

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Deductibility of charitable contributions (health)	1,360	1917	1917 Revenue Act
Deductibility of charitable contributions other than education and health	8,345	1917	1917 Revenue Act
Exclusion of veterans' disability compensation	1,360	1917	1917 Revenue Act
Exclusion of veterans' pensions	85	1917	1917 Revenue Act
Exclusion of GI bill benefits	175	1917	1917 Revenue Act
Exclusion of disability pay	155	1918	1918 Revenue Act <sup>C</sup>
Exclusion of workmen's compensation benefits	3,100	1918	1918 Revenue Act
Exclusion of employee meals and lodging (other than military)	655	1918	1918-1954 regulation; enacted in 1954 Internal Revenue Code
Excess of percentage over cost depletion-- oil and gas, and other fuels	2,350	1918	Depletion on a discovery-value basis accepted practice 1918- 1926; 1926 Revenue Act enacted percentage over cost depletion for oil and gas; other fuels included in the 1932 Revenue Act
Excess of percentage over cost depletion-- nonfuel minerals	405	1918	Depletion on a discovery-value basis accepted practice 1918- 1932; 1932 Revenue Act enacted percentage over cost depletion
Exclusion of other employee benefits-- premiums on group term life insurance	1,900	1920	Administrative legal opinion (L.O. 1014, 2 C.B. 8(1920))
Deductibility of patronage dividends and certain other items of cooperatives	545	1920s	Rulings in 1920s; enacted in 1962 Revenue Act (P.L. 87-834)

----- (Continued)

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Capital gains other than agriculture, timber, iron ore, and coal	19,810	1921	1921 Revenue Act <sup>d</sup>
Capital gains at death	5,245	1921	1921 Revenue Act
Net exclusion of pension contributions and earnings--employer plans	25,765	1921	1921 Revenue Act <sup>e</sup>
Tax credit for corporations receiving income from doing business in U.S. possessions	1,195	1921 and 1976	1921 Revenue Act <sup>f</sup>
Exclusion of income earned abroad by United States citizens	985	1926	1926 Revenue Act
Exclusion of public assistance benefits	445	1930s	Included in revenue rulings on the definition of gross income
Exclusion of railroad retirement system benefits	380	1935	Railroad Retirement Act of 1935
Exclusion of interest on state and local industrial development bonds (IDBs)	1,610	1936	Court decisions <sup>g</sup>
Deferral of tax on shipping companies	65	1936	Merchant Marine Act of 1936 <sup>h</sup>
Exclusion of interest on state and local housing bonds for rental housing	465	1937	U.S. Housing Act of 1937
Exclusion of untaxed unemployment insurance benefits	2,060	1938	Revenue Ruling (I.T. 3230, 1938-2, C.B. 136); enacted in 1978 Revenue Act (P.L. 95-600)
Reduced rates on the first \$100,000 of corporate income	6,605	1941	1941 Revenue Act
Deferral of interest on savings bonds	-80	1941	1941 Revenue Act
Exclusion of Social Security benefits			
Disability insurance benefits	915	1941	Administrative ruling I.T. 3447
OASI benefits for retired workers	9,980	1941	Administrative ruling I.T. 3447
Benefits for dependents and survivors	1,915	1941	Administrative ruling I.T. 3447
Exclusion of benefits and allowances to Armed Forces personnel	1,885	1942	1942 Revenue Act

(Continued)

