

**ESTIMATES OF FEDERAL TAX EXPENDITURES
FOR FISCAL YEARS 2025-2029**

Prepared for the
HOUSE COMMITTEE ON WAYS AND MEANS
and the
SENATE COMMITTEE ON FINANCE
By the Staff
of the
JOINT COMMITTEE ON TAXATION



December 3, 2025
JCX-45-25

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INTRODUCTION

Tax expenditure analysis can help policymakers and the public understand the ways in which government revenues are spent, and the tax and economic policy consequences that follow from the implicit or explicit choices made in fashioning legislation. This report¹ on tax expenditures for fiscal years 2025-2029 is prepared by the staff of the Joint Committee on Taxation (“Joint Committee staff”) for the House Committee on Ways and Means and the Senate Committee on Finance. The report also is submitted to the House and Senate Committees on the Budget.

As in the case of earlier reports,² the estimates of tax expenditures in this report were prepared in consultation with the staff of the Office of Tax Analysis in the Department of the Treasury (the “Treasury”). The Treasury most recently updated its estimates of tax expenditures for fiscal years 2024-2034 on November 27, 2024.³ The lists of tax expenditures in this Joint Committee staff report and the Administration’s budgetary statement overlap considerably; the differences are discussed in Part I of this report under the heading “Comparisons with Treasury.”

The Joint Committee staff has made its estimates (as shown in Table 1) based on the provisions in Federal tax law enacted through August 31, 2025. In general, expired or repealed provisions are not listed. Proposed extensions or modifications of expiring provisions are not included until they have been enacted into law. The tax expenditure calculations in this report are based on the January 2025 Congressional Budget Office (“CBO”) revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2025-2029.

Part I of this report contains a discussion of the concept of tax expenditures; Part II is a discussion of the measurement of tax expenditures; and Part III contains various estimates. Estimates of tax expenditures for fiscal years 2025-2029 are presented in Table 1. Table 2 shows the distribution of tax returns by income class, and Table 3 shows distributions of selected individual tax expenditures by income class.

¹ This report may be cited as follows: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2025-2029* (JCX-45-25), December 3, 2025. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

² The Joint Committee staff prepared its first report on estimates of Federal tax expenditures in 1972 (JCS-28-72), covering fiscal years 1967-1971. Reports typically cover every five-year period since fiscal years 1977-1981 (JCS-10-77). A complete collection of these reports on estimates of Federal tax expenditures, including this report, is available at https://www.jct.gov/publications/?it=content&category_name=Tax%20Expenditures.

³ The Treasury publication is available at <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2026.pdf>.

I. THE CONCEPT OF TAX EXPENDITURES

Overview

Tax expenditures are defined under the Congressional Budget and Impoundment Control Act of 1974 (the “Budget Act”) 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 tax liability.”⁴ Thus, tax expenditures include any reductions in income tax liabilities that result from special tax provisions or regulations that provide tax benefits to particular taxpayers.

Special income tax provisions are referred to as tax expenditures because they may be analogous to direct outlay programs and may be considered alternative means of accomplishing similar budget policy objectives. Tax expenditures are like direct spending programs that function as entitlements to those who meet the established statutory criteria.

Estimates of tax expenditures are prepared for use in budget analysis. They are a measure of the economic benefits that are provided through the tax laws to various groups of taxpayers and sectors of the economy. The estimates also may be useful in determining the relative merits of achieving specific public goals through tax benefits or direct outlays. It is appropriate to evaluate tax expenditures with respect to cost, distributional consequences, alternative means of provision, and economic effects. Tax expenditure analysis allows policymakers to evaluate the tradeoffs among these and other potentially competing policy goals.

The legislative history of the Budget Act indicates that tax expenditures are to be defined with reference to a normal income tax. The determination of whether a provision is a tax expenditure is made based on a broad concept of income that is larger in scope than “income” as defined under Federal income tax principles. The Joint Committee staff uses its judgment in distinguishing between those income tax provisions (and regulations) that can be viewed as a part of a normal income tax and those special provisions that result in tax expenditures. Normal income tax concepts for individual and business income taxation are further described below. A provision traditionally has been listed as a tax expenditure by the Joint Committee staff if there is a reasonable basis for such classification and the provision results in more than a *de minimis* revenue loss, which solely for this purpose means a total revenue loss of less than \$250 million over the five fiscal years 2025-2029. The Joint Committee staff emphasizes, however, that in the process of listing tax expenditures, no judgment is made, nor any implication intended, about the desirability of any special tax provision as a matter of public policy.

⁴ Congressional Budget and Impoundment Control Act of 1974, Pub. L. No. 93-344, sec. 3(3), July 12, 1974. The Budget Act requires CBO and the Treasury to publish detailed lists of tax expenditures annually. The Joint Committee staff issued reports prior to the statutory obligation placed on the CBO and continued to do so thereafter. In light of this precedent and a subsequent statutory requirement that the CBO rely exclusively on Joint Committee staff estimates when considering the revenue effects of proposed legislation, the CBO has always relied on the Joint Committee staff for the production of its annual tax expenditure publication. See Pub. L. No. 99-177, sec. 273, December 12, 1985, codified at 2 U.S.C. 601(f).

The Budget Act uses the term “tax expenditure” to refer to Federal income tax provisions that provide more favorable treatment than a normal income tax.⁵ Other Federal taxes such as excise taxes, employment taxes, and estate and gift taxes may also have exceptions, exclusions, and credits, but those special tax provisions are not included in this report because they are not part of the income tax.⁶ Thus, for example, the income tax exclusion for employer-paid health insurance is included, but the Federal Insurance Contributions Act (“FICA”) tax exclusion for employer-paid health insurance is not treated as a tax expenditure in this report.

Provisions in the Internal Revenue Code (the “Code”)⁷ that provide less favorable treatment than a normal income tax are called *negative* tax expenditures.⁸ Examples of such provisions include (1) the denial of deductions for certain business interest expenses, (2) the denial of deductions for certain employee remuneration, and (3) the denial of deductions for unreimbursed employee expenses. Special provisions of the law the principal purpose of which is to enforce general tax rules, or to prevent the violation of other laws, are not treated as negative tax expenditures even though they may increase the tax burden for certain taxpayers. Examples of these compliance and enforcement provisions include (1) the limitation on net operating loss carryforwards and certain other losses following ownership changes (sec. 382), (2) the wash sale rules (sec. 1091), (3) the denial of capital gain treatment for gains on certain obligations not in registered form (sec. 1287), and (4) the disallowance of a deduction for fines and penalties (sec. 162(f)).

Provisions that are not themselves tax expenditures are also considered in tax expenditure estimates if they affect the magnitude of tax expenditures. Examples of these provisions include limitations on deductions or alternative minimum taxes that reduce the favorable treatment of certain deductions or credits.

Individual income tax

Under the Joint Committee staff’s methods, the normal structure of the individual income tax includes the following major components: one personal exemption for each taxpayer and one for each dependent, the standard deduction, the existing tax rate schedule, and deductions for

⁵ The Federal income tax on individuals also applies to estates and trusts, which are subject to a separate income tax rate schedule. See sec. 1(e). Estates and trusts may benefit from some of the same tax expenditures that apply to individuals. In Table 1 of this report, the tax expenditures that apply to estates and trusts have been included in the estimates of tax expenditures for individual taxpayers.

⁶ Other analysts have explored applying the concept of tax expenditures to payroll and excise taxes. See Jonathan Barry Forman, “Would a Social Security Tax Expenditure Budget Make Sense?” *Public Budgeting and Financial Management*, vol. 5, no. 2, 1993; Bruce F. Davie, “Tax Expenditures in the Federal Excise Tax System,” *National Tax Journal*, vol. 47, no. 1, March 1994; Lindsay Oldenski, “Searching for Structure in the Federal Excise Tax System: An Excise Tax Expenditure Budget,” *National Tax Journal*, vol. 57, no. 3, September 2004. Before 2003, the President’s budget contained a section that reviewed and tabulated estate and gift tax provisions that the Secretary considered tax expenditures.

⁷ Unless otherwise stated, all section references are to the Internal Revenue Code of 1986, as amended.

⁸ Although the Budget Act does not require the identification of negative tax expenditures, the Joint Committee staff has presented several representative negative tax expenditures.

investment and employee business expenses. Most other tax benefits for individual taxpayers are classified as exceptions to a normal income tax.

The Joint Committee staff views the standard deduction and the personal exemptions as defining the zero-rate bracket that is a part of normal tax law.⁹ An itemized deduction that is not definitely related to the generation of income is classified as a tax expenditure, but only to the extent that a taxpayer's total amount of itemized deductions exceeds the standard deduction. While some features of the tax law, such as the child tax credit and the credit for nonchild dependents, provide what may be considered adjustments for family size that have the objective of achieving a similar policy as personal exemptions, they do not do so in a way that defines a zero-rate bracket. For example, the size of the zero-rate bracket for taxpayers with similar household composition would vary based on other tax attributes of the household. The Joint Committee staff considers these credits to be tax expenditures.

Exclusions from gross income are classified as tax expenditures. For example, an exclusion from gross income applies generally to amounts received under a life insurance contract that are paid by reason of the death of the insured. This exclusion is also classified as a tax expenditure.

All employee compensation is subject to tax unless the Code contains a specific exclusion for the income. Specific exclusions for employer-provided benefits include: coverage under accident and health plans,¹⁰ accident and disability insurance, group term life insurance, educational assistance, tuition reduction benefits, transportation benefits (parking, van pools, and transit passes), dependent care assistance, adoption assistance, meals and lodging furnished for the convenience of the employer, employee awards, and other miscellaneous fringe benefits (e.g., working condition fringes, employee discounts, services provided to employees at no additional cost to employers, and *de minimis* fringe benefits). Each of these exclusions is classified as a tax expenditure in this report.

Under a normal income tax, employer contributions to pension plans and income earned on pension assets generally would be taxable to employees as the contributions are made and as the income is earned, and employees would not receive any deduction or exclusion for their pension contributions. Under present law, employer contributions to qualified pension plans and, generally, employee contributions made at the election of the employee through salary reduction are not taxed until distributed to the employee, and income earned on pension assets is not taxed until distributed. The tax expenditure for "net exclusion of pension contributions and earnings" is computed as the income taxes forgone on current tax-excluded pension contributions

⁹ Both the Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, enacted on December 22, 2017 (Pub. L. No. 115-97), and the Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, enacted on July 4, 2025 (Pub. L. No. 119-21), set the personal exemption amount to zero.

¹⁰ Present law contains an exclusion for employer-provided coverage under accident and health plans (sec. 106) and an exclusion for benefits received by employees under employer-provided accident and health plans (sec. 105(b)). These two exclusions are reviewed as a single tax expenditure. Under a normal income tax, the value of employer-provided accident and health coverage would be included in the income of employees, but employees would not be subject to tax on the accident and health insurance benefits (reimbursements) that they might receive.

and earnings less the income taxes paid on current pension distributions (including the 10-percent additional tax paid on early withdrawals from pension plans).

Under present law, Social Security and tier 1 railroad retirement benefits are partially excluded or fully excluded from gross income.¹¹ This exclusion of Social Security and railroad retirement benefits is classified as a tax expenditure.

Public assistance benefits are excluded from gross income by statute or by Treasury regulations. Table 1 contains tax expenditure calculations for workers' compensation benefits.

Gross income does not include the imputed income that individuals receive from the services provided by owner-occupied housing and durable goods.¹² However, the Joint Committee staff does not classify this exclusion as a tax expenditure.¹³ The measurement of imputed income for income tax purposes presents administrative problems and its exclusion from taxable income may be regarded as an administrative necessity.¹⁴ Under a normal income tax, individuals are allowed to deduct only the interest on indebtedness incurred in connection with a trade or business or for the production of income. Thus, the deduction for mortgage interest on a principal or second residence is classified as a tax expenditure.

The Joint Committee staff assumes that, for administrative feasibility, a normal income tax would tax capital gains in full in the year the gains are realized through sale, exchange, gift, or transfer at death. Thus, the deferral of tax until realization is not classified as a tax expenditure. However, reduced rates of tax,¹⁵ further deferrals of tax (beyond the year of sale, exchange, gift, or transfer at death), and exclusions of certain capital gains are classified as tax expenditures. Because of the practical need for administrative feasibility, the Joint Committee staff assumes that a normal income tax does not provide for any indexing of the basis of capital

¹¹ For taxpayers with modified adjusted gross incomes above certain levels, up to 85 percent of Social Security and tier 1 railroad retirement benefits are includible in income.

¹² The National Income and Product Accounts include estimates of imputed income for owner-occupied housing. The accounts appear in *Survey of Current Business*, published monthly by the U.S. Department of Commerce, Bureau of Economic Analysis. However, a taxpayer-by-taxpayer accounting of imputed income would be necessary for a tax expenditure estimate.

¹³ The Treasury provides a tax expenditure calculation for the exclusion of net rental income of homeowners that combines the positive tax expenditure for the failure to impute rental income with the negative tax expenditure for the failure to allow a deduction for depreciation and other costs.

