11,674	4,179	42,732
$50 to $75	17,703	17,566	9,861	99,675
$75 to $100	7,817	7,790	6,174	78,062
$100 to $200	5,833	5,817	5,233	114,829
$200 and over	1,568	1,565	1,469	184,398
Total	**131,015**	**84,145**	**33,519**	**$567,081**

[1] Tax law as in effect on January 1, 1995, is applied to the 1995 level and sources of income and their distribution among taxpayers. Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) workers' compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad.

[3] Includes filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (e.g., transfer payments, interest from tax-exempt bonds, etc.).

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1995 Rates and 1995 Income Levels[1]

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

Income class (thousands)[2]	Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount
Below $10	12	$2	14	$1
$10 to $20	214	69	358	45
$20 to $30	661	247	1,339	207
$30 to $40	982	461	2,628	526
$40 to $50	826	480	3,486	868
$50 to $75	1,221	861	8,712	2,895
$75 to $100	414	666	5,668	3,112
$100 to $200	202	542	4,812	4,032
$200 and over	25	216	1,275	2,543
Total	**4,557**	**$3,543**	**28,292**	**$14,228**

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1995 Rates and 1995 Income Levels [1]—Continued

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

Income class (thousands) [2]	State and local income and personal property tax deduction		Charitable contributions deduction	
	Returns	Amount	Returns	Amount
Below $10	39	(5)	100	$1
$10 to $20	459	$12	603	29
$20 to $30	1,561	102	1,655	166
$30 to $40	3,114	409	3,027	461
$40 to $50	3,903	889	3,686	748
$50 to $75	9,310	3,471	8,981	2,527
$75 to $100	5,694	4,436	6,000	2,861
$100 to $200	4,753	6,863	5,031	3,963
$200 and over	1,293	10,302	1,466	6,107
Total	**30,127**	**$26,484**	**30,550**	**$16,862**

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1995 Rates and 1995 Income Levels [1]—Continued

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

Income class (thousands) [2]	Child care credit		Earned income credit [3]	
	Returns	Amount	Returns	Amount
Below $10			5,970	$6,136
$10 to $20	452	$166	6,207	11,170
$20 to $30	864	402	5,094	5,197
$30 to $40	1,012	446	1,025	718
$40 to $50	826	335	84	61
$50 to $75	1,545	672	30	28
$75 to $100	900	415		
$100 to $200	494	247		
$200 and over	84	43		
Total	**6,177**	**$2,724**	**18,410**	**$23,310**

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1995 Rates and 1995 Income Levels—Continued

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

Income class (thousands) [2]	Untaxed Social Security and railroad retirement benefits		Additional standard deduction for the elderly and blind	
	Returns	Amount	Returns	Amount
Below $10	268	$57	17	$2
$10 to $20	5,352	2,506	578	66
$20 to $30	5,747	5,412	1,927	255
$30 to $40	4,685	6,143	1,970	298
$40 to $50	2,904	4,355	1,812	347
$50 to $75	2,903	3,111	1,891	422
$75 to $100	988	321	567	185
$100 to $200	855	183	313	112
$200 and over	240	74	35	14
Total	**23,940**	**$22,162**	**9,109**	**$1,700**

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1995 Rates and 1995 Income Levels[1]—Continued

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

Income class (thousands)[2]	Mortgage interest deduction	
	Returns	Amount
Below $10	29	$47
$10 to $20	420	173
$20 to $30	1,364	685
$30 to $40	2,661	1,919
$40 to $50	3,436	3,270
$50 to $75	8,516	11,005
$75 to $100	5,590	12,253
$100 to $200	4,540	16,359
$200 and over	1,293	12,624
Total	**27,849**	**$58,335**

Footnotes to Table 3:

[1] Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) workers' compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad.

[3] Includes the refundable portion of the earned income credit. Excludes the credit for child medical insurance premiums.

[4] Less than 500 returns.

[5] Less than $500,000.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

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