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Exclusion of military disability pensions	165	1942	1942 Revenue Act
Deductibility of medical expenses	3,925	1942	1942 Revenue Act
Exclusion of employer contributions for medical insurance premiums and medical care	15,330	1943	1943 IRS Ruling explicitly permitted exclusion; codified in 1954 <sup>1</sup>
Capital gains treatment of certain timber income	600	1944	1943 Revenue Act
Additional exemption for the blind	30	1944	1943 Revenue Act
Depreciation on rental housing in excess of straight-line	565	1946	Revenue ruling in 1946; enacted in 1954 Internal Revenue Code
Depreciation on buildings other than rental housing in excess of straight-line	330	1946	Revenue ruling in 1946; enacted in 1954 Internal Revenue Code
Accelerated depreciation on equipment other than leased property	7,300	1946	Revenue ruling in 1946; enacted in 1954 Internal Revenue Code
Excess bad debt reserves of financial institutions	250	1947	IRS ruling in 1947; enacted in 1951 Revenue Act
Additional exemption for the elderly	2,355	1948	1948 Revenue Act
Capital gains treatment of royalties from coal	105	1951	1951 Revenue Act
Expensing of exploration and development costs for other fuels and nonfuel minerals	75	1951	1951 Revenue Act <sup>j</sup>
Capital gains treatment of certain income, agriculture	455	1951	1951 Revenue Act
Deferral of capital gains on home sales	1,525	1951	1951 Revenue Act
Expensing of research and development expenditures	2,000	1954	Explicitly enacted in the 1954 Internal Revenue Code
Expensing of certain capital outlays, agriculture	545	1954	1954 Internal Revenue Code
Dividend and interest exclusion	2,185	1954	1954 Internal Revenue Code
Exclusion of scholarship and fellowship income	465	1954	1954 Internal Revenue Code
Parental personal exemption for students age 19 and over	995	1954	1954 Internal Revenue Code

(Continued)

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Credit for child and dependent care expenses	1,350	1954 and 1976 <sup>k</sup>	1954 Internal Revenue Code
Exclusion of other employee benefits-- premiums on accident and disability insurance	100	1954	1954 Internal Revenue Code <sup>l</sup>
Tax credit for the elderly	135	1954 and 1976	1954 Internal Revenue Code <sup>m</sup>
Investment credit other than employee stock ownership plans (ESOPs), rehabilitation of structures, reforestation, and leasing	18,445	1962	Revenue Act of 1962 (P.L. 87- 834)
Net exclusion of pension contributions and earnings-- plans for self-employed	1,005	1962	Revenue Act of 1962 (P.L. 87- 834)
Capital gains treatment of iron ore	20	1964	Revenue Act of 1964 (P.L. 88- 272)
Exclusion of capital gains on home sales for persons age 55 and over	510	1964	Revenue Act of 1964 (P.L. 88- 272); greatly expanded under the 1978 Revenue Act
Exclusion of interest on state and local government pollution control bonds	840	1968	First explicitly enacted in the Revenue Expenditure and Con- trol Act of 1968 (P.L. 90-364)
Five-year amortization for housing rehabilitation	90	1969	Tax Reform Act of 1969 (P.L. 91-172)
Deferral of income of Domestic International Sales Corporations (DISCs)	1,560	1971	Revenue Act of 1971 (P.L. 92- 178)
Credits for political contributions	80	1971	Revenue Act of 1971 (P.L. 92- 178)
Exclusion of special benefits for disabled coal miners	95	1972	Revenue Ruling 72-400 and Black Lung Benefits Act of 1972 (P.L. 92-303)

(Continued)

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Individual retirement plans	1,555	1974	Employment Retirement In- come Security Act of 1974 (P.L. 93-406)
Earned income credit	555	1975	Tax Reduction Act of 1975 (P.L. 94-12)
Exclusion of payments in aid of construc- tion of water, sewage, gas, and electric utilities	30	1976	Tax Reform Act of 1976 (P.L. 94-455) <sup>n</sup>
Tax incentives for preservation of historic structures	135	1976	Tax Reform Act of 1976 (P.L. 94-455)
Exclusion of interest on state and local student loan bonds	90	1976	Tax Reform Act of 1976 (P.L. 94-455)
Exclusion of contributions to prepaid legal services plans	20	1976	Tax Reform Act of 1976 (P.L. 94-455)
Tax credit for ESOPs	1,005	1976	Tax Reform Act of 1976 (P.L. 94-455)
Targeted jobs tax credit	235	1977	Revenue Act of 1977 (P.L. 95-30)
Exclusion of certain cost-sharing payments, agriculture	60	1978	Revenue Act of 1978 (P.L. 95-600)
Investment credit for rehabilitation of structures other than historic structures	535	1978	Revenue Act of 1978 (P.L. 95-600)
Employer educational assistance	40	1978	First explicitly enacted in Revenue Act of 1978 (P.L. 95- 600)
Alcohol fuel credit	20	1978 and 1980	Energy Tax Act of 1978 (P.L. 95-618) <sup>o</sup>
Residential energy credits, supply and conservation incentives	620	1978	Energy Tax Act of 1978 (P.L. 95-618)