¹⁴ If the imputed income from owner-occupied homes were included in a adjusted gross income, it would be proper to include all mortgage interest deductions and related property tax deductions as part of the normal income tax structure, since interest and property tax deductions would be allowable as a cost of producing imputed income. It also would be appropriate to allow deductions for depreciation and maintenance expenses for owner-occupied homes. See Larry Ozanne, "Taxation of Owner-Occupied and Rental Housing," *CBO Working Paper Series*, Working Paper 2012-14, November 2012.

¹⁵ The Joint Committee staff reports the surtax on net investment income imposed by section 1411 as a negative tax expenditure. While the net investment income tax partially offsets the reduced rates of tax on capital gains and qualified dividend income, the tax also operates as a special higher rate of tax on investment income. The estimates include both features of the tax.

assets for changes in the general price level. Thus, under a normal income tax (as under present law), the income tax is levied on nominal gains as opposed to real gains in asset values.

There are many types of State and local government bonds and qualified private activity bonds the interest on which is exempt from Federal income taxation or for which a tax credit is available.¹⁶ Table 1 contains a separate tax expenditure listing for each type of bond.

Under the Joint Committee staff view of a normal income tax, compensatory stock options generally are subject to regular income tax at the time the options are exercised and employers receive a corresponding tax deduction.¹⁷ The employee's income is equal to the difference between the purchase price of the stock and the market price on the day the option is exercised. Present law provides for special tax treatment for incentive stock options and options acquired under employee stock purchase plans. When certain requirements are satisfied, then: (1) the income of the employee with respect to the option at the time of exercise is excluded for purposes of the regular income tax but, in the case of an incentive stock option, is included for purposes of the alternative minimum tax ("AMT"); (2) the gain from any subsequent sale of the stock is taxed as a capital gain; and (3) the employer does not receive a tax deduction with respect to the option. The special tax treatment provided to the employee is viewed as a tax expenditure by the Joint Committee staff, and an estimate of this tax expenditure is contained in Table 1. However, the revenue loss from the special tax treatment provided to the employee is accompanied by a significant revenue gain from the denial of the deduction to the employer. The negative tax expenditure created by the denial of the deduction for employers is incorporated in the calculation of the tax expenditure.

The individual AMT and certain rules that limit the deductibility of losses and expenses are not viewed by the Joint Committee staff as a part of a normal income tax. Instead, they are viewed as provisions that reduce the magnitude of the tax expenditures to which they apply. For example, the AMT reduces the value of the deduction for State and local income taxes (for those taxpayers subject to the AMT) by not allowing the deductions to be claimed in the calculation of AMT liability. Similarly, the passive loss rules, excess business loss rules, at-risk rules, and miscellaneous itemized deductions defer or disallow otherwise allowable deductions and credits. Exceptions to the individual AMT and the passive loss rules are not classified as tax expenditures by the Joint Committee staff because the effects of the exceptions already are incorporated in the estimates of related tax expenditures. In two cases, the restrictive effects of the AMT are presented separately because there are no underlying positive tax expenditures reflecting these effects: the negative tax expenditures for the AMT's disallowance of the standard deduction and the net AMT attributable to the net operating loss limitation.

¹⁶ The authority to issue tax-credit bonds and direct-pay bonds is repealed for bonds issued after December 31, 2017. Table 1 continues to list tax expenditures for these items as they have continuing revenue effects that are associated with ongoing taxpayer activity.

¹⁷ If an option has a readily ascertainable fair market value, then, under a normal income tax, an employee would include that amount in gross income upon receipt (the grant of the option) and the employer would deduct the same amount at the same time.

Business income taxation

Regardless of the legal form of organization (sole proprietorship, partnership, or S or C corporation), the same general principles are used in the computation of taxable business income—that is, gross income decreased by expenses incurred in earning the income. Thus, certain business tax expenditures apply equally to incorporated and unincorporated businesses.

One of the most difficult issues in defining tax expenditures for business income relates to the tax treatment of capital costs. Under present law, capital costs may be recovered under a variety of alternative methods, depending on the nature of the costs and the status of the taxpayer. For example, investments in equipment and structures may qualify for tax credits, expensing, accelerated depreciation, or straight-line depreciation. The Joint Committee staff generally classifies as tax expenditures cost recovery allowances that are more favorable than those provided under the alternative depreciation system (sec. 168(g)), which provides for straight-line recovery over tax lives that are longer than those permitted under the accelerated system.

The Joint Committee staff estimates another tax expenditure for depreciation in those specific cases where the tax treatment of a certain type of asset deviates from the overall treatment of other similar types of assets. In Table 1, these items are reflected in the various tax expenditure estimates for depreciation. As indicated above, the Joint Committee staff assumes that normal income tax law does not provide for any indexing of the basis of capital assets (nor, for that matter, any indexing with respect to expenses associated with these assets). Thus, normal income tax law does not take into account the effects of inflation on tax depreciation.

The Joint Committee staff treats research and experimental (“R&E”) expenditures in a manner consistent with the treatment of capital costs, as the benefits of such expenditures are presumed to extend over multiple years. The Joint Committee staff assumes that a normal income tax would provide for the amortization of R&E expenditures over a five-year period. Accordingly, provisions that allow for more favorable treatment—such as immediate expensing of R&E expenditures—are classified as positive tax expenditures. Provisions that require amortization of such expenditures over a period longer than five years are classified as negative tax expenditures.

The Joint Committee staff uses several accounting standards in evaluating the provisions in the Code that govern the recognition of business receipts and expenses. The Joint Committee staff assumes a normal income tax requires the accrual method of accounting (except where its application is deemed infeasible) and the standard of the “all events test” (used in the Code to determine whether an item of gross income is included in gross income or a liability is incurred) over an annual accounting period.¹⁸ For example, in the case of a liability, the all events test is met when all events have occurred which determine the fact of the liability, the amount of such liability can be determined with reasonable accuracy, and economic performance with respect to such liability has occurred during the taxable year.

¹⁸ See sec. 461(h)(4).

In general, tax provisions that deviate from these standards are viewed as tax expenditures. For example, the deduction for estimated mine reclamation and closing costs is viewed as a tax expenditure because such costs do not satisfy the economic performance standard: adherence to the standard would require that the taxpayer incur the actual mine reclamation and closing costs, rather than reserving for reasonably estimated future mine reclamation and closing costs. As another example, the one-year deferral of income from certain advance payments is viewed as a tax expenditure because the deferral is an exception to the all events test: adherence to the standard would require that the taxpayer recognize the revenue in the year of receipt.¹⁹

The Joint Committee staff assumes that a normal income tax provides for the carryback and carryforward of a net operating loss (“NOL”). The staff also assumes that the general limits on the number of years that such losses may be carried back or forward were chosen for reasons of administrative convenience and compliance concerns and so may be assumed to represent a normal income tax. Exceptions to the general limits on carrybacks and carryforwards are viewed as tax expenditures. In particular, a limitation on the use of net operating losses to a percentage of taxable income is viewed as a negative tax expenditure. Furthermore, any industry-specific deviation from the general limits on the use of net operating losses (*e.g.*, farming²⁰ or insurance²¹) is regarded as a tax expenditure.

Corporate income tax

The income of corporations (other than S corporations) generally is subject to a 21-percent corporate income tax.

The corporate alternative minimum tax is viewed as a provision that reduces the magnitude of certain tax expenditures that are disregarded for purposes of the corporate alternative minimum tax.

Passthrough entities are not subject to the corporate income tax. The income of sole proprietorships, S corporations, and most partnerships is taxed only at the owner level. Certain passthrough entities formally treated as corporations (such as regulated investment companies, real estate investment trusts, and cooperatives) are in some circumstances allowed a dividends-paid deduction, which generally results in their paying little to no corporate tax. The absence of corporate income tax levied on a passthrough entity is not treated as a tax expenditure.

Certain organizations that satisfy the requirements of section 501 also generally are not subject to the corporate income tax.²² The tax exemption for certain tax-exempt organizations

¹⁹ The Joint Committee staff is evaluating the extent to which the rule that requires certain taxpayers to include an item of income in gross income no later than when such income is taken into account as revenue for financial statement purposes is a negative tax expenditure. See sec. 451(b).

²⁰ See sec. 172(b)(1)(B).

²¹ See sec. 172(b)(1)(C).

²² See sec. 501.

that are not described in section 501(c)(3) and which have a direct business analogue or compete with for-profit organizations organized for similar purposes is a tax expenditure.²³ The tax exemption for certain nonprofit cooperative business organizations, such as trade associations, is not treated as a tax expenditure just as the treatment of for-profit passthrough business entities is not treated as a tax expenditure. With respect to other nonprofit organizations, such as charities, tax-exempt status is not classified as a tax expenditure because the nonbusiness activities of such organizations generally must predominate, and their unrelated business income is subject to tax.²⁴ However, there are numerous exceptions that allow for otherwise unrelated business income to escape taxation,²⁵ and these exceptions are treated as tax expenditures. In general, the imputed income derived from nonbusiness activities conducted by individuals or collectively by certain nonprofit organizations is outside the normal income tax base. However, the ability of donors to such nonprofit organizations to claim a charitable contribution deduction is a tax expenditure, as is the exclusion of income granted to holders of tax-exempt financing issued by charities.

Recent legislation

The Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, enacted on July 4, 2025 (Pub. L. No. 119-21), creates several new tax expenditures.

—A deduction of up to \$6,000 from gross income is created for seniors. A senior is defined as a taxpayer who has attained age 65 (and in the case of a joint return, the taxpayer's spouse, if such spouse has attained age 65).

—A deduction is created of up to \$25,000 for qualified tips during a given taxable year that are included on certain statements furnished to an individual, including both employees receiving a W-2 and independent contractors or self-employed individuals receiving a 1099-K, 1099-NEC or reported by the taxpayer on Form 4137.

—A deduction is created of up to \$12,500 (\$25,000 in the case of a joint return) for qualified overtime compensation received during a given taxable year and included on certain tax statements furnished to the individual.

—A deduction is created of up to \$10,000 for qualified passenger vehicle loan interest during a given taxable year.

²³ These organizations include small insurance companies, mutual or cooperative electric companies, State credit unions, and Federal credit unions.

²⁴ The tax exemption for charities is not treated as a tax expenditure even if taxable analogues may exist. For example, the tax exemption for hospitals and universities is not treated as a tax expenditure notwithstanding the existence of taxable hospitals and universities.

²⁵ These exceptions include certain passive income that arguably may relate to business activities, such as royalties or rents received from licensing trade names or other assets typically used in a trade or business, as well as other passive income such as certain dividends and interest. Other exceptions include income derived from certain research activities and income from certain trade show and fair activities.

—A new long-term savings account (“Trump account”) is created. The term Trump account means a traditional individual retirement account (“IRA”) in which (1) the account (a) is created or organized by the Treasury Secretary for the exclusive benefit of an eligible individual or such eligible individual’s beneficiaries or (b) is created or organized in the United States for the exclusive benefit of an individual who has not attained the age of 18 before the end of the calendar year (or such individual’s beneficiaries) and funded by a qualified rollover contribution; (2) the account is designated at the time of establishment of the account as a Trump account; and (3) the written governing instrument creating the account meets certain requirements, including that no part of the account funds may be invested in any asset other than an eligible investment during any period before the first day of the calendar year in which the account beneficiary turns age 18. Individuals, families, friends, and employers may contribute up to an aggregate amount of \$5,000 annually to a Trump account (the \$5,000 contribution limit does not include qualified rollover contributions, qualified contributions from State, local, or tribal governments or 501(c)(3) organizations, or contributions made under the pilot program). Individual contributions are made post-tax. Employer contributions to the account of an employee or the employee’s dependents are excluded from the employee’s taxable income, up to \$2,500 per year.

—An additional first-year depreciation deduction is created equal to 100 percent of the adjusted basis of qualified production property. Qualified production property is nonresidential real property (1) which is used by the taxpayer as an integral part of a qualified production activity; (2) which is placed in service in the United States or any possession of the United States; (3) the original use of which commences with the taxpayer; (4) the construction, reconstruction or erection of which by the taxpayer begins after January 19, 2025, and before January 1, 2029; (5) a portion of which is designated by the taxpayer in an election; and (6) is placed in service after July 4, 2025 and before January 1, 2031, except in cases of Acts of God, in which case the Secretary can extend the date.

—A new income tax credit is created for an individual who is a U.S. citizen or resident in an amount equal to qualified contributions made during the taxable year up to \$1,700 (reduced by the amount allowed as a credit on any State tax return of the taxpayer for qualified contributions during the taxable year). A qualified contribution is a charitable contribution of cash made to a scholarship granting organization that uses the contribution to fund scholarships for eligible students solely within the State in which the organization is listed.

—An exclusion from gross income of 25 percent of interest income derived from qualified real estate loans is created for banks insured under the Federal Deposit Insurance Act, domestic entities owned by a bank holding company, State or Federally regulated insurance companies, domestic entities owned by a State law insurance holding company and the Federal Agricultural Mortgage Corporation.

—The term “losses from wagering transactions” is modified to permanently include any deduction otherwise allowable under chapter 1 of the Code incurred in carrying on any wagering transactions. The deduction is limited to the lesser of (1) 90 percent of the wagering losses for the taxable year, or (2) the wagering gains for the taxable year.

The Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, enacted on July 4, 2025 (Pub. L. No. 119-21), modifies several tax expenditures.

