

**Table 477. Tax Expenditures Estimates Relating to Individual and Corporate Income Taxes by Selected Function: 2010 to 2013**

[In millions of dollars (12,740 represents \$12,740,000,000). 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. Minus sign (-) indicates decrease]

Function and provision	2010	2011	2012	2013
National defense:				
Exclusion of benefits and allowances to armed forces personnel . . . . .	12,740	13,290	13,710	12,200
International affairs:				
Exclusion of income earned abroad by U.S. citizens . . . . .	6,800	5,550	5,400	5,800
Exclusion of certain allowances for Federal employees abroad . . . . .	970	1,020	1,070	1,120
Inventory property sales source rules exception . . . . .	2,680	2,910	3,160	3,430
Deferral of income from controlled foreign corporations (normal tax method) . . . . .	38,130	41,410	42,000	41,810
Deferred taxes for financial firms on certain income earned overseas . . . . .	2,330	-	-	-
General science, space, and technology:				
Expensing of research and experimentation expenditures (normal tax method) . . . . .	3,560	4,610	5,770	6,730
Credit for increasing research activities . . . . .	5,890	3,850	3,080	2,460
Energy:				
Alternative fuel production credit . . . . .	170	170	120	90
Energy production credit . . . . .	1,540	1,620	1,740	1,900
Energy investment credit . . . . .	130	170	960	1,690
Bio-diesel and small agri-biodiesel producer tax credits . . . . .	20	10	-	-
Commerce and housing:				
Financial institutions and insurance:				
Exclusion of interest on life insurance savings . . . . .	19,910	21,210	22,660	24,220
Housing:				
Deductibility of mortgage interest on owner-occupied homes . . . . .	79,150	88,720	98,550	110,660
Deductibility of state and local property tax on owner-occupied homes . . . . .	15,120	19,320	24,910	27,000
Capital gains exclusion on home sales . . . . .	22,160	27,650	35,200	38,880
Exclusion of net imputed rental income . . . . .	41,200	46,950	50,640	51,080
Exception from passive loss rules for \$25,000 of rental loss . . . . .	8,790	10,860	13,110	14,830
Credit for low-income housing investments . . . . .	5,650	5,990	6,290	7,130
Accelerated depreciation on rental housing (normal tax method) . . . . .	-1,490	-1,670	-1,580	-1,370
Commerce:				
Capital gains (except agriculture, timber, iron ore, and coal) . . . . .	36,300	37,560	38,490	43,260
Step-up basis of capital gains at death . . . . .	39,520	50,940	61,480	66,090
Accelerated depreciation of machinery and equipment (normal tax method) . . . . .	39,790	17,540	24,450	44,290
Expensing of certain small investments (normal tax method) . . . . .	950	6,710	-	-2,820
Graduated corporation income tax rate (normal tax method) . . . . .	3,000	3,280	3,220	3,300
Deduction for U.S. production activities . . . . .	13,140	13,800	14,630	15,510
Transportation:				
Exclusion of reimbursed employee parking expenses . . . . .	2,970	3,050	3,180	3,320
Education, training, employment, and social services:				
Education:				
HOPE tax credit . . . . .	-	540	5,410	5,510
Lifetime Learning tax credit . . . . .	3,490	3,880	5,530	5,660
Exclusion of interest on bonds for private nonprofit educational facilities . . . . .	2,340	2,400	2,840	3,360
Parental personal exemption for students age 19 years or over . . . . .	2,960	2,990	3,400	3,210
Deductibility of charitable contributions (education) . . . . .	3,930	4,520	4,900	5,290
Training, employment, and social services:				
Child credit . . . . .	23,030	18,330	10,580	10,290
Credit for child and dependent care expenses . . . . .	3,470	1,900	1,710	1,660
Deductibility of charitable contributions, other than education and health . . . . .	34,080	39,610	43,110	46,570
Health:				
Exclusion of employer contributions for medical insurance premiums <sup>1</sup> . . . . .	160,110	173,750	184,460	196,220
Self-employed medical insurance premiums . . . . .	5,680	6,210	6,690	7,200
Deductibility of medical expenses . . . . .	9,090	10,030	10,010	9,930
Exclusion of interest on hospital construction bonds . . . . .	3,530	3,630	4,290	5,080
Deductibility of charitable contributions (health) . . . . .	3,850	4,470	4,870	5,250
Income security:				
Exclusion of workers' compensation benefits . . . . .	6,770	7,050	7,410	7,790
Net exclusion of pension contributions and earnings:				
Employer plans . . . . .	39,580	42,200	45,230	46,460
401(k) plans . . . . .	52,240	62,850	67,590	69,060
Individual Retirement Accounts . . . . .	12,630	13,930	15,610	16,020
Keogh plans . . . . .	13,820	15,030	17,070	19,580
Exclusion of other employee benefits:				
Premiums on group term life insurance . . . . .	1,950	1,980	2,080	2,120
Earned income tax credit . . . . .	4,910	7,510	8,500	8,730
Exclusion of unemployment insurance benefits . . . . .	5,220	-	-	-
Social security:				
Exclusion of social security benefits:				
Social security benefits for retired workers . . . . .	21,440	20,300	21,830	23,350
Social security benefits for disabled . . . . .	7,040	7,180	7,510	7,840
Social security benefits for dependents and survivors . . . . .	3,850	3,160	3,270	3,300
Veterans' benefits and services:				
Exclusion of veterans' death benefits and disability compensation . . . . .	4,130	4,510	5,010	5,520
General purpose fiscal assistance:				
Exclusion of interest on public purpose state and local bonds . . . . .	30,440	31,260	36,960	43,720
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes . . . . .	26,890	37,720	48,640	54,030
Interest:				
Deferral of interest on U.S. savings bonds . . . . .	1,180	1,220	1,300	1,320
Addendum: Aid to state and local governments:				
Deductibility of:				
Property taxes on owner-occupied homes . . . . .	15,120	19,320	24,910	27,000
Nonbusiness state and local taxes other than on owner-occupied homes . . . . .	26,890	37,720	48,640	54,030
Exclusion of interest on state and local bonds for:				
Public purposes . . . . .	30,440	31,260	36,960	43,720
Private nonprofit educational facilities . . . . .	2,340	2,400	2,840	3,360
Hospital construction . . . . .	3,530	3,630	4,290	5,080

- Represents zero. <sup>1</sup> Includes medical care.

Source: U.S. Office of Management and Budget, Budget of the United States Government, Analytical Perspectives, annual.

See also <<http://www.whitehouse.gov/omb/budget/>>.