(Continued)

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Alternative, conservation, and new technology credits, supply and conservation incentives	515	1978	Energy Tax Act of 1978 (P.L. 95-618)
Alternative fuel production credit	95	1980	Crude Oil Windfall Profit Tax Act of 1980 (P.L. 96-223)
Exclusion of interest on state and local government IDBs for energy production facilities	5	1980	Crude Oil Windfall Profit Tax Act of 1980 (P.L. 96-223)
Energy credit for intercity buses	5	1980	Crude Oil Windfall Profit Tax Act of 1980 (P.L. 96-223)
Investment credit and seven-year amortization for reforestation expenditures	5	1980	Recreational Boating Safety Act and Facilities Improvement Act of 1980 (P.L. 96-451)
Amortization of business start-up costs	70	1980	Miscellaneous Revenue Act of 1980 (P.L. 96-605)
Credit for increasing research activities	390	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Suspension of regulations relating to allocation under section 861 of research and experimental expenditures	55	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Reinvestment of dividends in stock of public utilities	130	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Net interest exclusion	0	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Exclusion of interest on certain savings certificates	400	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Safe-harbor leasing	2,650	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Amortization of motor-carrier operating rights	120	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)

(Continued)

TABLE C-1. (Continued)

Tax Expenditure	1982 Revenue Loss (In millions of dollars)	Year First Enacted or Authorized by Regulation	Act or Regulation
Exclusion of interest on state and local IDBs for mass transit	15	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Exclusion for employer-provided child care	---p	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Deduction for two-earner married couples	705	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)
Deduction for adoption expenses	10	1981	Economic Recovery Tax Act of 1981 (P.L. 97-34)

- a. Revenue Ruling 63-20 in 1963 expanded this provision to include tax-exempt not-for-profit hospitals.
- b. The 1913 income tax law authorized the exclusion of interest on state and local general obligation bonds. The first general obligation issues for housing were issued after World War I for veterans' housing.
- c. The 1954 Code expanded this provision to include employer plans as well as those administered by insurance companies. The Tax Reform Act of 1976 restricted this provision to those under 65, retired, and permanently disabled.
- d. The 1921 Revenue Act authorized capital gains treatment for certain individual income. Capital gains treatment of certain corporate income was enacted in the 1942 Revenue Act.
- e. The 1921 Revenue Act exempted income from a trust created by an employer as part of a stock bonus or profit-sharing plan for the exclusive benefit of the employees. In addition, the act established the principle that trust income and contributions were not included in an employee's taxable income until the year received. The 1926 Revenue Act explicitly applied these provisions to pension plans. The deductibility of employer contributions to pension trusts was first explicitly sanctioned by the Bureau of Internal Revenue in 1919 (O.D. 110, 1 Cum. Bull. 224 (1919)) and was codified by the 1928 Revenue Act.
- f. An exclusion was enacted in the 1921 Revenue Act. This was changed to a credit in the Tax Reform Act of 1976 (P.L. 94-455).
- g. IDBs = industrial development bonds. The state of Mississippi issued the first tax-exempt bonds to finance private industry in 1936.
- h. This tax expenditure was expanded in the Tax Reform Act of 1976 (P.L. 94-455).
- i. Employer contributions to health insurance plans have never been considered taxable income to employees by the IRS.