—The maximum child tax credit increases to \$2,200 per child beginning in tax year 2025. For taxable years beginning after 2025, this amount is indexed for inflation. Public Law 119-21 strikes the expiration date of the temporary changes to the child tax credit enacted by Public Law 115-97. The maximum amount of the additional child tax credit per qualifying child is \$1,400 adjusted for inflation (\$1,700 in 2025). The income phaseout threshold amounts are \$400,000 for taxpayers filing jointly and \$200,000 for all other taxpayers. An individual is allowed a \$500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child.

—The deduction for qualified business income and special deduction for specified agricultural and horticultural cooperatives and their patrons are permanently extended.²⁶ The phase-in range for specified service trades or businesses and wage and investment limitations is increased to \$150,000 (for joint returns) and \$75,000 (for all other returns). A new, inflation-adjusted, minimum deduction of \$400 is introduced for taxpayers who have at least \$1,000 of qualified business income from one or more active trades or businesses in which the taxpayer materially participates.

—The individual alternative minimum tax exemption amounts are permanently increased. The rate at which alternative minimum tax exemptions phase out is increased from 25 to 50 percent.

—The deduction for qualified residence interest is permanently lowered to apply to interest on the first \$750,000 in acquisition indebtedness (\$375,000 for a married individual filing separately). The exclusion of interest on home equity indebtedness is permanently excluded from the definition of qualified residence interest. The provision allowing certain mortgage insurance premiums paid or accrued on acquisition indebtedness to count as qualified residence interest is reinstated.

—The itemized deduction for personal casualty losses in excess of personal casualty gain is permanently limited to losses resulting from Federally-declared disasters and certain State-declared disasters.

—The limitation on itemized deductions, commonly known as the Pease limitation, is permanently repealed and replaced with a new overall limitation on the tax benefit of itemized deductions, applicable to individuals, estates, and trusts. For a taxpayer with taxable income that, before reduction for itemized deductions, exceeds the dollar amount at which the 37-percent tax rate bracket begins, this provision generally caps the tax-reducing value of each dollar of otherwise allowable itemized deductions at 35 cents.

²⁶ See sec. 199A.

—The qualified bicycle commuting reimbursement exclusion is permanently eliminated. For qualified transportation fringe benefits other than the qualified bicycle commuting reimbursement, an additional year of inflation adjustment is added.

—The exclusion for qualified moving expenses reimbursement and the deduction for moving expenses are permanently repealed, except for active-duty members of the Armed Forces and members of the intelligence community.

—The additional contribution option to Achieving a Better Life Experience (“ABLE”) accounts for employed account beneficiaries is permanently extended. This provision also provides an additional year of inflation adjustment for the base amount of the limit.

—Designated beneficiaries who make qualified contributions to their ABLE account are permanently allowed to qualify for the Saver’s Credit.²⁷ For taxable years beginning after December 31, 2026, eligible Saver’s Credit contributions are limited to ABLE account contributions made during the taxable year by the account’s beneficiary. The maximum annual contribution amount eligible for the Saver’s Credit is increased from \$2,000 to \$2,100 for taxable years beginning after December 31, 2026.

—Tax-free rollovers of amounts in section 529 qualified tuition programs to qualified ABLE programs are permanently allowed.

—The designation of the Sinai Peninsula as a hazardous duty area is permanently extended. Kenya, Mali, Burkina Faso, and Chad are also designated as hazardous duty areas.

—The exclusion from a taxpayer’s income for any income resulting from the discharge of student debt on account of the death or total disability of the student is made permanent. A requirement that the taxpayer include the taxpayer’s social security number on the tax return for the year for which the exclusion is claimed is added.

—The itemized deduction for State and local taxes (“SALT cap”) is increased from \$10,000 to \$40,000 for both single and joint filers, phased down to \$10,000 for filers with modified adjusted gross income between \$500,000 and \$600,000; the \$40,000 limitation and phaseout thresholds increase by one percent each year until 2029; after 2029, the SALT cap reverts back to \$10,000 for single and joint filers (in the case of a married person filing separately, all preceding dollar amounts are half of those for single and joint filers).

—The additional first-year depreciation deduction for certain qualified property (“bonus depreciation”) is permanently extended and modified. The allowance is increased to 100 percent for property acquired and placed in service on or after January 19, 2025, as well as for specified plants planted or grafted on or after January 19, 2025.

—Domestic research and experimental expenditures are allowed to be expensed for amounts paid or incurred in taxable years beginning after December 31, 2024. Research or experimental expenditures attributable to research that is conducted outside the United States

²⁷ See sec. 25B(d)(1).

must continue to be capitalized and amortized over 15 years under section 174. The tax expenditure for expensing of research and experimental expenditures in Table 1 reflects the net combined effect of the treatment of domestic and foreign research and experimental expenditures.

—The cap on the deductibility of business interest expense is increased for taxable years beginning after December 31, 2024. Specifically, adjusted taxable income is computed without taking into account deductions for depreciation, amortization, or depletion.

—The paid family and medical leave credit is permanently extended and modified. First, the credit is modified to allow it to be claimed for an applicable percentage of premiums paid or incurred by an eligible employer during a taxable year for insurance policies that provide paid family and medical leave for qualifying employees. Second, an aggregation rule is included and as a result, each member of a controlled group must have a written policy providing paid family and medical leave that meets the requirements of section 45S. However, an employer that is otherwise eligible to receive the paid family and medical leave credit would not fail to be eligible merely because another member of the employer’s controlled group provides paid leave under a State or locally mandated policy. Third, the employer is permitted to lower the minimum employee work requirement from one year to six months.

—The current exemption from the deduction limitation for expenses for goods or services (including the use of facilities) sold by the taxpayer in a bona fide transaction for adequate and full consideration in money or money’s worth (such as meals provided to restaurant employees) is maintained. The deduction for expenses for food or beverages provided to crew members of a commercial vessel or on an oil or gas platform or drilling rig or certain support camps, as well as expanding such deduction allowance to food or beverages provided on certain fishing vessels or at certain fish processing facilities is maintained.

—The expensing of property under section 179 is extended to apply to property placed in service in taxable years beginning after December 31, 2024. The maximum amount a taxpayer may expense under section 179 is increased to \$2.5 million, reduced by the amount by which the cost of qualifying property exceeds \$4 million. The \$2.5 million and \$4 million amounts are adjusted for inflation for taxable years beginning after 2025.

—The advanced manufacturing investment credit rate is increased from 25 percent to 35 percent of the qualified investment made in a taxable year of an eligible taxpayer for property placed in service after December 31, 2025, if construction of the qualified property attributable to the investment begins before January 1, 2027.

—Spaceports are added as an eligible facility for exempt facility bonds.

—The rules for the allocation and apportionment of deductions to income in the net controlled foreign corporation (“CFC”) tested income (“NCTI”) category (formerly the global intangible low-taxed income (“GILTI”) category) for purposes of determining the foreign tax credit (“FTC”) limitation are modified. Only the following deductions of a U.S. shareholder are allocated and apportioned to income in the NCTI category: (1) the section 250 deduction relating to NCTI allowed under section 250(a)(1)(B) (and any deduction allowed under section 164(a)(3)

for taxes imposed on such amounts); and (2) any other deduction only if such deduction is directly allocable to such income. No amount of interest expense or research and experimental expenditures is allocated or apportioned to income in the NCTI category. Any deduction that would have been allocated or apportioned to income in the NCTI category but for this provision will only be allocated or apportioned to U.S.-source income.

—A domestic corporation's inclusion percentage, meaning the ratio of the domestic corporation's NCTI (formerly GILTI) divided by the aggregate amount of its *pro rata* share of the tested income (but not tested loss) of each CFC with respect to which it is a U.S. shareholder, is increased from 80 percent to 90 percent. A foreign tax credit is disallowed for 10 percent of any foreign income taxes paid or accrued (or deemed paid) with respect to any amount excluded from gross income under section 959(a) by reason of an inclusion in gross income under section 951A(a) if the exclusion occurs after June 28, 2025.

—Solely for purposes of the FTC limitation, if a U.S. person maintains an office or other fixed place of business in a foreign country, the portion of income that is (1) from the sale or exchange outside the United States of inventory property (within the meaning of section 865(i)(1)) which is produced in the United States, which is for use outside the United States, and to which the third sentence of section 863(b) applies; and (2) attributable to such office or other fixed place of business is treated as foreign-source income. However, the amount treated as foreign-source income cannot exceed 50 percent of the total income from the sale or exchange of the inventory property.

—The section 250 deduction percentage is modified for taxable years beginning after December 31, 2025, to 33.34 percent for amounts described in section 250(a)(1)(A) and 40 percent for amounts described in section 250(a)(1)(B).

—For purposes of calculating a domestic corporation's foreign-derived intangible income ("FDII"), the definition of deduction eligible income ("DEI") is modified in two ways. First, except as otherwise provided by the Treasury Secretary, DEI does not include any income or gain from the sale or other disposition (including the deemed sale or other deemed disposition or pursuant to a transaction subject to section 367(d)) of intangible property (as defined in section 367(d)(4)) and any other property of a type that is subject to depreciation, amortization, or depletion by the seller. This modification would apply to sales or other dispositions (or deemed sales or other deemed dispositions or pursuant to a transaction subject to section 367(d)) occurring after June 16, 2025. Second, instead of DEI being reduced by deductions, including taxes, properly allocable to such gross income, DEI would be reduced by expenses and deductions, including taxes, other than interest expense and research or experimental expenditures, properly allocable to such gross income. This modification would apply to taxable years beginning after December 31, 2025.

—Both the deemed tangible income return ("DTIR") currently utilized in determining a domestic corporation's FDII and the net deemed tangible income return ("NDTIR") currently utilized in determining a U.S. shareholder's GILTI inclusion are eliminated.

—The base erosion and anti-abuse tax ("BEAT") minimum tax amount is modified to be 10.5 percent of modified taxable income over adjusted regular tax liability, and the modifications

to the calculation of allowable credits for taxable years beginning after December 31, 2025, are stricken.

—The section 163(j) limitation is modified such that it is calculated prior to the application of any interest capitalization provision, defined as any provision under which interest is (1) required to be charged to capital account or (2) may be deducted or charged to capital account. Any interest which is capitalized under section 263(g) or 263A(f) is not treated as business interest for purposes of section 163(j). The amount of business interest allowed after taking into account the limitation is applied first to amounts which would be capitalized and the remainder, if any, to amounts which would be deducted. No portion of any business interest carried forward is treated as business interest to which an interest capitalization provision applies.

—A taxpayer's adjusted taxable income (“ATI”) calculation under section 163(j) is modified by excluding from ATI the amounts included in gross income under sections 951(a) and 951A(a) and the associated section 78 gross-up amounts (and the portion of the deductions allowed under sections 245A(a) (by reason of section 964(e)(4)) and 250(a)(1)(B) by reason of such inclusions).

—The section 954(c)(6) CFC look-through rule, *i.e.*, the look-through treatment of certain payments between related controlled foreign corporations under the foreign personal holding company rules, is made permanent.

—A specified foreign corporation's ability to elect a taxable year beginning one month earlier than the majority U.S. shareholder year (a one-month deferral year) is repealed for taxable years of specified foreign corporations beginning after November 30, 2025. A transition rule provides that a specified foreign corporation's first taxable year beginning after November 30, 2025, ends at the same time as the first required year (within the meaning of section 898(c)(1)) ending after such date, and provides authority for the Treasury Secretary to issue guidance for allocating foreign taxes paid or accrued in such year and the succeeding taxable year among such taxable years.

—The limitation on downward attribution of stock ownership when applying the constructive ownership rules (former section 958(b)(4)) is restored. A new section 951B is created to allow for downward attribution from a foreign person in certain cases. In general, section 951B applies the CFC inclusion rules (*i.e.*, subpart F and NCTI) to a foreign controlled U.S. shareholder (“FCUSS”) of a foreign controlled foreign corporation (“FCFC”) as if the former were a U.S. shareholder and the latter were a CFC. An FCUSS is a U.S. person that would be a U.S. shareholder with respect to a foreign corporation if: (1) to be a U.S. shareholder the U.S. person must own more than 50 percent of the stock of the foreign corporation; and (2) downward attribution from foreign persons applies. An FCFC is a foreign corporation, other than a CFC, more than 50 percent of which is owned by an FCUSS (as determined under the section 958(a) and 958(b) constructive ownership rules, but without regard to section 958(b)(4)).

—The rules for determining a U.S. shareholder's *pro rata* share of the foreign corporation's subpart F income is modified to provide that if a foreign corporation is a CFC at any time during a taxable year of the foreign corporation (a “CFC year”), each U.S. shareholder

which owns stock in such corporation during the CFC year must include in gross income such shareholder's *pro rata* share of the corporation's subpart F income for the CFC year, and, in general, each U.S. shareholder which owns stock in such corporation on the last day, in the CFC year, on which the corporation is a CFC must include in gross income the amount determined under section 956 with respect to such shareholder for the CFC year.

—The employer-provided child care credit is permanently increased. A separate credit amount is created for qualified small businesses, and the maximum credit amounts are indexed for inflation.

—The adoption tax credit is made partially refundable up to \$5,000 (indexed for inflation) beginning in taxable years starting after December 31, 2024. The refundable portion of the credit cannot be carried forward.

