

TABLE A-1. (Continued)

Function and Subfunction	Corporations						Individuals					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
376 <u>Other Advancement and Regulation of Commerce</u>												
Exclusion of interest on state and local industrial development bonds	1,295	1,690	2,160	2,670	3,235	3,875	315	410	525	650	790	945
Exemption of credit union income	110	115	120	125	135	140	---	---	---	---	---	---
Exclusion of interest on life insurance savings	---	---	---	---	---	---	4,535	4,805	5,165	5,790	6,615	7,245
Deductibility of nonmortgage interest in excess of investment income	---	---	---	---	---	---	7,585	7,690	8,085	8,625	9,220	10,010
Expensing of construction period interest and taxes	505	610	735	855	975	1,110	275	320	390	455	515	590
Depreciation on rental housing in excess of straight-line	105	130	155	165	180	195	460	575	665	720	760	795
Depreciation on buildings (other than rental housing) in excess of straight-line	175	210	245	280	315	350	155	190	220	245	275	310
Reinvestment of dividends in stock of public utilities	---	---	---	---	---	---	130	365	415	450	280	---
Net interest exclusion	---	---	---	---	---	---	---	---	---	1,115	3,090	3,425
Exclusion of interest on certain savings certificates	---	---	---	---	---	---	400	1,790	1,140	---	---	---
Accelerated depreciation on equipment other than leased property	6,455	10,705	16,080	23,020	33,140	39,075	845	1,695	2,540	3,530	5,140	6,455
Safe-harbor leasing:												
Accelerated depreciation and deferral	1,285	2,180	3,285	4,530	5,785	6,860	---	---	---	---	---	---
Investment credit	1,365	1,435	1,780	2,200	2,730	3,380	---	---	---	---	---	---
Amortization of business start-up costs	5	10	15	20	25	30	65	95	130	175	230	255
Capital gains other than agriculture, timber, iron ore, and coal	1,495	1,710	1,900	2,100	2,300	2,500	18,315	14,390	13,385	14,225	14,505	14,685
Capital gains at death	---	---	---	---	---	---	5,245	3,975	3,565	3,665	3,920	4,195

(Continued)

TABLE A-1. (Continued)

Function and Subfunction	Corporations						Individuals					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
376 <u>Other Advancement and Regulation of Commerce (continued)</u>												
Dividend and interest exclusion ^d	---	---	---	---	---	---	2,185	550	555	580	605	635
Reduced rates on the first \$100,000 of corporate income	6,605	7,125	8,065	8,740	8,660	8,630	---	---	---	---	---	---
Investment credit, other than for ESOPs, rehabilitation of structures, reforestation and leasing	14,970	14,825	19,775	22,825	22,550	23,555	3,475	3,825	4,205	4,625	5,090	5,595
400 TRANSPORTATION												
401 <u>Ground Transportation</u>												
Amortization of motor-carrier operating rights	120	70	70	55	20	b	b	b	b	b	b	b
Exclusion of interest on state and local government IDBs for mass transit	10	35	65	85	90	90	5	15	30	40	45	45
403 <u>Water Transportation</u>												
Deferral of tax on shipping companies	65	85	80	50	40	35	---	---	---	---	---	---
450 COMMUNITY AND REGIONAL DEVELOPMENT												
451 <u>Community Development</u>												
Five-year amortization for housing rehabilitation	35	40	45	50	60	65	55	60	70	75	80	85
Investment credit for rehabilitation of structures other than historic structures	455	505	570	640	725	825	80	90	100	115	130	145

(Continued)

TABLE A-1. (Continued)