(Continued)

Footnotes to Table C-1 (continued)

- j. 1966 Income Taxes Mining Act (P.L. 89-570) greatly expanded the provision for exploration costs.
- k. A deduction for child and dependent care expenses was enacted in the 1954 Internal Revenue Code. The credit was first enacted in the Tax Reform Act of 1976 (P.L. 94-455).
- l. Employer contributions to accident and disability insurance plans have never been considered taxable income by the IRS.
- m. A retirement income credit, enacted in 1954, was replaced by a tax credit for the elderly in the Tax Reform Act of 1976 (P.L. 94-455).
- n. The special treatment of payments in aid of construction had always been permitted until it was called into question by a revenue ruling in 1975 (Rev. Rul. 75-557). The 1976 legislation and subsequent legislation in the Revenue Act of 1978 clarified the authorization of such treatment.
- o. The alcohol fuel tax exemption was enacted in the 1978 Energy Tax Act. The Crude Oil Windfall Profit Tax Act of 1980 (P.L. 96-223) expanded the exemption and enacted the alcohol fuel credit.
- p. Less than \$2.5 million.

TABLE C-2. TOTAL CURRENT LAW TAX EXPENDITURES, BY DATE OF INITIAL AUTHORIZATION

Tax Expenditures Authorized By	1982 Estimated Revenue Loss (In millions of dollars)	Percent of 1982 Total	Cumulative Number of Tax Expenditures	Percent of 1982 Total
1913	75,360	30	12	12
1920	98,315	39	24	23
1930	153,760	61	31	30
1940	158,785	63	37	36
1950	210,855	83	53	51
1960	220,790	87	65	63
1970	241,700	95	71	68
1980	248,850	98	88	85
1982	253,505	100	104	100
Total	253,505 <sup>a</sup>	100	104	100

a. The total here differs from the total listed in Table A-1 because of rounding.



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## APPENDIX D. TAX EXPENDITURES WITH EXPIRATION DATES

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It has become increasingly common in recent years to provide expiration dates for newly enacted tax expenditures. The usual rationale is that the scheduled expiration date will provide an opportunity to review the provision carefully to determine whether it should be reenacted. Provisions are sometimes allowed to expire without full-scale review, however, while others are extended with little, if any, review. Table D-1 gives the expiration dates for all tax expenditures that currently have them, as of the date of publication of this report.

TABLE D-1. TAX EXPENDITURES WITH EXPIRATION DATES

Tax Expenditure	Expiration Date
Business alternative energy investment tax credits, and conservation and supply incentives	December 31, 1982a
Credits for cogeneration equipment	December 31, 1982
Deduction for eliminating architectural and transportation barriers for the handicapped	December 31, 1982
Tax-exempt savings certificates	December 31, 1982
Exclusion for employer educational assistance programs	December 31, 1983
Safe-harbor leasing <sup>b</sup>	December 31, 1983
Suspension of regulations relating to allocation under section 861 of research and experimental procedures	December 31, 1983
Exclusion of interest on state and local housing bonds for owner-occupied housing	December 31, 1983
Exclusion of contributions to prepaid legal services plans	December 31, 1984
Targeted jobs tax credit	December 31, 1984
Tax-exempt bonds for purchase of mass transit equipment	December 31, 1984
Exclusion for employer-provided transportation	December 31, 1985
Geothermal equipment credit	December 31, 1985
Credit for intercity buses	December 31, 1985
Solar and wind property credit	December 31, 1985

(Continued)

TABLE D-1. (Continued)

Tax Expenditure	Expiration Date
Credit for ocean thermal energy conversion equipment	December 31, 1985
Biomass property credit	December 31, 1985
Credit for small-scale hydroelectric facilities	December 31, 1985
Public utility dividend reinvestment plans	December 31, 1985
Residential energy conservation credits	December 31, 1985
Residential renewable energy supply credits	December 31, 1985
Tax-exempt bonds for small-scale hydroelectric facilities	December 31, 1985
Tax credit for research and experimentation	December 31, 1985
Charitable contribution deduction for nonitemizers	December 31, 1986
Tax exemption for small issue IDBs	December 31, 1986
Employee stock ownership plan (ESOP) investment tax credit	December 31, 1987 <sup>c</sup>
Alcohol fuel tax credit and excise tax exemption	December 31, 1992
Alternative fuel production credit	December 31, 2000

- a. Under some circumstances, expiration date expanded to December 31, 1985. Energy incentives with other expiration dates are noted elsewhere.
- b. Replaced by a finance leasing provision in the Tax Equity and Fiscal Responsibility Act (P.L. 97-248).
- c. After December 31, 1982, the investment tax credit will be replaced by an income tax credit based on aggregate compensation which expires at the end of 1987.