—Indian tribal governments are given the same ability as State governments to determine whether a child has special needs for the purposes of the adoption tax credit.

—The exclusion for dependent care assistance is increased to up to \$7,500 annually (\$3,750 in the case of a married individual filing separately), effective for taxable years beginning after December 31, 2025.

—The maximum credit rate for the child and dependent care tax credit is increased to 50 percent. The 50-percent credit rate is reduced, but not below 35 percent, for each \$2,000 or fraction thereof by which the taxpayer's adjusted gross income ("AGI") exceeds \$15,000. The credit rate is further reduced, but not below 20 percent, for each \$2000 (\$4000 for married taxpayers filing jointly) or fraction thereof by which AGI exceeds \$75,000 (\$150,000 for married taxpayers filing jointly).

—Tax-exempt distributions from 529 savings plans are allowed to be used for additional educational expenses in connection with enrollment or attendance at an elementary or secondary school. The amount of qualified education expenses during any taxable year is increased from \$10,000 to \$20,000 for taxable years beginning after December 31, 2025.

—Tax-exempt distributions from 529 savings plans, made after July 4, 2025, are allowed to be used for additional qualified higher education expenses, including "qualified postsecondary credentialing expenses" in connection with "recognized postsecondary credential programs" and "recognized postsecondary credentials."

—A permanent opportunity zone policy is created, building off the original opportunity zone structure. Additional opportunity zones may be designated every ten years under rules similar to those for the designation of the initial qualified opportunity zones as established in Public Law 115-97. The designation process for the next round of opportunity zones begins July 1, 2026, and the designation is effective beginning on January 1, 2027. The definition of a low-income community is narrowed, and the ability for contiguous tracts that are not low-income communities to be designated as opportunity zones is eliminated. The special rule for the designation of all low-income communities in Puerto Rico as opportunity zones is also eliminated. The investment incentives are modified, including by adding increased incentives for investment in rural areas.

—The State allocation ceiling considered for the low-income housing credit is permanently increased by 12 percent and the bond-financing threshold is lowered to 25 percent for buildings placed in service in taxable years beginning after December 31, 2025.

—The new markets tax credit (“NMTC”) is permanently extended by authorizing the Community Development Financial Institutions Fund (CDFI) to continue allocating five billion dollars of NMTCs to qualified community development entities each year. The carryover limitations are modified such that new carryover periods for unused NMTC allocations by the CDFI follow five calendar years after each allocation year, starting in 2026.

—A permanent deduction for certain charitable contributions is created for taxpayers who do not elect to itemize. Specifically, for taxable years after December 31, 2025, non-itemizers can claim a deduction of up to \$1,000 for single filers (\$2,000 for married filing jointly) for certain charitable contributions.

—A 0.5-percent floor is imposed on charitable contributions for taxpayers who elect to itemize for taxable years after December 31, 2025. Under the floor, a taxpayer’s contributions are allowable only for the portion of the aggregate contributions that exceeds 0.5 percent of the taxpayer’s contribution base for the taxable year, where the contribution base is defined as the taxpayer’s AGI computed without regard to any net operating loss carryback. In the case of a taxable year in which there is an excess contribution, the amount not allowed under the 0.5-percent floor may be carried over.

—A deduction for corporate charitable contributions is allowed to the extent that the aggregate of corporate charitable contributions exceeds one percent of a taxpayer’s taxable income and does not exceed 10 percent of the taxpayer’s taxable income.

—The maximum amount of whaling expenses that may be deducted as a charitable contribution is increased from \$10,000 to \$50,000 for taxable years beginning after December 31, 2025.

—The partial exception from the use of the percentage-of completion method (“PCCM”) for residential construction contracts (i.e., the 70/30 PCCM) is repealed. Instead, any exempt contract method may be used for determining taxable income from residential construction contracts. Thus, under the provision 100 percent of the taxable income from residential construction contracts may be accounted for under the completed contract method. Accordingly, the provision expands the ability to use the completed contract method to condominiums, cooperatives, or other multi-family housing with more than four dwelling units.

—The qualified small business stock (“QSBS”) gain exclusion is modified by providing a tiered gain exclusion for QSBS acquired after July 4, 2025. In particular, this provision allows a 50 percent exclusion of gain on QSBS held for three years, 75 percent if held for four years and 100 percent if held for five or more years. The per-issuer dollar cap is increased from \$10 million to \$15 million for post-enactment shares, indexed for inflation beginning in 2027. For stock issued after the applicable date, the corporate-level aggregate-asset ceiling is increased to \$75 million, indexed for inflation beginning in 2027.

—The special expensing rules for qualified film, television and live theatrical productions under section 181 are expanded to include aggregate qualified sound recording production costs of up to \$150,000 per taxable year.

—In the case of gain from the sale or exchange of qualified farmland property to a qualified farmer, a taxpayer may elect to pay tax on gain from the sale of the farmland in four equal annual installments.

—The incident period for qualified disaster-related personal casualty losses treatment attributable to major Federal disasters is extended to a period which begins after December 28, 2019, and on or before July 4, 2025.

—The previously-owned clean vehicle credit is terminated for vehicles acquired after September 30, 2025.

—The clean vehicle credit is terminated for vehicles acquired after September 30, 2025.

—The qualified commercial clean vehicles credit is terminated for vehicles acquired after September 30, 2025.

—The alternative fuel vehicle refueling property credit is terminated with respect to property placed in service after June 30, 2026.

—The energy efficient home improvement credit is terminated with respect to property placed in service after December 31, 2025.

—The residential clean energy credit is terminated with respect to expenditures made after December 31, 2025.

—The energy efficient commercial buildings deduction is terminated with respect to property the construction of which begins after June 30, 2026.

—The new energy efficient home credit is terminated for homes acquired after June 30, 2026.

—The special five-year recovery period for certain energy property is terminated if the construction of such property begins after December 31, 2024.

—The zero-emission nuclear power production credit is restricted for certain prohibited foreign entities. Specifically, for taxable years beginning after July 4, 2025, no credit is allowed for any taxable year beginning after July 4, 2025, if the taxpayer is a specified foreign entity (as such term is defined in new section 7701(a)(51)(B)). Furthermore, for taxable years beginning after July 4, 2025, no credit is allowed for any taxable year beginning two years after July 4, 2025, for a foreign-influenced entity (as such term is defined in new section 7701(a)(51)(D) without regard for clause (i)(II) thereof).

—The clean hydrogen production credit is terminated for facilities the construction of which begins after December 31, 2027, for both Section 45V and the related election under section 48(a)(15).

—The clean electricity production credit is phased out at different rates for different types of qualified facilities.

—The clean electricity investment credit is phased out at different rates for different types of qualified facilities.

—The advanced manufacturing production credit is modified with various phase out periods and modifications for various eligible components.

—Credits returned to the Secretary received for the advanced energy project credit program are restricted from being later reissued, effective as of July 4, 2025.

—The clean fuel production credit is extended through December 31, 2029. The credit is restricted to fuel exclusively derived from feedstocks produced or grown within the United States, Mexico, or Canada effective for transportation fuel produced after December 31, 2025.

—The applicable dollar amounts for captured carbon oxides that are utilized in an allowable manner or used as a tertiary injectant and then disposed of in secure geological storage are increased to match the applicable dollar amounts for captured carbon that is disposed of in secure geological storage (and not used as tertiary injectant). The applicable dollar amounts are adjusted for inflation for taxable years beginning after 2026.

—For taxable years beginning after December 31, 2025, taxpayers are required to (i) reduce adjusted financial statement income (“AFSI”) for any deduction allowed for intangible drilling and development costs (“IDCs”) under section 263(c), and (ii) adjust AFSI for any depletion expense that is taken into account on their applicable financial statement with respect to such IDCs.

—For taxable years beginning after December 31, 2025, the activities that can be categorized as qualifying income for purposes of the publicly traded partnership rules are expanded to include the transportation or storage of liquified hydrogen or compressed hydrogen; production of electricity from hydropower; generation of electricity or capture of carbon dioxide at a direct air capture or carbon capture facility; generation of electricity from an advanced nuclear facility, production of electricity, or thermal energy from geothermal deposits or hydropower; and operation of property to produce, distribute or use energy from a geothermal deposit or property that uses the ground or ground water as a thermal energy source or thermal energy sink.

—The excess business loss limitation is made permanent, and the limitation amounts are revised to 2018 levels of \$500,000 for married couples filing jointly and \$250,000 for all other taxpayers, indexed for inflation thereafter. The restriction on excess farm losses is permanently removed.

—An entity aggregation rule is added for purposes of the deduction disallowance for certain excessive employee remuneration. The rule provides that in the case of any publicly held corporation which is a member of a controlled group, if any person which is a member of such controlled group provides applicable employee remuneration to an individual who is a specified covered employee of such controlled group and the aggregate amount of applicable employee remuneration provided by all such members with respect to such specified covered employee exceeds \$1,000,000 then the deduction allowed to such members of the controlled group for the applicable employee remuneration paid to such specified covered employee is limited to \$1,000,000. Controlled group means any group treated as a single employer under the rules used to treat related entities as a single employer for other employee benefit purposes.

—Eligibility for the premium tax credit (“PTC”) for aliens is limited to the following defined categories: (1) aliens lawfully admitted for permanent residence; (2) certain Cuban and Haitian immigrants; and (3) Compact of Free Association migrants lawfully residing in the United States.

—Lawfully present individuals who are ineligible for Medicaid with incomes below 100 percent of federal poverty line are no longer eligible for the PTC under a special rule.

—The PTC (and thus advance payment) is modified to be unavailable for months of coverage under a qualified health plan for which an individual’s eligibility for (1) enrollment (including new open enrollments, each annual re-enrollment, and enrollment through a special enrollment period), and (2) any advance payment of the PTC (if the individual has applied for advance payment) has not been specifically verified by the Exchange, including during the required 90-day period during which an applicant may address any discrepancies in his or her application.

—The PTC is disallowed for individuals who enrolled in an exchange plan during an income-based special enrollment period that is not connected to a change in other circumstances.

—Partial repayments of excess advanced PTCs are disallowed, requiring taxpayers to repay the full amount of any excess.

—The safe harbor under which a plan does not fail to be treated as a high deductible health plan (“HDHP”) merely by reason of providing, without satisfaction of the plan’s deductible, telehealth and other remote care services is made permanent.

—Individuals are allowed to contribute to a health savings account (“HSA”) if covered under an individual market bronze or catastrophic plan purchased on an American Health Benefit Exchange.

—Individuals are allowed to contribute to an HSA on a tax-preferred basis while participating in direct primary care service arrangements.

—The treatment of employer payments on any qualified education loan incurred by an employee as a payment for educational assistance is made permanent. The maximum exclusion amount for amounts paid or incurred by the employer for educational assistance to an employee is adjusted for inflation for taxable years beginning after 2026.

Comparisons with Treasury

The Joint Committee staff and Treasury lists of tax expenditures differ in at least six respects. First, the Joint Committee staff and the Treasury use differing methodologies for the estimation of tax expenditures. Thus, the estimates in Table 1 are not necessarily directly comparable with the estimates prepared by the Treasury. Under the Joint Committee staff methodology, each tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result if the tax expenditure provision were repealed and taxpayers were allowed to take advantage of any of the remaining tax expenditure provisions that apply to the income or the expenses associated with the repealed tax expenditure.

For example, the tax expenditure provision for the exclusion of employer-paid health insurance is measured by the difference between tax liability under present law and the tax liability that would result if the exclusion were repealed and taxpayers were allowed to claim the next best tax treatment for the previously excluded employer-paid health insurance. This next best tax treatment could be the inclusion of the employer-paid health insurance as an itemized medical deduction on Schedule A (Form 1040).²⁸

Under the Treasury methodology, each tax expenditure is measured by the difference between tax liability under present law and the tax liability that would result if the tax expenditure provision were repealed and taxpayers were prohibited from taking advantage of any of the remaining tax expenditure provisions that apply to the income or the expenses associated with the repealed tax expenditure. For example, the tax expenditure provision for the exclusion for employer-paid health insurance is measured by the difference between tax liability under present law and the tax liability that would result if the exclusion were repealed and taxpayers were required to include all of the employer-paid health insurance in income, with no offsetting deductions (*i.e.*, no deductibility on Schedule A (Form 1040)).

Second, the Treasury uses a different classification of those provisions that can be considered a part of a normal income tax under both the individual and business income taxes. In general, the Joint Committee staff methodology involves a broader definition of the normal income tax base. In addition, the Joint Committee list of tax expenditures includes some provisions that are not contained in the Treasury list. The cash method of accounting by certain businesses provides an example. The Treasury considers the cash accounting option for certain businesses to be a part of a normal income tax, but the Joint Committee staff methodology treats it as a departure from a normal income tax that constitutes a tax expenditure.

Third, the Joint Committee staff and the Treasury estimates of tax expenditures may also differ as a result of differing data sources and differences in baseline projections of incomes and expenses. The Treasury's tax expenditure calculations are based on the Administration's

²⁸ If the exclusion were repealed, the value of the employer-paid health insurance would be included in income and taxpayers would be treated as having purchased the insurance themselves. Thus, the insurance expense would be deductible as an itemized medical expense on Schedule A (Form 1040), subject to the itemized medical deduction floor.

economic forecast. The Joint Committee staff calculations are based on the economic forecast prepared by the CBO.