Function and Subfunction	Corporations						Individuals					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
500 EDUCATION, TRAINING, EMPLOY- MENT AND SOCIAL SERVICES												
502 <u>Higher Education</u>												
Exclusion of scholarship and fellowship income	---	---	---	---	---	---	465	415	375	395	410	435
Employer educational assistance	---	---	---	---	---	---	40	40	20	---	---	---
Exclusion of interest on state and local student loan bonds	60	95	135	175	220	260	30	45	65	85	105	125
Parental personal exemption for students age 19 or over	---	---	---	---	---	---	995	900	845	835	845	855
Deductibility of charitable contributions (education)	315	365	445	515	550	575	580	560	570	660	830	860
504 <u>Training and Employment Services</u>												
Credit for child and dependent care expenses	---	---	---	---	---	---	1,350	1,465	1,515	1,660	1,820	2,030
Targeted jobs credit	235	75	60	35	10	5	b	b	b	b	b	b
505 <u>Other Labor Services</u>												
Exclusion of employee meals and lodging (other than military)	---	---	---	---	---	---	655	680	725	795	870	945
Investment credit for ESOPs	1,005	1,095	1,245	1,830	2,320	2,460	---	---	---	---	---	---
Exclusion for employer- provided child care	---	---	---	---	---	---	b	10	25	55	85	120
506 <u>Social Services</u>												
Deductibility of charitable contributions, other than education and health	385	450	555	635	680	710	7,960	7,635	7,840	9,045	11,335	11,790
Exclusion of contributions to prepaid legal services plans	---	---	---	---	---	---	20	25	25	10	---	---
Deduction for two-earner married couples	---	---	---	---	---	---	705	3,980	7,030	7,980	8,945	10,070
Deduction for adoption expenses	---	---	---	---	---	---	10	10	10	10	10	15

(Continued)

TABLE A-1. (Continued)

Function and Subfunction	Corporations						Individuals					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
550 HEALTH												
551 <u>Health Care Services</u>												
Exclusion of employer contributions for medical insurance premiums and medical care ^e	---	---	---	---	---	---	15,330	16,380	17,895	20,300	23,285	26,705
Deductibility of medical expenses	---	---	---	---	---	---	3,925	4,175	4,190	4,495	4,840	5,305
Exclusion of interest on state and local hospital bonds	430	505	590	665	735	805	210	250	290	330	365	395
Deductibility of charitable contributions (health)	195	225	275	320	340	355	1,165	1,120	1,150	1,325	1,660	1,725
600 INCOME SECURITY												
601 <u>General Retirement and Disability Insurance</u>												
Exclusion of Social Security benefits												
Disability insurance benefits	---	---	---	---	---	---	915	910	910	950	1,000	1,060
OASI benefits for retired survivors	---	---	---	---	---	---	9,980	10,525	10,955	11,825	12,790	13,765
Benefits for dependents and survivors	---	---	---	---	---	---	1,915	1,970	2,040	2,200	2,385	2,565
Exclusion of railroad retirement system benefits	---	---	---	---	---	---	380	370	385	400	415	435
Exclusion of workmen's compensation benefits	---	---	---	---	---	---	3,100	3,495	3,965	4,665	5,550	6,635
Exclusion of special benefits for disabled coal miners	---	---	---	---	---	---	95	90	85	85	85	90
Exclusion of disability pay	---	---	---	---	---	---	155	145	135	130	130	130
Net exclusion of pension contributions and earnings												
Employer plans	---	---	---	---	---	---	25,765	27,500	30,545	35,630	42,060	48,540
Plans for self-employed	---	---	---	---	---	---	1,005	1,065	1,050	1,075	1,145	1,215

(Continued)

TABLE A-1. (Continued)

Function and Subfunction	Corporations						Individuals					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
601 <u>General Retirement and Disability Insurance (continued)</u>												
Individual retirement plans	---	---	---	---	---	---	1,555	2,695	3,255	3,860	4,310	4,855
Exclusion of other employee benefits												
Premiums on group term life insurance	---	---	---	---	---	---	1,900	1,895	1,965	2,110	2,290	2,480
Premiums on accident and disability insurance	---	---	---	---	---	---	100	100	100	100	105	110
Additional exemption for the blind	---	---	---	---	---	---	30	30	30	30	30	30
Additional exemption for the elderly	---	---	---	---	---	---	2,355	2,370	2,375	2,455	2,560	2,730
Tax credit for the elderly	---	---	---	---	---	---	135	135	135	135	135	135
603 <u>Unemployment Compensation</u>												
Exclusion of untaxed unemployment insurance benefits	---	---	---	---	---	---	2,060	2,710	2,410	2,185	2,200	2,250
609 <u>Other Income Security</u>												
Exclusion of public assistance benefits	---	---	---	---	---	---	445	430	430	440	455	470
Deductibility of casualty and theft losses	---	---	---	---	---	---	800	850	930	1,035	1,155	1,310
Earned income credit ^f	---	---	---	---	---	---	555	550	500	475	440	400
700 VETERANS' BENEFITS AND SERVICES												
701 <u>Income Security for Veterans</u>												
Exclusion of veterans' disability compensation	---	---	---	---	---	---	1,360	1,380	1,325	1,320	1,325	1,330
Exclusion of veterans' pensions	---	---	---	---	---	---	85	90	85	90	95	100
702 <u>Veterans' Education, Training and Rehabilitation</u>												
Exclusion of GI bill benefits	---	---	---	---	---	---	175	145	135	120	105	95