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## APPENDIX E. TREASURY ESTIMATES OF THE DISTRIBUTION OF TAX EXPENDITURES FOR INDIVIDUALS BY INCOME CLASS

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This appendix includes new Treasury Department estimates of the distribution of tax expenditures for individuals by income class (see Tables E-1 and E-2). The estimates were prepared at the request of Chairman Henry S. Reuss of the Joint Economic Committee and sent to him in October 1982.

The Treasury estimates are the most comprehensive that have been done since early 1978. The 1978 estimates were prepared for then Chairman Edmund S. Muskie of the Senate Committee on the Budget and included in the Budget Committee report entitled Tax Expenditures, published in September 1978.

The Joint Committee on Taxation (JCT) prepares estimates of the distribution by income class of a limited number of tax expenditures each year, mainly those that can be estimated on the basis of tax return data. These estimates are printed in March of each year in the JCT's report on the projected revenue losses from tax expenditures for the next five fiscal years.

The Treasury estimates reprinted here are based on adjusted gross income, while the JCT estimates are based on a broader concept of income called "expanded income." Expanded income includes adjusted gross income, plus the income from special tax preference items covered by the Minimum Tax (mostly the excluded portion of capital gains), and minus investment interest expense up to the amount of investment income. It thus comes closer to the concept of real economic income than does adjusted gross income. Most of the differences between the two concepts of income occur in the higher income classes.

The Treasury cover letter transmitting the new estimates to Chairman Reuss cautioned that the estimates reprinted here in Table E-2 are less reliable than those in Table E-1, since the Table E-2 estimates are based on information from sources other than income tax returns. The Treasury also listed a number of tax expenditure items for which there was not enough information to make reasonable distribution estimates. These items appear in Table E-3.

The Treasury Department did not attempt to allocate corporate tax expenditures to individuals. The main reason cited is the difficulty in

TABLE E-1. REVENUE LOSS FROM TAX EXPENDITURES FOR INDIVIDUALS, DISTRIBUTED BY ADJUSTED GROSS INCOME CLASS ON THE BASIS OF TAX RETURN DATA, 1982 LAW AND 1981 INCOME LEVELS (In millions of dollars)

Adjusted Gross Income Class (In thousands of dollars)	Exclusion of Income Earned Abroad by U.S. Citizens	Investment Credit Other Than Energy Credits <sup>a,b</sup>	Capital Gains, Excluding Home Sales <sup>c</sup>	Residential Energy Credits		Alternative Conservation and New Technology Credits--Supply Incentives <sup>a</sup>
				Supply Incentives <sup>a</sup>	Conservation Incentives <sup>a</sup>	
Less than 10	4	75	428	17	28	---
10-15	14	199	384	7	38	e
15-20	21	249	308	19	48	e
20-30	53	557	1,140	43	124	e
30-50	158	744	2,564	68	130	5
50-100	385	745	3,179	34	39	8
100-200	221	414	2,148	8	7	12
200 and over	<u>74</u>	<u>454</u>	<u>3,081</u>	<u>2</u>	<u>2</u>	<u>13</u>
Total	930	3,439	13,231	199	415	38

Adjusted Gross Income Class (In thousands of dollars)	Jobs Credit <sup>a</sup>	Deductibility of Medical Expenses	Additional Exemption for the Blind	Additional Exemption for the Elderly	Tax Credit for the Elderly <sup>a</sup>
Less than 10	e	85	4	406	40
10-15	1	190	1	407	37
15-20	1	299	10	260	21
20-30	8	827	2	360	19
30-50	5	1,201	8	374	16
50-100	10	614	2	225	3
100-200	6	150	1	76	e
200 and over	<u>3</u>	<u>56</u>	<u>e</u>	<u>23</u>	<u>e</u>
Total	35	3,422	28	2,131	135

(Continued)

SOURCE: Office of Tax Analysis, Department of the Treasury (September 23, 1982)  
 NOTE: Details may not add to totals because of rounding.