Fourth, the Joint Committee staff and the Treasury estimates of tax expenditures span different sets of years. The Treasury's estimates cover an 11-year period: the last fiscal year, the current fiscal year when the President's budget is submitted, and the next nine fiscal years, *i.e.*, fiscal years 2024-2034. The Joint Committee staff estimates cover a five-year period from 2025-2029.

Fifth, the Joint Committee staff list excludes those provisions that are estimated to result in revenue losses below the *de minimis* amount, *i.e.*, less than \$250 million over the five fiscal years 2025 through 2029. The Treasury rounds all yearly estimates to the nearest \$10 million and excludes those provisions with estimates that round to zero in each year, *i.e.*, provisions that result in less than \$5 million in revenue loss in each of the years 2024 through 2034.

Finally, the Joint Committee staff list formally integrates negative tax expenditures into its standard presentation.

In some cases, two or more of the tax expenditure items in the Treasury list have been combined into a single item in the Joint Committee staff list, and vice versa. The Table 1 descriptions of some tax expenditures also may vary from the descriptions used by the Treasury.

There are some tax expenditure provisions that are contained in the Treasury list but are not contained in the Joint Committee staff list. Two of these provisions involve exceptions to the passive loss rules: the exception for working interests in oil and gas properties, and the exception for up to \$25,000 of rental losses. The Joint Committee staff does not classify these two provisions as tax expenditures; the effects of the passive loss rules (and exceptions to the rules) are included in the estimates of the tax expenditure provisions that are affected by the rules.²⁹

²⁹ See discussion of the passive loss rules in the previous section.

II. MEASUREMENT OF TAX EXPENDITURES

Tax expenditure calculations generally

A tax expenditure is measured as the difference between tax liability under present law and the tax liability that would result from a redetermination of tax without benefit of the tax expenditure provision.³⁰ Taxpayer behavior is assumed to remain unchanged for tax expenditure estimate purposes.³¹ This assumption is made to simplify the calculation and conform to the presentation of government outlays. This approach to tax expenditure measurement is in contrast to the approach taken in revenue estimating: all Joint Committee staff revenue estimates reflect anticipated taxpayer behavior.

The tax expenditure calculations in this report are based on the January 2025 CBO revenue baseline and Joint Committee staff projections of the gross income, deductions, and expenditures of individuals and corporations for calendar years 2025-2029. These projections are used to compute tax liabilities for the present-law revenue baseline and tax liabilities for the alternative baseline that assumes that the tax expenditure provision does not exist.

Internal Revenue Service (“IRS”) statistics from recent tax returns are used to develop projections of the tax credits, deductions, and exclusions that will be claimed (or that will be denied in the case of negative tax expenditures) under the present-law baseline.³² These IRS statistics show the actual usage of the various tax expenditure provisions. In the case of some tax expenditures, such as the earned income credit, there is evidence that some taxpayers are not claiming all the benefits to which they are entitled, while others are filing claims that exceed their entitlements. The tax expenditure calculations in this report are based on projections of actual claims under the various tax provisions, not the potential tax benefits to which taxpayers are entitled.

Some tax expenditure calculations are partly based on statistics for income, deductions, and expenses for prior years. Accelerated depreciation is an example. Estimates for this tax expenditure are based on the difference between tax depreciation deductions under present law

³⁰ An alternative way to measure tax expenditures is to express their values in terms of “outlay equivalents.” An outlay equivalent is the dollar size of a direct spending program that would provide taxpayers with net benefits that would equal what they now receive from a tax expenditure. For positive tax expenditures, the major difference between outlay equivalents and the tax expenditure calculations presented here is accounting for whether a tax expenditure converted into an outlay payment would itself be taxable, so that a gross-up might be needed to deliver the equivalent after-tax benefits.

³¹ An exception to this absence of behavior in tax expenditure calculations is that a taxpayer is assumed to make simple additions or deletions in filing tax forms, what the Joint Committee staff refers to as “tax form behavior.” For example, as noted above, if the exclusion for employer-paid health insurance were repealed, taxpayers would be allowed to claim the next best tax treatment for the previously excluded insurance. This next best tax treatment could be the inclusion of the employer-paid health insurance as an itemized medical deduction on Schedule A (Form 1040). Similarly, a taxpayer that is eligible for one of two alternative credits is assumed to file for the second credit if the first credit is eliminated.

³² See Joint Committee on Taxation, *Estimating Changes in the Federal Individual Income Tax: Description of the Individual Tax Model* (JCX-48-23), October 30, 2023.

and the deductions that would have been claimed in the current year if investments in the current year and all prior years had been depreciated using the alternative (normal income tax law) depreciation system.

Each tax expenditure is calculated separately, under the assumption that all other tax expenditures remain in the Code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately as a result of interactions among the tax expenditure provisions.³³

Year-to-year differences in the calculations for each tax expenditure reflect changes in tax law, including phaseouts of tax expenditure provisions and changes that alter the definition of the normal income tax structure, such as the tax rate schedule and the amount of the standard deduction. For example, the dollar level of tax expenditures tends to increase and decrease as tax rates increase and decrease, respectively, without any other changes in law. Some of the calculations for this tax expenditure report may differ from estimates made in previous years because of changes in law and economic conditions, the availability of better data, and improved measurement techniques.

If a tax expenditure provision were eliminated, Congress might choose to continue financial assistance through other means rather than terminate all Federal assistance for the activity. If a replacement spending program were enacted, the higher revenues received as a result of the elimination of a tax expenditure might not represent a net budget gain. A replacement program could involve direct expenditures, direct loans or loan guarantees, regulatory activity, a mandate, a different form of tax expenditure, or a general reduction in tax rates. Joint Committee staff estimates of tax expenditures do not anticipate such policy responses.

Tax expenditures versus revenue estimates

A tax expenditure calculation is not the same as a revenue estimate for the repeal of the tax expenditure provision for three reasons. First, unlike revenue estimates, tax expenditure calculations do not incorporate the effects of the behavioral changes that are anticipated to occur in response to the repeal of a tax expenditure provision. Second, some of the tax provisions that provide an exclusion from income also apply to the Federal Insurance Contributions Act (“FICA”) tax base, and the repeal of the income tax provision would automatically increase FICA tax revenues as well as income tax revenues. This FICA effect would be reflected in revenue estimates but is not considered in tax expenditure calculations. There may also be interactions between income tax provisions and other Federal taxes such as excise taxes and the estate and gift tax.

³³ See Leonard E. Burman, Christopher Geissler, and Eric J. Toder, “How Big Are Total Individual Income Tax Expenditures, and Who Benefits from Them?” *American Economic Review*, vol. 98, no. 2, May 2008.

Third, tax expenditure calculations are concerned with changes in the reported tax liabilities of taxpayers.³⁴ Because tax expenditure analysis focuses on tax liabilities as opposed to Federal government tax receipts, there is no concern for the short-term timing of tax payments. Revenue estimates are concerned with changes in Federal tax receipts that are affected by the timing of all tax payments. If a tax expenditure were repealed, it is likely that the repeal would be made effective for taxable years beginning after a certain date. Because most individual taxpayers have taxable years that coincide with the calendar year, the repeal of a provision affecting the individual income tax most likely would be effective for taxable years beginning after December 31 of a certain year. However, the Federal government's fiscal year begins October 1. Thus, the revenue estimate for repeal of a provision would show a smaller revenue gain in the first fiscal year than in subsequent fiscal years, because the repeal would be effective a few months after the start of the Federal government's fiscal year. The revenue estimate might also reflect some delay in the timing of the revenue gains as a result of the taxpayer tendency to postpone or forgo changes in tax withholding and estimated tax payments, and very often the repeal or modification of a tax provision includes transition relief that would not be captured in a tax expenditure calculation.

Quantitatively *de minimis* tax expenditures

The following tax provisions are viewed as tax expenditures by the Joint Committee staff but are not listed in Table 1 because the estimated revenue losses, or in the case of negative tax expenditures gains, for fiscal years 2025 through 2029 are below the *de minimis* amount (\$250 million). A provision that is a negative tax expenditure is indicated by the symbol “ * ”.

Income of nonresident aliens or foreign corporations

- Certain gambling winnings of nonresident aliens (sec. 871(j));
- Ship or aircraft operation income of nonresident aliens (sec. 872(b)(1) and (2));
- Bond income of residents of the Ryukyu Islands (872)(b)(4));
- Parimutuel wagering income (sec. 872(b)(5));
- Certain exchange or training programs compensation (872(c));
- Foreign railroad rolling stock earnings (sec. 883(a)(3)); and
- Certain communication satellite earnings (sec. 883(b))

Energy

- Credit for second-generation biofuel production (sec. 40(a)(4))

³⁴ Reported tax liabilities may reflect compliance issues, and thus calculations of tax expenditures reflect existing compliance issues.

- Credit for biodiesel and renewable diesel fuel (sec. 40A)³⁵
- Credit for sustainable aviation fuel (sec. 40B)
- Credit for enhanced oil recovery costs (sec. 43)
- Credit for electricity production from closed-loop biomass facilities (sec. 45(d)(2))
- Credit for producing oil and gas from marginal wells (sec. 45I)
- Credit for production of electricity from qualifying advanced nuclear power facilities (sec. 45J)
- Credit for investment in advanced energy property (sec. 48C)
- Credit for holders of clean renewable energy bonds (secs. 54 and 54C)
- Credit for holders of qualified energy conservation bonds (sec. 54D)
- Exclusion of energy conservation subsidies provided by public utilities (sec. 136)
- Exclusion of interest on State and local government qualified private activity bonds for energy production facilities (secs. 142(a)(8), 142(a)(9), and 142(a)(12))
- Exclusion of interest on State and local government qualified private activity bonds for green buildings and sustainable design projects (sec. 142(a)(14))
- Seven-year MACRS for any Alaska natural gas pipeline (sec. 168(e)(3)(C))
- Amortization of air pollution control facilities (sec. 169)
- Energy efficient commercial buildings deduction (sec. 179D)
- Expensing of tertiary injectants (sec. 193)
- Expensing of exploration and development costs, other fuels (secs. 616 and 617)

Natural resources and environment

- Special depreciation allowance for certain reuse and recycling property (sec. 168(m))

³⁵ The estimated tax expenditure for the credit for biodiesel and renewable diesel fuel does not take into account any benefits for biodiesel or renewable diesel provided by the excise tax credits and payments under sections 6426 and 6427(e), respectively.

- Special rules for mining reclamation reserves (sec. 468)
- Special tax rate for nuclear decommissioning reserve funds (sec. 468A)
- Exclusion of earnings of certain environmental settlement funds (sec. 468B(g))
- Excess of percentage over cost depletion, nonfuel minerals (sec. 613)
- Expensing of exploration and development costs, nonfuel minerals (secs. 616 and 617)

Agriculture

- Exclusion of cancellation of indebtedness income of farmers (sec. 108(a)(1)(C))
- Exclusion of cost-sharing payments of farmers (sec. 126)
- Cash accounting for agriculture (sec. 446)
- Expensing of costs of raising dairy and breeding cattle (sec. 1231(b)(3))

Commerce and housing

- Exclusion of investment income from structured settlement arrangements (secs. 72(u)(3)(C) and 130)
- Exclusion of income attributable to the discharge of principal residence acquisition indebtedness (sec. 108(a)(1)(E))
- Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument (sec. 108(i))
- Alaska Native Corporation trusts (secs. 139G, 247, and 646)
- Seven-year MACRS for motorsports entertainment complexes (sec. 168(i)(15))
- Special rules for magazine, paperback book, and record returns (sec. 458)
- Inventory methods and valuation: specific identification for homogeneous products (sec. 471)
- Exclusion from unrelated business taxable income (“UBTI”) of certain payments to controlling exempt organizations (sec. 512)
- Bad debt reserves of financial institutions (sec. 585)

—Deferral of gain on sales of property to comply with conflict-of-interest requirements (sec. 1043)

—Reduced rates of tax on gains from the sale of self-created musical works (sec. 1221(b)(3))

—Exclusion of gain or loss on sale or exchange of brownfield property (sec. 512(b)(19))

—Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories (sec. 5011)

Transportation

—Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities (sec. 142(a)(11))

Community and regional development

—Exclusion of Indian general welfare benefits (sec. 139E)

—Accelerated depreciation for business property on an Indian reservation (sec. 168(j))

—Empowerment zone tax incentives (secs. 1391-1397)

—Issuance of tribal economic development bonds (sec. 7871(f))

Education, training, employment, and social services

—Credit for disabled access expenditures (sec. 44)

—Credit for employer-provided dependent care (sec. 45F)

—Exclusion of Olympic and Paralympic medals and prizes (sec. 74(d))

—Exclusion of interest on educational savings bonds (sec. 135)

—Exclusion of restitution payments received by victims of the Nazi regime and the victims' heirs and estates (sec. 803 of Pub. L. No. 107-16)

Health

—Tax credit for small businesses purchasing employer insurance (sec. 45R)

—Archer medical savings accounts (sec. 220)

Income security

—Credit for the elderly and disabled (sec. 22)

—Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty (sec. 101(h))

—Exclusion of special benefits for disabled coal miners (sec. 501(c)(21))

—ABLE accounts (sec. 529A)