(Continued)

TABLE A-1. (Continued)

Function and Subfunction	Corporations						Individuals					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
800 GENERAL GOVERNMENT												
806 <u>Other General Government</u> Credits for political contributions	---	---	---	---	---	---	80	80	80	80	80	80
850 GENERAL PURPOSE FISCAL ASSISTANCE												
851 <u>General Revenue Sharing</u> Exclusion of interest on general purpose state and local debt	3,905	4,395	4,870	5,295	5,660	5,990	1,925	2,165	2,410	2,620	2,810	2,975
Deductibility of non-business state and local taxes (other than on owner-occupied homes)	---	---	---	---	---	---	20,395	21,530	23,810	25,570	28,060	31,280
852 <u>Other General Purpose Fiscal Assistance</u> Tax credit for corporations receiving income from doing business in United States possessions	1,195	1,285	1,380	1,500	1,625	1,730	---	---	---	---	---	---
900 INTEREST												
901 <u>Interest on the Public Debt</u> Deferral of interest on savings bonds	---	---	---	---	---	---	-80	50	160	225	290	355
TOTAL	55,140	64,025	80,370	96,275	110,715	121,990	198,365	209,110	225,620	251,500	285,260	317,440

SOURCE: Congressional Joint Committee on Taxation.

- a. All estimates are based on the tax law enacted as of December 31, 1981.
- b. Less than \$2.5 million.
- c. In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of approximately \$50 million annually for 1982 and 1983, and approximately \$100 million annually thereafter.

(Continued)

Footnotes (Continued)

- d. The Economic Recovery Tax Act of 1981 terminated the \$200 dividend and interest exclusion (\$400 for joint returns) after 1981. After 1981, the law reverts to the prior \$100 dividend exclusion (\$200 for joint returns) with some technical modifications.
- e. CBO estimates that this tax expenditure will result in a higher revenue loss than the JCT estimate shown in this table. CBO estimates a loss of \$16.5 billion in 1982, \$18.1 billion in 1983, \$20.2 billion in 1984, \$23.3 billion in 1985, \$26.9 billion in 1986, and \$31.1 billion in 1987.
- f. The figures in the table indicate the effect of the earned income credit on receipts. The effect on outlays is: \$1,255 million in 1982, \$1,180 million in 1983, \$920 million in 1984, \$850 million in 1985, \$780 million in 1986, and \$720 million in 1987.

TABLE A-2. CHANGES IN THE TAX EXPENDITURE BUDGET BETWEEN 1981 AND 1982^a

Additions Because of	Deletions Because of
<p><u>Legislative Action</u> New Tax Expenditures Credit for increasing research activities Suspension of regulations relating to allocation under section 861 of research and experimental expenditures Public utility dividend reinvestment plans Net interest exclusion Exclusion of interest on certain savings certificates Safe-harbor leasing Exclusion of interest on state and local industrial development bonds for mass transit Amortization of motor-carrier operating rights Exclusion for employer-provided child care Deduction for two-earner married couples Deduction for adoption expenses</p> <p><u>Definitional Changes</u> Subdivision of items previously in the budget Individual retirement plans^b Accelerated depreciation on equipment other than leased property^c Deductibility of nonmortgage interest in excess of investment income^d</p>	<p><u>Legislative Action</u> Repealed Excess first-year depreciation Maximum tax on personal service income</p> <p>Expired Credit for employment of AFDC recipients and public assistance recipients under work incentive programs</p> <p><u>Definitional Changes</u> Items still in the tax code but no longer included in the budget Five-year amortization on pollution control facilities^e Five-year amortization on railroad rolling stock^f General jobs credit^f Exclusion of other employee benefits Income of trusts to finance supplementary unemployment benefits Deductibility of interest on consumer credit Asset Depreciation Range^f</p>

- a. All changes were legislated in the Economic Recovery Tax Act of 1981 (Public Law 97-34) unless otherwise noted.
- b. The change also involved a major legislative expansion.
- c. Replaces Asset Depreciation Range.
- d. Replaces deductibility of interest on consumer credit.
- e. This tax expenditure is no longer large enough to be included in the budget.
- f. This item is no longer included in the budget because its revenue effect results only from taxpayer activity in prior years.