- a. Based on 1980 distributions.
- b. Includes the investment credit for increasing research activities, the rehabilitation of structures, and other investment.

TABLE E-1. (Continued)

Adjusted Gross Income Class (In thousands of dollars)	Dividend and Interest Exclusion	Deductibility of Mortgage Interest on Owner-Occupied Homes	Deductibility of Property Tax on Owner-Occupied Homes	Deductibility of Charitable Contributions <sup>d</sup>	Credit for Child and Dependent Care <sup>a</sup>	WIN Credits <sup>a</sup>
Less than 10	24	220	109	36	92	---
10-15	28	343	198	129	218	2
15-20	30	892	374	249	188	e
20-30	87	3,633	1,429	985	382	2
30-50	170	8,639	3,252	2,550	364	4
50-100	128	4,672	2,291	2,109	62	7
100-200	33	979	725	1,126	7	2
200 and over	<u>8</u>	<u>225</u>	<u>302</u>	<u>1,652</u>	<u>1</u>	<u>e</u>
Total	506	19,602	8,679	8,836	1,314	17

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Adjusted Gross Income Class (In thousands of dollars)	Deductibility of Casualty Losses	Earned Income Credit	Credit for Political Contributions <sup>a</sup>	Deductibility of Nonbusiness State and Local Taxes Other Than on Owner-Occupied Homes
Less than 10	8	533 <sup>f</sup>	8	118
10-15	21	---	9	230
15-20	41	---	9	497
20-30	109	---	18	2,276
30-50	249	---	21	6,289
50-100	178	---	21	5,050
100-200	52	---	11	2,032
200 and over	<u>37</u>	<u>---</u>	<u>1</u>	<u>1,352</u>
Total	695	533 <sup>f</sup>	80	17,844

c. Includes capital gains treatment of coal royalties, iron ore, certain timber and agricultural income, and other income.

d. Includes the deductibility of charitable contributions for education, health, and other. The estimates exclude amounts claimed by nonitemizers, estimated to total \$180 million.

e. Less than \$500,000.

f. The effect of the credit on receipts. The effect on outlays equals \$1,283 million, of which is claimed by individuals with less than \$10,000 adjusted gross income.

TABLE E-2. REVENUE LOSS FROM TAX EXPENDITURES FOR INDIVIDUALS, DISTRIBUTED BY ADJUSTED GROSS INCOME CLASS ON THE BASIS OF DATA FROM SOURCES OTHER THAN TAX RETURNS, 1982 LAW AND 1981 INCOME LEVELS (In millions of dollars)

Adjusted Gross Income Class (In thousands of dollars)	Exclusion of Veterans' Preferences <sup>a</sup>	Exclusion of Interest on State and Local Bonds <sup>b</sup>	Deductibility of Interest on Consumer Credit	Deferral of Capital Gains on Home Sales	Exclusion of Capital Gains on Home Sales for Persons Age 55 and Over	Exclusion of Employer Contributions for Medical Insurance Premiums and Medical Care
Less than 10	858	4	9	8	3	888
10 - 15	520	5	98	4	1	1,191
15 - 20	482	7	332	52	9	1,464
20 - 30	815	25	1,566	146	79	3,851
30 - 50	504	230	3,606	341	183	4,470
50 - 100	176	2,019	1,888	294	60	1,450
100 - 200	37	1,441	549	90	30	252
200 and over	<u>8</u>	<u>868</u>	<u>199</u>	<u>34</u>	<u>15</u>	<u>53</u>
Total	3,400	4,599	8,246	967	380	13,619

(Continued)

SOURCE: Office of Tax Analysis, Department of the Treasury (September 23, 1982).

NOTE: Details may not add to totals because of rounding.

a. Includes the exclusion of benefits and allowances to Armed Forces personnel, military disability pensions, veterans' disability compensation, veterans' pensions, and GI bill benefits.