Veterans' benefits and services

—Burial expenses for veterans (sec. 134 and 38 U.S.C. 5301)

—Exclusion of interest on State and local government qualified private activity bonds for veterans' housing (sec. 141(e)(1)(C))

Administration of justice

—Exclusion of certain amounts received by wrongfully incarcerated individuals (sec. 139F)

—Denial of deduction for payments related to sexual harassment and sexual abuse subject to nondisclosure agreements (sec. 162(q))*

Interest

—Exclusion of interest received in action to recover property seized by the Internal Revenue Service based on structuring transaction (sec. 139H)

Tax expenditures for which quantification is not available

The following tax provisions are viewed as tax expenditures by the Joint Committee staff but are not listed in Table 1 because the projected revenue changes are unavailable (a provision that is a negative tax expenditure is indicated by the symbol “ * ”):

International affairs

—Treatment of certain United States employment tax paid under agreements between United States Treasury and American employers with respect to foreign affiliates (sec. 3121(l))

—Adjusting of tax rates on citizens and corporations of certain foreign countries* (secs. 891-896)

Energy

—Accelerated deductions for nuclear decommissioning costs (sec. 468A)

—Fossil fuel capital gains treatment (sec. 631(c))

Natural resources and environment

—Exception to partial interest rule for qualified conservation contribution (sec. 170(h))

—Exclusion of interest on State and local government private activity bonds for qualified carbon dioxide capture facilities (sec. 142(a)(17))

Agriculture

—10-year MACRS for single purpose agricultural or horticultural structures (sec. 168(e)(3), (i)(13))

—Exceptions from dealer disposition definition for installment sales (sec. 453(l)(2)(A))

—Exception from interest calculation on installment sales for small dispositions (sec. 453A(b)(3))

Commerce and housing credit

—Unrecaptured section 1250 gain rate (sec. 1(h)), which applies to depreciation taken on real property

—Disallowance of deduction for unreimbursed expenses attributable to trade or business of the performance of services as an employee* (sec. 62(a)(1))

—Treatment of loans under life insurance and annuity contracts and 401(k) plans (secs. 72(e), 72(p), and 7702)

—Denial of deduction for investment expenses* (sec. 212)

—Amortization of organizational expenditures (sec. 248)

—Deferral of prepaid subscription income (sec. 455)

—Deferral of prepaid dues income of certain membership organizations (sec. 456)

—Exemption for cemetery companies (sec. 501(c)(13))

—Certain exceptions to the UBTI rules (secs. 512-514)

- Passive income gains
- Income from certain research
- Trade shows and fairs
- Bingo games
- Pole rentals
- Sponsorship payments
- Real estate exception to the debt-financed income rules

—Amortization of partnership organization and syndication fees (sec. 709)

—Nonrecognition of in-kind distributions by regulated investment companies in redemption of their stock (sec. 852(b)(6))

—Specific identification of sold equities (sec. 1012 and Treas. Reg. sec. 1012-1)

—Losses on small business stock (secs. 1242-1244)

—Special discount rate rule for certain debt instruments where stated principal amount is \$2.8 million or less (sec. 1274A)

—Tax treatment of convertible bonds (Treas. Reg. sec. 1.1275-4; Rev. Rul. 2002-31)

—Nondeductibility of excise taxes imposed on employers whose employees receive premium assistance credits* (secs. 275(a)(6) and 4980H(c)(7))

—Nondeductibility of annual fees imposed on certain drug manufacturers or importers* (sec. 275(a)(6) and sec. 9008(f)(2) of Pub. L. No. 111-148)

Income security

—Credit for new retirement plan expenses of small businesses (sec. 45E)

—Matching contribution for qualified retirement savings contributions (sec. 6433)³⁶

General government

—Exclusion of Guam, American Samoa, and Northern Mariana Islands income (sec. 931)³⁷

³⁶ Quantification of the effects of the match credit are not presently available and will be included in this publication when data become available.

³⁷ Also includes the exclusion of Guam income under the rules coordinating United States and Guam individual income taxes (former sec. 935, which remains in effect with respect to Guam and the Northern Mariana Islands).

—Exclusion of U.S. Virgin Islands income (sec. 932(c)(4))

—Exclusion of Puerto Rico income (sec. 933)

III. TAX EXPENDITURE ESTIMATES

Tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Within each budget function, tax expenditures are ordered by the Code section that provides for the special treatment. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any single budget category have been placed in the most appropriate category. Totals for each tax expenditure are presented for the five-year period covering fiscal years 2025-2029, respectively.

Several of the tax expenditure items involve small amounts of revenue, and those estimates are indicated in Table 1 by footnote 2. For each of these items, the footnote means that the tax expenditure is less than \$50 million in the fiscal year.

Table 2 presents distributional projections of tax return data for each of nine income classes including: (1) the number of all returns (including filing and nonfiling units),³⁸ (2) the number of taxable returns, (3) the number of returns with itemized deductions, and (4) the amount of tax liability.

Table 3 provides distributional estimates by income class for some of the tax expenditures that affect individual taxpayers. Not all tax expenditures that affect individuals are shown in this table because of the difficulty in making reliable estimates of the income distribution of items that do not appear on tax returns under present law.

³⁸ Filing units include all taxable and nontaxable returns. Non-filing units include individuals with income that is exempt from Federal income taxation (*e.g.*, transfer payments, interest from tax-exempt bonds, etc.).

Table 1.--Tax Expenditure Estimates By Budget Function, Fiscal Years 2025 - 2029 [1]

[Billions of Dollars]

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
National Defense											
Deduction for overnight-travel expenses of national guard and reserve members.....	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of military disability benefits.....	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	1.9
Exclusion of combat pay.....	---	---	---	---	---	0.9	0.9	1.0	1.0	1.1	4.9
Exclusion of benefits and allowances to armed forces personnel.....	---	---	---	---	---	7.3	7.6	7.8	8.0	8.3	39.0
International Affairs											
Election to deduct foreign taxes instead of a credit.....	1.6	1.6	1.8	1.8	1.9	---	---	---	---	---	8.7
Deduction for foreign-derived intangible deduction eligible income derived from trade or business within the United States.....	14.6	14.9	14.3	15.0	15.7	---	---	---	---	---	74.5
Reduced tax rate on active income of controlled foreign corporations.....	47.6	39.9	37.9	39.5	41.0	---	---	---	---	---	205.8
Exclusion of foreign earned income:											
Salary.....	---	---	---	---	---	4.5	5.3	5.6	6.0	6.4	27.9
Housing.....	---	---	---	---	---	0.7	0.8	0.8	0.8	0.8	3.9
Exclusion of certain allowances for Federal employees abroad.....	---	---	---	---	---	1.7	1.8	1.8	1.9	2.0	9.2
Exclusion of certain income of CFCs under 951 and 951A.....	4.9	3.9	3.4	3.8	4.0	---	---	---	---	---	20.0
Special rules for interest-charge domestic international sales corporations.....	2.5	2.6	2.8	2.9	3.0	---	---	---	---	---	13.8
Election to be taxed on notional shipping income based on tonnage.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5
General Science, Space, and Technology											
Credit for increasing research activities	32.1	34.3	36.6	38.9	41.3	1.0	1.1	1.1	1.2	1.3	188.9
Expensing of research and experimental expenditures.....	41.4	34.0	18.3	6.5	0.9	1.3	1.1	0.6	0.2	[2]	104.1
Energy											
Residential clean energy credit.....	---	---	---	---	---	12.4	3.3	---	---	---	15.7
Energy efficient home improvement credit.....	---	---	---	---	---	2.4	0.6	---	---	---	3.0

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Credits for alternative technology vehicles:											
Clean vehicle credit [3].....	---	---	---	---	---	3.5	---	---	---	---	3.5
Credit for qualified commercial clean vehicles.....	2.1	1.0	0.6	0.5	0.5	---	---	---	---	---	4.8
Credit for previously owned plug-in electric vehicles [3].....	---	---	---	---	---	0.6	---	---	---	---	0.6
Credit for production of clean hydrogen [3].....	[2]	[2]	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.4
Clean fuel production [3].....	2.1	5.1	6.6	8.6	10.6	---	[2]	[2]	[2]	[2]	33.1
Credits for electricity production from renewable resources.....	4.0	5.1	6.5	7.6	7.7	0.2	0.3	0.3	0.4	0.4	32.6
Clean electricity production credit	---	---	[2]	0.2	0.5	---	0.8	[2]	[2]	[2]	0.8
Credit for carbon oxide sequestration.....	0.7	1.1	1.7	2.4	3.2	---	---	---	---	---	9.2
Energy credit	18.9	25.0	10.0	5.2	1.2	3.6	4.8	1.9	1.0	0.2	71.7
Clean electricity ITC.....	---	0.8	7.3	5.7	1.4	---	0.1	0.8	0.6	0.2	16.8
Credit for alternative fuel vehicle refueling property.....	0.1	0.1	[2]	[2]	[2]	0.1	[2]	[2]	---	---	0.3
Credit for construction of energy-efficient new homes.....	0.4	0.4	0.2	0.2	0.1	0.3	0.2	[2]	---	---	1.9
Advanced manufacturing production credit.....	4.6	1.7	1.5	4.2	6.4	0.5	0.2	0.1	0.4	0.6	20.1
Advanced manufacturing investment credit.....	5.8	9.6	10.9	9.9	5.3	0.6	1.1	1.2	1.1	0.6	46.2
Zero emission nuclear power production credit.....	2.7	2.8	2.9	2.9	3.0	[2]	[2]	[2]	[2]	[2]	14.3
Amortization of geological and geophysical expenditures associated with oil and gas exploration.....	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.3
Depreciation recovery periods for energy-specific items [4]:											
Five-year MACRS for certain energy property (solar, wind, etc.).....	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.5
10-year MACRS for smart electric distribution property.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
15-year MACRS for certain electric transmission property.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
15-year MACRS for natural gas distribution line.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
Excess of percentage over cost depletion:											
Oil and gas.....	0.7	0.7	0.7	0.7	0.7	[2]	[2]	[2]	[2]	[2]	3.4
Other fuels.....	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.6
Expensing of exploration and development costs:											
Oil and gas.....	0.5	0.5	0.5	0.4	0.4	[2]	[2]	[2]	[2]	[2]	2.3
Exceptions for publicly-traded partnership with qualified income derived from certain energy-related activities.....	---	---	---	---	---	0.4	0.7	0.9	1.1	1.2	4.4

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Natural Resources and Environment											
Expensing of timber-growing costs.....	0.3	0.3	0.3	0.3	0.3	[2]	[2]	[2]	[2]	[2]	1.5
Amortization and expensing of reforestation expenditures.....	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.7
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules.....	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.3
Agriculture											
Two-year carryback period for net operating losses attributable to farming.....	0.3	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1	1.8
Expensing of soil and water conservation expenditures.....	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.5
Expensing by farmers for fertilizer and soil conditioner costs.....	[2]	[2]	[2]	[2]	[2]	0.1	0.0	0.1	0.1	0.1	0.4
Income averaging for farmers and fishermen.....	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	1.5
Commerce and Housing											
Reduced rates of tax on dividends and long-term capital gains.....	---	---	---	---	---	253.5	252.3	247.4	247.6	252.1	1,253.0
Credit for low-income housing	13.9	14.8	15.8	16.9	18.0	0.2	0.2	0.2	0.2	0.2	80.3
Credit for employer-paid FICA taxes on tips.....	0.8	0.9	0.9	1.0	1.0	1.8	1.9	2.0	2.2	2.3	14.9
Credit for rehabilitation of historic structures.....	1.0	1.1	1.1	1.2	1.3	0.4	0.4	0.5	0.5	0.5	7.9
Deduction for tips.....	---	---	---	---	---	5.0	6.9	7.2	7.6	1.9	28.6
Deduction for overtime pay.....	---	---	---	---	---	16.4	21.9	22.4	23.0	5.8	89.6
Exclusion of capital gains on sales of principal residences.....	---	---	---	---	---	50.0	57.0	64.7	69.0	72.3	313.1
Exclusion of interest on State and local government qualified private activity bonds for rental housing.....	0.3	0.3	0.3	0.4	0.4	1.3	1.4	1.5	1.5	1.6	9.0
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing [5].....	0.2	0.2	0.2	0.2	0.2	0.8	0.9	0.9	0.9	1.0	5.5
Exclusion of interest on State and local government small-issue qualified private activity bonds.....	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.5
Limitation on deduction for FDIC premiums*.....	-1.8	-1.8	-1.9	-1.9	-1.9	---	---	---	---	---	-9.3
Deduction for mortgage interest on owner-occupied residences.....	---	---	---	---	---	45.5	53.0	53.5	54.1	54.9	261.1
Limitation on net interest deduction to 30 percent of adjusted taxable income*.....	-10.3	-12.5	-13.6	-13.5	-13.6	-1.0	-1.2	-1.3	-1.3	-1.3	-69.8
Depreciation of equipment in excess of the alternative depreciation system [4].....	34.2	35.0	34.9	35.4	35.4	24.3	24.5	24.1	24.4	24.3	296.4

