

JCT releases federal tax expenditures estimate

The Joint Committee on Taxation (JCT) staff on December 7 released its estimate of federal tax expenditures for fiscal years 2023-2027.

URL: <https://www.jct.gov/publications/2023/jcx-59-23/>

Tax expenditures are defined under the Congressional Budget and Impoundment Control Act of 1974 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.” The JCT report provides cost estimates for these provisions to “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.”

Among the more sizable expenditures identified in the report are the:

- Net exclusion of contributions to and earnings on tax-preferred retirement plans, including defined contribution plans, defined benefit plans, and sole-proprietor plans (\$2.23 trillion);
- Reduced rates of tax on dividends and long-term capital gains (\$1.22 trillion);
- Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums (\$1.12 trillion);
- Credit for children and other dependents (\$470.8 billion);
- Subsidies for insurance purchased through health benefit exchanges (\$447.7 billion);
- Deduction for nonbusiness state and local government taxes (\$392.1 billion);
- Earned income tax credit (\$378.2 billion);
- Exclusion of capital gains at death (\$308.9 billion);
- Deduction for charitable contributions (\$284.9 billion);
- Exclusion of untaxed Social Security and railroad retirement benefits (\$261.9 billion);
- Deduction for mortgage interest on owner-occupied residences (\$257.6 billion);
- Reduced tax rate on active income of controlled foreign corporations (\$218.2 billion); and the
- 20 percent deduction for qualified business income (\$199 billion);

In addition to providing cost estimates, the JCT report briefly describes new corporate and individual expenditures and modifications to existing expenditures enacted in the Consolidated Appropriations Act, 2023 (P.L. 117-328), which was signed into law late last year. That legislation includes the SECURE 2.0 Act, which provided a host of provisions intended to encourage individuals to save in tax-preferred qualified retirement plans and make it easier for smaller businesses to offer qualified retirement plans to their employees.

URL: <https://www.congress.gov/117/plaws/publ328/PLAW-117publ328.pdf>

The report also shows the distribution of tax returns by income class, and distributions of selected individual tax expenditures by income class.

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