APPENDIX B. ILLUSTRATIVE ALLOCATION OF TAX EXPENDITURES
TO COMMITTEES WITH AUTHORIZING JURISDICTION
OVER RELATED DIRECT OUTLAYS

This appendix provides an illustrative allocation of each tax expenditure to the House and Senate committees with authorizing jurisdiction over related direct outlays. This type of allocation has been included in each annual CBO report on tax expenditures since 1978. It is designed to serve as an initial guide if the Congress should decide to incorporate tax expenditures more fully into the Congressional budget process by allocating tax expenditures to other committees in addition to the tax committees.

The illustrative allocation of tax expenditures in this appendix has no formal status. The actual decisions on such matters would, of course, be made by the House and the Senate and their Parliamentarians. There are a number of instances in which a specific tax expenditure item could easily be assigned to more than one committee. In the list that follows, however, each tax expenditure is assigned to only one committee, based on CBO's best judgment as to which committee has jurisdiction over the most closely related spending programs.

This appendix includes only tax expenditures in effect as of December 31, 1981. No changes during calendar year 1982 are reflected here. Chapter II includes a discussion and listing of the tax expenditure changes enacted in 1982.

TABLE B-1. TAX EXPENDITURES BY CONGRESSIONAL COMMITTEE WITH AUTHORIZING JURISDICTION OVER RELATED DIRECT OUTLAYS (In millions of dollars)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
House of Representatives	
Agriculture	
Capital gains treatment of certain ordinary income	480
Expensing of certain capital outlays	560
Deductibility of noncash patronage dividends and certain other items of cooperatives	560
Capital gains treatment of certain timber income	615
Investment credit and seven-year amortization for reforestation expenditures	5
Exclusion of certain cost-sharing payments	<u>50</u>
Subtotal	2,270
Armed Services	
Exclusion of benefits and allowances to Armed Forces personnel	1,940
Exclusion of military disability pensions	<u>170</u>
Subtotal	2,110
Banking, Finance and Urban Affairs	
Exemption of credit union income	115
Excess bad debt reserves of financial institutions	515
Deductibility of mortgage interest on owner-occupied homes	25,490
Deductibility of property tax on owner-occupied homes	10,635
Exclusion of interest on state and local industrial development bonds (IDBs)	2,100

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Banking, Finance and Urban Affairs (continued)	
Exclusion of interest on state and local housing bonds, owner-occupied and rental	1,885
Deductibility of nonmortgage interest in excess of investment income	7,690
Deferral of capital gains on home sales	1,655
Capital gains (other than farming, timber, iron ore, and coal)	16,100
Depreciation of rental housing in excess of straight-line	705
Depreciation of buildings (other than rental housing) in excess of straight-line	400
Investment credit for rehabilitation of structures other than historic structures	595
5-year amortization for housing rehabilitation	100
Exclusion of capital gains on home sales for persons age 55 and over	550
Expensing of construction period interest and taxes	930
Dividend and interest exclusion	550
Reduced rates on first \$100,000 of corporate income	7,125
Accelerated depreciation on equipment other than leased property	12,400
Capital gains at death	3,975
Investment tax credit	18,650
Amortization of business start-up costs	105
Safe-harbor leasing	3,615
Deferral of income of domestic international sales corporations (DISCs)	1,665
Deferral of income of controlled foreign corporations	560

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Banking, Finance and Urban Affairs (continued)	
Exclusion of interest on certain savings certificates	1,790
Net interest exclusion ^a	<u>---</u>
Subtotal	119,900
Education and Labor	
Exclusion of scholarship and fellowship income	415
Exclusion of interest on state and local student loan bonds	140
Parental personal exemption for children age 19 and over	900
Deductibility for charitable contributions (education)	925
Credit for child and dependent care expenses	1,465
Employer educational assistance	40
Additional exemption for the elderly	2,370
Additional exemption for the blind	30
Exclusion for workmen's compensation benefits	3,495
Exclusion of special benefits for disabled coal miners	90
Net exclusion of pension contributions and earnings	
Employer plans	27,500
Plans for self-employed and others	1,065
Exclusion of other employee benefits	
Premiums on group term life insurance	1,895
Premiums on accident and disability insurance	100
Exclusion of disability pay	145
Exclusion of interest on life insurance savings	4,805

