

Table 459. Tax Expenditures Estimates Relating to Individual and Corporate Income Taxes by Selected Function: 2007 to 2010

[In millions of dollars (3,220 represents \$3,220,000,000). 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	2007	2008	2009	2010
National Defense:				
Exclusion of benefits and allowances to armed forces personnel	3,220	3,350	3,480	3,620
International affairs:				
Exclusion of income earned abroad by U.S. citizens	2,630	2,760	2,900	3,050
Extraterritorial income exclusion	4,400	1,630	-	-
Deferral of income from controlled foreign corporations (normal tax method)	12,490	13,120	13,780	14,480
Deferred taxes for financial firms on certain income earned overseas	2,370	2,490	1,060	-
General science, space, and technology:				
Expensing of research and experimentation expenditures (normal tax method)	5,190	4,720	4,990	4,470
Credit for increasing research activities	10,320	4,660	2,100	920
Energy:				
Alternative fuel production credit	2,920	1,310	70	80
Commerce and housing:				
Financial institutions and insurance:				
Exclusion of interest on life insurance savings	19,910	21,840	23,500	25,200
Housing:				
Deductibility of mortgage interest on owner-occupied homes	84,850	94,790	100,810	107,020
Deductibility of state and local property tax on owner-occupied homes	19,120	16,360	16,640	16,820
Capital gains exclusion on home sales	31,480	33,050	34,710	36,440
Exclusion of net imputed rental income	3,890	5,440	7,550	10,478
Exception from passive loss rules for \$25,000 of rental loss	7,840	8,430	8,840	9,160
Credit for low-income housing investments	5,030	5,380	5,780	6,180
Accelerated depreciation on rental housing (normal tax method)	9,860	10,780	11,760	12,720
Commerce:				
Capital gains (except agriculture, timber, iron ore, and coal)	53,230	55,540	55,940	59,170
Step-up basis of capital gains at death	32,600	35,900	36,750	37,950
Accelerated depreciation of machinery and equipment (normal tax method)	26,410	35,180	44,120	49,760
Expensing of certain small investments (normal tax method)	3,660	3,660	3,400	500
Graduated corporation income tax rate (normal tax method)	5,400	5,220	5,290	5,510
Deduction for U.S. production activities	9,800	14,020	15,330	21,110
Transportation:				
Exclusion of reimbursed employee parking expenses	2,830	2,950	3,070	3,200
Education, training, employment, and social services:				
Education:				
HOPE tax credit	3,370	3,380	3,640	3,750
Lifetime Learning tax credit	2,210	2,220	2,340	2,420
Exclusion of interest on bonds for private nonprofit educational facilities	1,750	1,870	1,930	1,980
Parental personal exemption for students age 19 years or over	2,690	1,880	1,760	1,710
Deductibility of charitable contributions (education)	4,330	4,880	5,270	5,670
Training, employment, and social services:				
Child credit	30,910	30,160	29,950	29,870
Credit for child and dependent care expenses	2,780	1,810	1,720	1,650
Deductibility of charitable contributions, other than education and health	38,200	43,370	46,980	50,550
Health:				
Exclusion of employer contributions for medical insurance premiums ¹	133,790	151,810	168,460	185,250
Self-employed medical insurance premiums	4,260	4,680	5,170	5,710
Deductibility of medical expenses	4,470	5,060	5,920	6,800
Exclusion of interest on hospital construction bonds	2,760	2,950	3,040	3,120
Deductibility of charitable contributions (health)	4,310	4,890	5,300	5,700
Income security:				
Exclusion of workers' compensation benefits	5,740	5,830	5,920	6,010
Net exclusion of pension contributions and earnings:				
Employer plans	47,060	46,120	45,670	44,370
401(k) plans	46,000	49,000	51,000	55,000
Individual Retirement Accounts	9,500	10,800	11,700	12,200
Keogh plans	11,000	12,000	13,000	14,000
Exclusion of other employee benefits:				
Premiums on group term life insurance	2,100	2,170	2,250	2,290
Earned income tax credit	4,990	5,200	5,440	5,720
Social security:				
Exclusion of social security benefits:				
Social security benefits for retired workers	17,690	18,480	18,640	19,720
Social security benefits for disabled	5,050	5,540	5,810	6,150
Social security benefits for dependents and survivors	3,270	3,320	3,240	3,340
Veterans' benefits and services:				
Exclusion of veterans' death benefits and disability compensation	3,760	3,870	3,950	4,140
General purpose fiscal assistance:				
Exclusion of interest on public purpose state and local bonds	23,540	25,140	25,900	26,670
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	37,500	32,730	33,200	34,450
Addendum: Aid to state and local governments:				
Deductibility of:				
Property taxes on owner-occupied homes	19,120	16,360	16,640	16,820
Nonbusiness state and local taxes other than on owner-occupied homes	37,500	32,730	33,200	34,450
Exclusion of interest on state and local bonds for:				
Public purposes	23,540	25,140	25,900	26,670
Private nonprofit educational facilities	1,770	1,870	1,930	1,980
Hospital construction	2,760	2,950	3,040	3,120

- 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/fy2009/>>.