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Depreciation of rental housing in excess of alternative depreciation system.....	0.6	0.6	0.5	0.5	0.4	6.2	5.5	4.9	4.3	3.6	27.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system.....	1.7	6.7	10.6	10.5	10.4	1.7	6.9	10.7	10.6	10.5	80.2
Limit net operating loss deduction*.....	-1.3	-0.7	-0.7	-0.8	-0.9	-0.4	-0.2	-0.2	-0.2	-0.3	-5.7
Insurance companies (other than life insurance companies) two-year net operating loss carryback.....	3.9	4.2	4.3	4.4	4.6	---	---	---	---	---	21.4
Expensing under section 179 of depreciable business property.....	1.0	0.9	0.8	0.7	0.7	7.7	6.5	5.9	5.4	5.0	34.6
Expensing of magazine circulation expenditures.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
Amortization of business startup costs.....	[2]	[2]	[2]	[2]	[2]	0.2	0.2	0.2	0.2	0.2	1.2
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly.....	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.3
Deduction for qualified business income.....	---	---	---	---	---	75.5	76.4	77.8	79.4	80.8	389.9
Distributions in redemption of stock to pay various taxes imposed at death.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Cash accounting, other than agriculture.....	0.6	0.6	0.6	0.6	0.6	2.6	2.7	2.8	2.9	3.0	17.1
Deferral of certain advance payments.....	1.5	1.5	1.6	1.6	1.7	0.5	0.5	0.5	0.5	0.5	10.3
Deferral of gain on non-dealer installment sales.....	5.0	5.3	5.6	5.9	6.3	1.4	1.5	1.6	1.6	1.7	35.9
Completed contract rules.....	0.8	1.2	1.1	1.1	1.1	0.1	0.6	0.5	0.4	0.3	7.3
Limitation on active passthrough losses in excess of \$500,000/\$250,000*.....	---	---	---	---	---	-2.0	-1.8	-1.7	-1.3	-2.6	-9.4
Inventory methods and valuation:											
Last in first out.....	1.6	1.6	1.6	1.6	1.6	0.4	0.4	0.4	0.4	0.4	9.9
Lower of cost or market.....	0.1	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.3
Exemption of credit union income.....	7.0	2.8	3.0	3.3	3.5	---	---	---	---	---	19.6
Special treatment of life insurance company reserves.....	2.4	2.5	2.6	2.8	2.9	---	---	---	---	---	13.1
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies.....	2.0	2.1	2.2	2.4	2.5	0.2	0.2	0.2	0.2	0.2	12.2
Proration for property and casualty insurance companies.....	0.3	0.3	0.3	0.3	0.4	---	---	---	---	---	1.6

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Special deduction for Blue Cross and Blue Shield companies.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.6
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies.....	1.7	1.7	1.9	2.1	2.4	---	---	---	---	---	9.8
Exclusion of capital gains at death.....	---	---	---	---	---	66.3	72.5	76.4	79.9	84.2	379.3
Carryover basis of appreciated property transferred by gift.....	---	---	---	---	---	16.5	15.1	13.3	12.0	11.2	68.1
Deferral of gain on like-kind exchanges.....	2.5	2.5	2.5	2.6	2.7	8.3	8.3	8.1	8.0	8.1	53.6
Exclusion of gain from certain small business stock.....	---	---	---	---	---	4.4	4.9	5.1	5.3	5.9	25.7
Deduction for premiums for qualified mortgage insurance.....	---	---	---	---	---	---	0.9	1.3	1.3	1.4	4.9
Deduction for interest on personal vehicle loans.....	---	---	---	---	---	2.9	6.2	8.6	10.3	2.7	30.7
Exclusion for agricultural loan interest.....	---	---	---	---	---	[2]	0.1	0.1	0.1	0.2	0.5
Income recognition rule for gain or loss from section 1256 contracts.....	0.1	0.1	0.1	0.1	0.1	3.5	3.3	3.3	3.3	3.3	17.5
Exemptions from imputed interest rules.....	[2]	[2]	[2]	[2]	[2]	1.2	1.3	1.4	1.4	1.5	6.9
Surtax on net investment income*.....	---	---	---	---	---	-60.5	-61.4	-61.4	-62.4	-64.2	-309.8
Minimum rate of interest for certain determinations related to life insurance contracts.....	0.1	0.2	0.2	0.3	0.4	0.1	0.2	0.2	0.3	0.4	2.4
Limitation on deductibility of wagering losses						---	-0.1	-0.1	-0.1	-0.1	-0.5
Transportation											
Treatment of employer-paid transportation benefits (parking, van pools, and transit passes, black car services).....	-3.4	-3.5	-3.6	-3.7	-3.9	8.9	9.2	9.6	9.9	10.3	30.0
Exclusion of interest on State and local government qualified private activity bonds for private airports, spaceports, docks, and mass-commuting facilities.....	0.2	0.2	0.2	0.3	0.3	0.9	1.0	1.0	1.1	1.1	6.2
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities.....	[2]	[2]	[2]	[2]	[2]	0.2	0.2	0.2	0.2	0.2	1.2
Deferral of tax on capital construction funds of shipping companies.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
Railroad track maintenance credit	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.3
Community and Regional Development											
New markets tax credit.....	1.4	1.5	1.7	1.8	2.0	[2]	[2]	[2]	[2]	[2]	8.5

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities.....	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	1.9
Qualified opportunity zones.....	1.0	0.2	-3.6	2.0	1.8	4.7	0.9	-17.9	10.1	8.8	7.8
National disaster relief.....	----- <i>Estimate Contained in Other Provisions</i> -----										
Trump accounts.....	---	---	---	---	---	0.7	6.5	3.6	3.6	[2]	14.4
Education, Training, Employment, and Social Services											
<i>Education and training:</i>											
Credits for tuition for post-secondary education [3].....	---	---	---	---	---	13.9	13.3	13.0	12.8	12.9	65.9
Credit for holders of qualified zone academy bonds (new issues repealed by TCJA) [6][3][7].....	[2]	[2]	[2]	[2]	[2]	0.1	0.1	0.1	0.1	0.1	0.7
Qualified school construction bonds [6][3][7].....	---	---	---	---	---	0.6	0.6	0.6	0.5	0.5	2.8
Exclusion of income attributable to the discharge of certain student loan debt and certain Federal and State education loan repayment programs.....	---	---	---	---	---	4.2	3.6	4.1	4.0	4.4	20.3
Exclusion of scholarship and fellowship income.....	---	---	---	---	---	5.2	5.4	5.6	5.7	5.9	27.8
Exclusion of employer-provided tuition reduction benefits.....	---	---	---	---	---	0.3	0.4	0.4	0.4	0.4	1.9
Exclusion of employer-provided education assistance benefits.....	---	---	---	---	---	1.7	1.8	1.9	1.9	2.0	9.3
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities.....	0.6	0.6	0.6	0.7	0.7	2.5	2.7	2.8	2.8	2.9	17.0
Exclusion of interest on State and local government qualified private activity bonds for student loans.....	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	1.5
Deduction for charitable contributions to educational institutions.....	1.5	1.2	1.0	1.0	1.0	9.1	10.3	10.9	11.4	12.0	59.4
Exclusion from UBTI of certain payments to controlling exempt organizations.....	[2]	[2]	[2]	[2]	[2]	---	---	---	---	---	0.1
Deduction for interest on student loans.....	---	---	---	---	---	2.6	2.5	2.6	2.6	2.7	12.9
Exclusion of tax on earnings of qualified tuition programs:											
Prepaid tuition programs.....	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	1.1
Savings account programs.....	---	---	---	---	---	5.3	5.3	5.5	5.8	6.0	27.9

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Exclusion of earnings of Coverdell education savings accounts.....	---	---	---	---	---	0.3	0.3	0.2	0.2	0.2	1.3
Tax credit for contributions to scholarship granting organizations	---	---	---	---	---	---	---	1.9	2.9	3.3	8.0
<i>Employment:</i>											
Credit for family and medical leave.....	0.3	0.3	0.4	0.5	0.6	[2]	[2]	[2]	[2]	[2]	2.2
Work opportunity tax credit.....	0.9	0.5	0.2	0.1	0.1	0.4	0.2	0.1	[2]	[2]	2.5
Exclusion of employee awards.....	---	---	---	---	---	0.5	0.5	0.5	0.5	0.6	2.6
Exclusion of housing allowances for ministers.....	---	---	---	---	---	1.0	1.1	1.1	1.2	1.2	5.7
Treatment of meals and lodging (other than military).....	-1.8	-3.3	-2.9	-3.0	-3.1	11.5	11.6	11.7	11.8	12.0	44.5
Exclusion of miscellaneous fringe benefits.....	---	---	---	---	---	10.2	10.6	11.0	11.4	11.8	54.9
Treatment of employee moving expenses*.....	---	---	---	---	---	-1.0	-1.1	-1.1	-1.1	-1.1	-5.3
Exclusion of employer-provided (on-site) gyms.....	---	---	---	---	---	2.0	2.0	2.1	2.2	2.3	10.7
Limits on deductible compensation [8]*.....	-5.3	-5.5	-6.5	-7.3	-11.1	---	---	---	---	---	-35.8
Treatment of meals and entertainment*.....	-5.6	-5.8	-6.0	-6.3	-6.5	1.4	1.5	1.6	1.6	1.7	-22.3
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [8]*.....	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.0
Special tax provisions for employee stock ownership plans (ESOPs) [9].....	1.9	2.0	2.0	2.1	2.2	6.1	7.0	8.0	9.2	10.6	51.1
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*.....	-0.8	-0.8	-0.8	-0.9	-0.9	1.0	1.2	1.3	1.3	1.4	2.1
Deferral of taxation on spread on employee stock purchase plans*.....	-0.4	-0.4	-0.5	-0.5	-0.5	0.2	0.2	0.2	0.2	0.2	-1.2
Exclusion of income in voluntary employees' beneficiary associations [10].....	---	---	---	---	---	31.0	31.3	31.6	31.9	32.2	158.0
<i>Social services:</i>											
Credit for employer-provided dependent care	[2]	0.1	0.1	0.1	0.1	[2]	[2]	[2]	[2]	[2]	0.4
Credit for child and dependent care and exclusion of employer-provided child care [3][11].....	---	---	---	---	---	5.0	6.5	7.0	7.1	7.2	32.8
Adoption credit and employee adoption benefits exclusion.....	---	---	---	---	---	0.6	0.8	0.7	0.7	0.6	3.5
Credit for children and other dependents [3].....	---	---	---	---	---	128.4	128.4	127.9	130.5	131.5	646.7
Exclusion of certain foster care payments.....	---	---	---	---	---	0.5	0.6	0.6	0.6	0.6	2.9

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Deduction for charitable contributions, other than for education and health [12].....	3.3	2.7	2.2	2.1	2.3	49.2	55.9	59.2	61.5	64.8	303.2
Health											
Subsidies for insurance purchased through health benefit exchanges [3].....	---	---	---	---	---	135.1	105.0	88.3	82.3	81.5	492.3
Credit for orphan drug research.....	1.6	1.7	1.8	1.9	2.0	---	---	---	---	---	9.2
Exclusion of workers' compensation benefits (medical benefits).....	---	---	---	---	---	4.4	4.5	4.9	5.1	5.5	24.3
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [13].....	---	---	---	---	---	226.2	240.4	254.4	266.1	281.1	1,268.2
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare.....	---	---	---	---	---	7.0	7.8	8.4	8.8	9.2	41.2
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare.....	---	---	---	---	---	2.3	2.6	2.8	3.0	3.4	14.1
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities.....	0.3	0.4	0.4	0.4	0.4	1.5	1.6	1.6	1.7	1.7	10.0
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	---	---	---	---	---	9.5	10.5	11.2	11.5	11.8	54.5
Deduction for charitable contributions to health organizations.....	1.7	1.4	1.2	1.1	1.2	5.9	6.7	7.1	7.3	7.7	41.3
Deduction for medical expenses and long-term care expenses.....	---	---	---	---	---	12.8	13.8	14.7	15.6	17.1	73.9
Health savings accounts [14].....	---	---	---	---	---	13.1	15.3	16.8	17.9	19.1	82.3
Income Security											
Credit for certain individuals for elective deferrals and IRA contributions.....	---	---	---	---	---	1.5	1.4	0.3	---	---	3.2
Earned income credit [3].....	---	---	---	---	---	66.9	67.2	67.4	67.6	67.8	336.9
Disallowance of the standard deduction against the alternative minimum tax*.....	---	---	---	---	---	-0.5	-0.6	-0.7	-0.7	-0.7	-3.2
Additional standard deduction for the blind and the elderly.....	---	---	---	---	---	7.3	7.5	7.9	8.4	9.5	40.5
Enhanced deduction for seniors.....	---	---	---	---	---	16.8	22.4	22.7	23.0	5.8	90.8