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Education and Labor (continued)	
Deduction for two-earner married couples	3,980
Deduction for adoption expenses	10
Tax credit for the elderly	135
Earned income credit	550
Deductibility of casualty and theft losses	850
Exclusion of employee meals and lodging (other than military)	680
Exclusion for contributions to prepaid legal services plans	25
Investment credit for employee stock ownership plans (ESOPs)	1,095
Exclusion for employer-provided child care	10
Deductibility of charitable contributions for other than education and health	8,085
Targeted jobs credit	75
Individual retirement plans	<u>2,695</u>
Subtotal	63,570
Energy and Commerce	
Deductibility of medical expenses	4,175
Deductibility of charitable contribu- tions (health)	1,345
Exclusion of railroad retirement system benefits	370
Expensing of exploration and development costs	
Oil and gas	4,530
Other fuels	30
Excess of percentage over cost depletion	
Oil and gas	1,695
Other fuels	425

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Energy and Commerce (continued)	
Capital gains treatment of royalties from coal	95
Alternative fuel production credit	70
Alcohol fuel credit	35
Energy credit for intercity buses	5
Residential energy credits	670
Alternative conservation and new tech- nology credits	600
Exclusion of interest on state and local IDBs for energy production facilities	15
Exclusion of interest on state and local hospital bonds	755
Exclusion of payments in aid of construc- tion in water, sewage, gas and electric utilities	45
Exclusion of income earned abroad by United States citizens	1,285
Reinvestment of dividends in stock of public utilities	365
Exclusion of employer contributions for medical insurance premiums and medical care	16,380
Exclusion of interest on state and local pollution control bonds	<u>975</u>
Subtotal	33,865
Government Operations	
Deductibility of nonbusiness state and local taxes (other than on owner-occupied homes)	21,530

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Government Operations (continued)	
Exclusion of interest on general purpose state and local debt	<u>6,560</u>
Subtotal	28,090
House Administration	
Credits for political contributions	<u>80</u>
Interior and Insular Affairs	
Tax incentives for preservation of historic structures	170
Capital gains treatment of royalties on iron ore	20
Expensing of exploration and development costs, nonfuel minerals	55
Excess of percentage over cost depletion, nonfuel minerals	440
Tax credit for corporations doing business in U.S. possessions	<u>1,285</u>
Subtotal	1,970
Merchant Marine and Fisheries	
Deferral of tax on shipping companies	<u>85</u>
Public Works and Transportation	
Amortization of motor carrier operating rights	70
Exclusion of interest on state and local government IDBs for mass transit	<u>50</u>
Subtotal	120

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Science and Technology	
Credit for increasing research activities	575
Expensing of research and development expenditures	2,160
Suspension of regulations relating to allocation under section 861 of research and experimental expenditures	<u>120</u>
Subtotal	2,855
Veterans' Affairs	
Exclusion of veterans' disability compensation	1,380
Exclusion of veterans' pensions	90
Exclusion of GI Bill benefits	<u>145</u>
Subtotal	1,615
Ways and Means	
Deferral of interest on savings bonds	50
Exclusion of unemployment insurance benefits	2,710
Exclusion of public assistance benefits	430
Exclusion of Social Security benefits	
Disability insurance benefits	910
OASI benefits for retired workers	10,525
Benefits for dependents and survivors	<u>1,970</u>
Subtotal	<u>16,595</u>
Total	<u>273,135</u>

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Senate	
Agriculture, Nutrition and Forestry	
Investment credit and seven-year amortiza- tion for reforestation expenditures	5
Capital gains treatment of certain timber income	615
Capital gains treatment of certain income, agriculture	480
Expensing of certain capital outlays	560
Deductibility of noncash patronage dividends and certain other items of cooperatives	560
Exclusion of certain cost-sharing payments	<u>50</u>
Subtotal	2,270
Armed Services	
Exclusion of benefits and allowances to Armed Forces personnel	1,940
Exclusion of military disability pensions	<u>170</u>
Subtotal	2,110
Banking, Housing and Urban Affairs	
Deferral of income of domestic international sales corporations (DISCs)	1,665
Deferral of income of controlled foreign corporations	560
Exclusion of income earned abroad by United States citizens	1,285
Exemption of credit union income	115
Excess bad debt reserves of financial institutions	515

