

Table 463. Tax Expenditures Estimates Related to Individual and Corporate Income Taxes by Selected Function: 2006 to 2009

[In millions of dollars (3,100 represents \$3,100,000,000). For years ending September 30. Tax expenditures are defined 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 liability]

Function and provision	2006	2007	2008	2009
National defense:				
Exclusion of benefits and allowances to armed forces personnel	3,100	3,220	3,350	3,480
International affairs:				
Exclusion of income earned abroad by U.S. citizens	2,500	2,630	2,760	2,900
Extraterritorial income exclusion	4,400	1,630	—	—
Deferral of income from controlled foreign corporations (normal tax method)	11,160	11,940	12,770	13,650
Deferred taxes for financial firms on certain income earned overseas	2,260	2,370	2,490	1,060
General science, space, and technology:				
Expensing of research and experimentation expenditures (normal tax method)	7,920	5,680	5,280	4,060
Credit for increasing research activities	2,180	10,320	4,960	2,100
Energy:				
Alternative fuel production credit	2,980	2,370	780	10
Commerce and housing:				
Financial institutions and insurance:				
Exclusion of interest on life insurance savings	19,380	20,150	21,925	25,060
Housing:				
Deductibility of mortgage interest on owner-occupied homes	68,330	79,940	89,430	96,250
Deductibility of state and local property tax on owner-occupied homes	21,260	15,540	12,620	12,590
Capital gains exclusion on home sales	35,270	37,030	38,890	40,830
Exclusion of net imputed rental income	28,780	32,110	35,680	39,440
Exception from passive loss rules for \$25,000 of rental loss	6,590	7,150	7,520	7,790
Credit for low-income housing investments	4,420	4,660	4,940	5,250
Accelerated depreciation on rental housing (normal tax method)	10,340	11,240	12,300	13,480
Commerce:				
Capital gains (except agriculture, timber, iron ore, and coal)	48,610	51,770	51,960	52,230
Step-up basis of capital gains at death	29,600	32,600	35,900	36,750
Accelerated depreciation of machinery and equipment (normal tax method)	36,470	51,030	64,670	78,390
Expensing of certain small investments (normal tax method)	5,000	5,330	5,330	4,740
Graduated corporation income tax rate (normal tax method)	4,050	4,270	4,240	4,320
Deduction for U.S. production activities	9,950	10,700	13,810	14,500
Transportation:				
Exclusion of reimbursed employee parking expenses	2,740	2,890	3,040	3,190
Education, training, employment, and social services:				
Education:				
HOPE tax credit	3,900	3,330	3,350	3,600
Lifetime Learning tax credit	2,490	2,190	2,200	2,310
Exclusion of interest on bonds for private nonprofit educational facilities	2,140	2,380	2,530	2,610
Parental personal exemption for students age 19 years or over	4,030	2,500	1,590	1,480
Deductibility of charitable contributions (education)	4,200	4,550	5,120	5,520
Training, employment, and social services:				
Child credit	30,377	32,556	32,341	32,096
Credit for child and dependent care expenses	3,190	2,810	1,740	1,650
Deductibility of charitable contributions, other than education and health	37,120	40,400	45,760	49,360
Health:				
Exclusion of employer contributions for medical insurance premiums ¹	125,000	141,270	160,190	179,580
Self-employed medical insurance premiums	3,970	4,370	3,730	4,180
Deductibility of medical expenses	3,770	4,240	4,920	5,820
Exclusion of interest on hospital construction bonds	3,420	3,770	4,010	4,130
Deductibility of charitable contributions (health)	4,190	4,560	5,160	5,570
Income security:				
Exclusion of workers' compensation benefits	5,660	5,740	5,830	5,920
Net exclusion of pension contributions and earnings:				
Employer plans	49,040	49,510	48,480	48,030
401(k) plans	40,760	42,410	43,970	45,980
Individual Retirement Accounts	3,970	5,700	6,650	7,130
Keogh plans	10,130	10,860	11,890	13,010
Exclusion of other employee benefits:				
Premiums on group term life insurance	2,280	2,310	2,350	2,380
Earned income tax credit	5,050	5,360	5,340	5,490
Social security:				
Exclusion of social security benefits:				
Social security benefits for retired workers	17,890	18,100	18,930	19,110
Social security benefits for disabled	4,730	5,120	5,620	5,890
Social security benefits for dependents and survivors	3,360	3,340	3,400	3,330
Veterans' benefits and services:				
Exclusion of veterans' death benefits and disability compensation	3,580	3,770	3,890	4,030
General purpose fiscal assistance:				
Exclusion of interest on public purpose state and local bonds	22,980	25,430	27,150	27,960
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	43,120	33,680	27,900	27,790
Addendum: Aid to state and local governments:				
Deductibility of:				
Property taxes on owner-occupied homes	21,260	15,540	12,620	12,590
Nonbusiness state and local taxes other than on owner-occupied homes	43,120	33,680	27,900	27,790
Exclusion of interest on state and local bonds for:				
Public purposes	22,980	25,430	27,150	27,960
Private nonprofit educational facilities	2,140	2,380	2,530	2,610
Hospital construction	3,420	3,770	4,010	4,130

– Represents zero. ¹ Includes medical care.

Source: U.S. Office of Management and Budget, *Budget of the United States Government, Analytical Perspectives*, annual. See Internet site <<http://www.whitehouse.gov/omb/budget/ty2008/>>.