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Exclusion of other employee benefits:											
Premiums on group term life insurance.....	---	---	---	---	---	5.0	5.3	5.6	5.9	6.3	28.1
Premiums on accident and disability insurance.....	---	---	---	---	---	6.6	6.7	6.9	7.0	7.2	34.4
Exclusion of amounts received under life insurance contracts.....	1.8	1.9	1.9	2.0	2.0	17.1	17.7	18.5	19.2	20.0	102.1
Exclusion of workers' compensation benefits (disability and survivors payments).....	---	---	---	---	---	5.7	5.9	6.0	6.2	6.4	30.1
Exclusion of damages on account of personal physical injuries or physical sickness.....	---	---	---	---	---	2.1	2.1	2.1	2.2	2.2	10.6
Exclusion of disaster mitigation payments.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Deduction for casualty and theft losses.....	---	---	---	---	---	0.1	0.2	0.3	0.3	0.3	1.2
Net exclusion of pension contributions and earnings:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans").....	---	---	---	---	---	16.2	17.2	18.3	19.3	20.2	91.1
Defined benefit plans.....	---	---	---	---	---	134.7	141.4	150.1	160.9	171.1	758.2
Defined contribution plans.....	---	---	---	---	---	197.3	213.3	238.7	269.1	301.9	1,220.3
Individual retirement arrangements:											
Traditional IRAs.....	---	---	---	---	---	19.1	20.5	21.3	21.8	22.8	105.4
Roth IRAs.....	---	---	---	---	---	15.5	16.9	17.4	18.0	18.7	86.2
Social Security and Railroad Retirement											
Exclusion of untaxed Social Security and railroad retirement benefits.....	---	---	---	---	---	44.9	44.5	47.7	51.2	64.2	252.5
Veterans' Benefits and Services											
Exclusion of veterans' disability compensation.....	---	---	---	---	---	19.2	20.2	21.0	21.9	22.5	104.7
Exclusion of veterans' pensions.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.3
Exclusion of veterans' readjustment benefits.....	---	---	---	---	---	1.5	1.5	1.6	1.6	1.7	7.9
Exclusion of interest on State and local government private activity bonds for veterans' housing.....	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	0.3
General Government											
Build America bonds (bonds were required to be issued before January 1, 2011) [6][3][8].....	---	---	---	---	---	1.6	1.4	1.4	1.4	1.4	7.2

Function	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
Exclusion of interest on public purpose State and local government bonds.....	5.1	5.2	5.4	5.5	5.7	21.9	22.6	23.2	23.9	24.5	143.1
Deduction of nonbusiness State and local government taxes.....	---	---	---	---	---	49.1	59.5	61.2	63.1	65.5	298.4
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.5	0.5	0.5	0.5	0.5	---	---	---	---	---	2.7
Interest											
Deferral of interest on savings bonds.....	---	---	---	---	---	0.6	0.6	0.6	0.6	0.6	3.0

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NOTE: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2025 - 2029 period.

[1] Reflects legislation enacted by August 31, 2025.

[2] Positive tax expenditure of less than \$50 million.

[3] Estimate includes refundability associated with the following

	Corporations					Individuals					Total
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025-29
outlay effects:											
Clean fuel for production of clean hydrogen.....	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	0.2
Clean Vehicle Credit.....	---	---	---	---	---	3.5	---	---	---	---	3.5
Clean fuel production credit.....	<i>Negligible Revenue Effect</i>										
Credit for previously owned plug-in electric vehicles.....	---	---	---	---	---	0.6	---	---	---	---	0.6
Credits for tuition for post-secondary education.....	---	---	---	---	---	4.8	4.6	4.5	4.5	4.4	22.9
Credit for holders of qualified zone academy bonds.....	---	---	---	---	---	[2]	[2]	[2]	[2]	[2]	[2]
Qualified school construction bonds.....	---	---	---	---	---	0.6	0.6	0.6	0.5	0.5	2.8
Credit for child and dependent care and exclusion of employer-provided child care.....	---	---	---	---	---	0.7	0.9	1.0	1.0	1.0	4.6
Credit for children and other dependents.....	---	---	---	---	---	47.9	46.6	45.6	45.9	45.6	231.7
Subsidies for insurance purchased through health benefit exchanges	---	---	---	---	---	115.8	85.5	78.0	74.0	73.4	426.7
Earned income credit.....	---	---	---	---	---	56.2	56.6	56.8	56.8	56.8	283.2
Build America bonds.....	---	---	---	---	---	1.6	1.4	1.4	1.4	1.4	7.2

[Footnotes for Table 1 continue on the following page]

Footnotes for Table 1 continued:

- [4] Includes bonus depreciation and general acceleration under MACRS.
- [5] Estimate includes effect of credit for interest on certain home mortgages.
- [6] Estimate includes an outlay to State and local governments. For the purposes of this table outlays are attributed to individuals.
- [7] Authority to issue new bonds was repealed by the Tax Cuts and Jobs Act, Pub. L. No. 115-97, effective for bonds issued after December 31, 2017. Amounts shown relate to outstanding bonds.
- [8] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.
- [9] The estimate for employee stock ownership plans will now include the effect of leveraged and /or privately held employer contributions to an ESOP plan. These previously were included only in the defined contribution plan estimate.
- [10] The tax treatment for VEBAs allows for deduction of employer contributions, deferral of earnings, and untaxed distributions if the plan provides accident or health benefits. The estimate will fully reflect this tax treatment going forward.
- [11] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
- [12] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.
- [13] Estimate includes employer-provided health insurance purchased through cafeteria plans and TRICARE medical insurance, which are also included in other line items on this table.
- [14] Estimate includes employer contributions made through cafeteria plans to health savings accounts, which are also included in other line items on this table.

Table 2.--Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability at 2025 Rates, 2025 Law, and 2025 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	All Returns [3]	Itemizing Returns	Returns with Positive Taxable Income [4]	Returns with Positive Tax Liability [5]	Tax Liability [5]
Below -\$15,000.....	19,166	77	5	3	-\$17,189
\$15,000 -\$30,000.....	23,105	148	8,336	4,593	-55,104
\$30,000 -\$40,000.....	16,232	205	8,634	4,603	-32,664
\$40,000 -\$50,000.....	14,333	274	8,730	5,064	-22,903
\$50,000 -\$60,000.....	13,250	348	8,986	6,054	-7,565
\$60,000 -\$80,000.....	22,797	1,046	17,596	13,826	18,028
\$80,000 -\$100,000.....	16,737	1,277	13,852	11,847	48,210
\$100,000 -\$150,000.....	26,704	3,523	25,214	23,253	169,664
\$150,000 - \$200,000.....	14,559	2,937	14,436	14,118	181,300
\$200,000 - \$500,000.....	20,139	8,709	20,107	20,018	660,145
\$500,000 - \$1,000,000.....	2,655	1,744	2,653	2,653	338,352
\$1,000,000 and over.....	1,180	812	1,179	1,179	924,018
Total	190,856	21,101	129,728	107,211	2,204,292

[1] Tax law as in effect on August 31, 2025. Income categories are measured at 2025 levels.

[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, (h) excluded income of U.S. citizens living abroad, and (i) individuals' share of business taxes.

[3] The population of returns for this analysis includes (a) the Federal income tax returns of taxpayers who remit such returns ("filers") for themselves and, if filing jointly, their spouses; and (b) the potential Federal income tax returns of those taxpayers who do not remit such returns ("nonfilers") for themselves or their spouses, if married; and excludes (c) taxpayers who are dependents of other taxpayers; and (d) taxpayers with negative income as defined in footnote [2]. Both filers and nonfilers may have no taxable income generating income tax liability after reducing any gross income by exclusions, adjustments, exemptions, and deductions allowed by Federal tax law. Tax liability may be reduced by nonrefundable and refundable credits allowed by Federal tax law. For some taxpayers, tax liability may be reduced below zero after the application of credits, with a negative tax liability representing an amount due to the taxpayer.

[4] Returns with positive taxable income have positive income tax liability before application of any credits.

[5] Tax liability for this analysis is the liability from income taxes, including the additional Medicare tax and net investment income tax, after application of nonrefundable and refundable credits.

NOTE--Details may not add to totals due to rounding.

Source: Joint Committee on Taxation

**Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2025 Rates and 2025 Income Levels [1]**

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Untaxed Social Security and Railroad Retirement Benefits		Medical Deduction	
	Returns	Amount	Returns	Amount
Below \$15,000.....	---	---	1	[4]
\$15,000 - \$30,000.....	318	\$196	10	\$2
\$30,000 - \$40,000.....	1,133	577	21	9
\$40,000 - \$50,000.....	3,502	2,153	27	12
\$50,000 - \$60,000.....	3,072	3,818	46	24
\$60,000 - \$80,000.....	4,854	6,443	289	265
\$80,000 - \$100,000.....	4,872	4,288	352	472
\$100,000 - \$150,000.....	8,343	9,445	816	1,811
\$150,000 - \$200,000.....	4,187	4,756	556	1,687
\$200,000 - \$500,000.....	4,834	8,272	927	4,208
\$500,000 - \$1,000,000.....	595	1,471	58	758
\$1,000,000 and over.....	258	728	13	438
Total	35,968	\$42,147	3,116	\$9,686

Footnotes appear at the end of the table.

**Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2025 Rates and 2025 Income Levels [1] -- Continued**

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	State and Local Government Taxes		Charitable Contributions Deduction	
	Returns	Amount	Returns	Amount
Below \$15,000.....	2	[4]	2	[4]
\$15,000 - \$30,000.....	60	\$19	34	\$8
\$30,000 - \$40,000.....	143	46	78	25
\$40,000 - \$50,000.....	178	80	105	38
\$50,000 - \$60,000.....	255	123	156	62
\$60,000 - \$80,000.....	965	546	647	302
\$80,000 - \$100,000.....	1,345	1,052	892	525
\$100,000 - \$150,000.....	3,928	4,940	2,695	2,152
\$150,000 - \$200,000.....	3,382	5,831	2,420	2,537
\$200,000 - \$500,000.....	10,203	33,398	7,718	13,308
\$500,000 - \$1,000,000.....	2,042	9,463	1,609	8,666
\$1,000,000 and over.....	913	2,011	774	44,110
Total	23,417	\$57,511	23,417	\$71,733

Footnotes appear at the end of the table.

**Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2025 Rates and 2025 Income Levels [1] -- Continued**

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Dependent Care Credit		Earned Income Credit [5]	
	Returns	Amount	Returns	Amount
Below \$15,000.....	3	-\$1	5,394	\$7,146
\$15,000 - \$30,000.....	17	4	7,192	26,651
\$30,000 - \$40,000.....	83	27	3,150	13,242
\$40,000 - \$50,000.....	190	90	2,826	8,960
\$50,000 - \$60,000.....	271	147	2,438	5,807
\$60,000 - \$80,000.....	487	290	2,275	3,994
\$80,000 - \$100,000.....	491	307	552	938
\$100,000 - \$150,000.....	1,019	687	90	116
\$150,000 - \$200,000.....	1,032	835	1	2
\$200,000 - \$500,000.....	2,096	2,081	---	---
\$500,000 - \$1,000,000.....	297	399	---	---
\$1,000,000 and over.....	88	119	---	---
Total	6,073	\$4,983	23,919	\$66,857

Footnotes appear at the end of the table.

**Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2025 Rates and 2025 Income Levels [1] -- Continued**

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Child Tax Credit [5]		Education Credits	
	Returns	Amount	Returns	Amount
Below \$15,000.....	1,421	\$1,565	788	\$702
\$15,000 - \$30,000.....	4,439	9,375	1,468	1,479
\$30,000 - \$40,000.....	3,040	7,594	919	1,241
\$40,000 - \$50,000.....	2,998	7,741	821	1,193
\$50,000 - \$60,000.....	2,879	8,132	688	1,094
\$60,000 - \$80,000.....	5,094	14,385	1,161	1,912
\$80,000 - \$100,000.....	3,999	11,686	923	1,617
\$100,000 - \$150,000.....	7,978	24,359	1,251	2,216
\$150,000 - \$200,000.....	5,241	17,022	976	1,907
\$200,000 - \$500,000.....	8,332	27,236	410	544
\$500,000 - \$1,000,000.....	178	347	---	---
\$1,000,000 and over.....	---	---	---	---
Total	45,599	\$129,441	9,405	\$13,904

Footnotes appear at the end of the table.

**Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2025 Rates and 2025 Income Levels [1] -- Continued**

[Money amounts in millions of dollars, returns in thousands]

Income Class [2]	Mortgage Interest Deduction		Student Loan Interest Deduction	
	Returns	Amount	Returns	Amount
Below \$15,000.....	---	---	23	\$9
\$15,000 - \$30,000.....	49	\$21	464	49
\$30,000 - \$40,000.....	86	50	674	88
\$40,000 - \$50,000.....	98	70	817	123
\$50,000 - \$60,000.....	164	120	951	148
\$60,000 - \$80,000.....	606	438	2,171	417
\$80,000 - \$100,000.....	973	982	1,891	494
\$100,000 - \$150,000.....	2,951	4,661	2,661	470
\$150,000 - \$200,000.....	2,484	5,133	1,777	495
\$200,000 - \$500,000.....	8,078	26,424	1,220	286
\$500,000 - \$1,000,000.....	1,580	9,149	---	---
\$1,000,000 and over.....	687	5,535	---	---
Total	17,755	\$52,582	12,650	\$2,579

Footnotes appear at the end of the table.

[1] Excludes individuals who are dependents of other taxpayers and taxpayers with negative income.

[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, (h) excluded income of U.S. citizens living abroad, and (i) individuals' share of business income.

[3] Fewer than 500 returns.

[4] Positive tax expenditure of less than \$500,000.

[5] Includes the refundable portion.

NOTE--Details may not add to totals due to rounding.

Source: Joint Committee on Taxation