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Banking, Housing and Urban Affairs (continued)	
Deductibility of mortgage interest on owner-occupied homes	25,490
Deductibility of property tax on owner-occupied homes	10,635
Deductibility of nonmortgage interest in excess of investment income	7,690
Deferral of capital gains on home sales	1,655
Dividend and interest exclusion	550
Reduced rates on first \$100,000 of corporate income	7,125
Investment credit for rehabilitation of structures other than historic structures	595
Capital gains (other than agriculture, timber, iron ore, and coal)	16,100
Capital gains at death	3,975
Depreciation of rental housing in excess of straight-line	705
Depreciation on buildings (other than rental housing) in excess of straight-line	400
Expensing of construction period interest and taxes	930
Amortization of business start-up costs	105
Investment tax credit	18,650
Accelerated depreciation on equipment other than leased property	12,400
5-year amortization for housing rehabilitation	100
Exclusion of capital gains on home sales for persons age 55 or older	550
Exclusion of interest on state and local housing bonds, owner-occupied and rental	1,885
Exclusion of interest on state and local industrial development bonds (IDBs)	2,100

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Banking, Housing and Urban Affairs (continued)	
Net interest exclusion ^a	---
Exclusion of interest on certain savings certificates	1,790
Safe-harbor leasing	<u>3,615</u>
Subtotal	121,185
Commerce, Science and Transportation	
Expensing of research and development expenditures	2,160
Amortization of motor carrier operating rights	70
Deferral of tax on shipping companies	85
Credit for increasing research activities	575
Suspension of regulations relating to allocation under section 861 of research and experimental expenditures	120
Exclusion of interest on state and local IDBs for mass transit	<u>50</u>
Subtotal	3,060
Energy and Natural Resources	
Expensing of exploration and development costs, fuels and nonfuel minerals	4,615
Excess of percentage over cost depletion, fuels and nonfuel minerals	2,560
Capital gains treatment of royalties on iron ore and coal	115
Tax incentives for preservation of historic structures	170
Alternative fuel production credit	70

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Energy and Natural Resources (continued)	
Alcohol fuel credit	35
Residential energy credits	670
Alternative, conservation and new technology credits	600
Exclusion of interest on state and local IDBs for energy production facilities	15
Energy credit for intercity buses	5
Tax credit for corporations doing business in U.S. possessions	1,285
Reinvestment of dividends in stock of public utilities	<u>365</u>
Subtotal	10,505
Environment and Public Works	
Exclusion of interest on state and local government pollution control bonds	975
Exclusion of payments in aid of construction of water, sewage, gas and electric utilities	<u>45</u>
Subtotal	1,020
Finance	
Deferral of interest on savings bonds	50
Exclusion of Social Security benefits	
Disability insurance benefits	910
OASI benefits for retired workers	10,525
Benefits for dependents and survivors	1,970
Exclusion of unemployment insurance benefits	2,710
Exclusion of public assistance benefits	430
Exclusion of interest on general purpose state and local debt	6,560

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Finance (continued)	
Deductibility of nonbusiness state and local taxes (other than on owner-occupied homes)	<u>21,530</u>
Subtotal	44,685
Labor and Human Resources	
Exclusion of scholarship and fellowship income	415
Exclusion of interest on state and local student loan bonds	140
Parental personal exemption for students age 19 and over	900
Deductibility of charitable contributions (education)	925
Credit for child and dependent care expenses	1,465
Exclusion of employee meals and lodging (other than military)	680
Exclusion of contributions to prepaid legal services plans	25
Investment credit for employee stock ownership plans (ESOPs)	1,095
Deductibility of charitable contributions for other than education and health	8,085
Exclusion of employer contributions for medical insurance premiums and medical care	16,380
Deductibility of medical expenses	4,175
Deductibility of charitable contributions (health)	1,345
Exclusion of interest on state and local hospital bonds	755
Earned income credit	550
Exclusion of railroad retirement system benefits	370
Exclusion of workmen's compensation benefits	3,495

(Continued)

TABLE B-1. (Continued)