TABLE E-2. (Continued)

Adjusted Gross Income Class (In thousands of dollars)	Exclusion of Social Security and Railroad Retirement Benefits <sup>c</sup>	Exclusion of Workmen's Compensation Benefits	Exclusion of Untaxed Unemployment Insurance Benefits	Exclusion of Disability Pay	Net Exclusion of Pension Contributions and Earnings <sup>d</sup>	Exclusion of Insurance Premiums <sup>e</sup>
Less than 10	5,029	786	1,073	127	964	83
10 - 15	1,787	444	560	22	1,371	112
15 - 20	1,254	314	205	1	1,893	163
20 - 30	1,822	664	272	3	5,495	444
30 - 50	1,278	345	9	---	8,306	642
50 - 100	731	93	---	---	4,345	282
100 - 200	209	20	---	---	1,463	89
200 and over	<u>55</u>	<u>8</u>	<u>---</u>	<u>---</u>	<u>513</u>	<u>36</u>
Total	12,165	2,674	2,119	153	24,350	1,851

- b. Includes the exclusion of interest on pollution control bonds, industrial development bonds, housing bonds for owner-occupied homes and rental housing, student loan bonds, hospital bonds, and general purpose state and local debt.
- c. Includes the exclusion of disability insurance benefits, OASI benefits for retired workers, benefits for dependents and survivors, and railroad retirement system benefits.
- d. Includes the exclusion of contributions and earnings for employer plans and plans for the self-employed and others.
- e. Includes premiums for group-term life insurance and accident and disability insurance.

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TABLE E-3. TAX EXPENDITURES FOR INDIVIDUALS FOR WHICH DISTRIBUTION DATA ARE UNAVAILABLE

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Expensing of research and development expenditures

Expensing of exploration and development costs, fuel and nonfuel minerals

Excess of percentage over cost depletion, fuel and nonfuel minerals

Tax incentives for preservation of historic structures

Cash accounting for agriculture

Exclusion of interest on life insurance savings

Expensing of construction period interest and taxes

Carryover basis of capital gains at death

Amortization of start-up costs

Exclusion of interest on certain savings certificates

Five-year amortization for housing rehabilitation

Exclusion of employee meals and lodging (other than military)

Employer educational assistance

Exclusion of contributions to prepaid legal plans

Exclusion of income of trusts to finance supplementary unemployment insurance benefits

Deductibility of certain adoption expenses

Deferral of interest on savings bonds

Parental personal exemption for students age 19 and over

Exclusions of special benefits for disabled coal miners

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SOURCE: Office of the Secretary of the Treasury, Office of Tax Analysis (September 23, 1982).

determining what kinds of individuals benefit from particular reductions in corporate income taxes. The Treasury notes that "this omission is extremely important and means that the tables should not be used to indicate the distribution of all tax expenditures by income class."

In order to give some perspective on the estimates, Table E-4 shows total tax liability by adjusted gross income class, plus the total number of returns filed and the total number of taxable returns.

The models from which the tax expenditure estimates are taken undergo continual updating and improvement, so all of the estimates should be viewed as preliminary and subject to change. This is especially true for those estimates for which no tax return data is available. The estimates nonetheless serve as a useful guide to the approximate distribution by income class of a large number of existing tax expenditures.

TABLE E-4. DISTRIBUTION OF RETURNS AND TAX LIABILITY BY ADJUSTED GROSS INCOME CLASS, 1982 LAW AND 1981 INCOME LEVELS

Adjusted Gross Income Class (In thousands of dollars)	Total Number of Returns	Total Number of Taxable Returns	Tax Liability <sup>a</sup> (In millions of dollars)
Less than 10	34,366	17,207	6,600
10 - 15	13,457	13,226	14,582
15 - 20	10,936	10,832	20,394
20 - 30	17,254	17,176	52,815
30 - 50	13,538	13,498	77,958
50 - 100	3,384	3,375	46,379
100 - 200	549	549	21,288
200 and over	<u>116</u>	<u>116</u>	<u>16,093</u>
Total	93,600	75,979	256,109

SOURCE: Staff of the Joint Committee on Taxation.

- a. Tax liabilities do not include the refundable (outlay) portion of the earned income credit. Liability reflects major Economic Recovery Tax Act (ERTA) and Tax Equity and Fiscal Responsibility Act (TEFRA) provisions except Accelerated Cost Recovery System (ACRS), All Savers, IRA, and KEOGH provisions.

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