Tax Expenditure	Fiscal Year 1983 Revenue Loss Estimate
Labor and Human Resources (continued)	
Exclusion of special benefits for disabled coal miners	90
Net exclusion of pension contributions and earnings	
Employer plans	27,500
Plans for self-employed and others	1,065
Exclusion of other employee benefits	
Premiums on group term life insurance	1,895
Premiums on accident and disability insurance	100
Individual retirement plans	2,695
Exclusion for employer-provided child care	10
Deduction for adoption expenses	10
Deduction for two-earner married couples	3,980
Additional exemption for the elderly	2,370
Tax credit for the elderly	135
Exclusion of interest on life insurance savings	4,805
Exclusion of disability pay	145
Additional exemption for the blind	30
Deductibility of casualty and theft losses	850
Targeted jobs credit	75
Employer educational assistance	<u>40</u>
Subtotal	86,595
Rules and Administration	
Credits for political contributions	<u>80</u>
Veterans' Affairs	
Exclusion of veterans' disability compensation	1,380
Exclusion of veterans' pensions	90
Exclusion of GI Bill benefits	<u>145</u>
Subtotal	<u>1,615</u>
Total	273,135

- a. There is no projected revenue loss from this tax expenditure until fiscal year 1985.

APPENDIX C. INITIAL AUTHORIZATION FOR CURRENT TAX EXPENDITURES

It is commonly assumed that most current tax expenditures were deliberately designed to serve the purposes they now serve--providing special incentives or relief to particular groups or industries. For many of the more recently enacted tax expenditures, this is true. They are not defended as necessary to the operation of the tax system, but rather as ways of providing government assistance. The first tax expenditure budget was not prepared until 1967 by the Treasury Department, however. Before that time, it was less common to think of such special tax provisions in this way. Provisions that are now viewed as tax expenditures often became part of the tax code for reasons that are quite unrelated to their current major justification. The deductibility of home mortgage interest, for example, dates back to the 1913 income tax law. No explicit rationale was given for its enactment, but committee reports and floor debates suggest that interest payments in general were viewed as reductions in income that should be taken into account in determining ability to pay. Since large-scale home mortgage financing did not begin until the 1940s, however, the provision was not viewed as the major aid to homeownership that it now is.

Each tax expenditure provision has a different history, of course. The compendium of tax expenditures published earlier this year by the Senate Committee on the Budget gives details on the history of each provision.¹ It is instructive, nonetheless, to see how many of the major tax provisions date back to before the 1950s. Table C-1 gives the initial date of authorization--either by law or by regulation--for each tax expenditure. Table C-2 gives some summary data. Measured by dollar amounts, over 80 percent of all current tax expenditures were in place by 1950. This represents only about 50 percent of the total number of current tax expenditures, however. About half of all current tax expenditures were thus enacted after 1950, although the average current revenue loss per tax expenditure for these items is much less than for those enacted earlier.

1. Committee on the Budget, United States Senate, Tax Expenditures (March 17, 1982).

TABLE C-1. INITIAL AUTHORITY FOR CURRENT LAW TAX EXPENDITURES AND FISCAL YEAR 1982 REVENUE LOSS

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Deferral of income of controlled foreign corporations	520	1909	Accepted practice 1909-1962; restricted under the Revenue Act of 1962 (P.L. 87-834)
Exemption of credit union income	110	1909	1909 income tax law
Exclusion of interest on state and local hospital bonds	640	1913	1913 income tax law ^a
Exclusion of interest on life insurance savings	4,535	1913	1913 income tax law
Deductibility of nonmortgage interest in excess of investment income	7,585	1913	1913 income tax law
Deductibility of mortgage interest on owner-occupied homes	23,030	1913	1913 income tax law
Deductibility of property tax on owner-occupied homes	10,065	1913	1913 income tax law
Exclusion of interest on state and local housing bonds for owner-occupied housing ^b	1,070	1913	1913 income tax law
Expensing of construction period interest and taxes	780	1913	1913 income tax law
Deductibility of casualty and theft losses	800	1913	1913 income tax law
Exclusion of interest on general purpose state and local debt	5,830	1913	1913 income tax law
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	20,395	1913	1913 income tax law
Expensing of exploration and development costs for oil and gas	4,070	1916	Expensing of development costs accepted practice until 1945 and specifically enacted in the 1954 Internal Revenue Code; expensing of exploration costs legislated in the 1951 Revenue Act
Deductibility of charitable contributions (education)	895	1917	1917 Revenue Act

(Continued)