



TAX DECODER is intended to decode the tax code for every taxpayer. It reveals more than 165 tax expenditures costing over \$900 billion this year and more than \$5 trillion over the next five years.

TAX DECODER attempts to provide a detailed and comprehensive overview of the code for all taxpayers. It includes the background, cost, and primary beneficiaries of each provision along with specific examples of some of the recipients of certain tax breaks. It covers well known tax provisions as well as others that are more obscure.

While many of the tax breaks identified throughout this report should be eliminated, others could be reformed and better targeted so they achieve the intended purpose without providing a windfall for taxpayers who do not need a federal tax break.

The tax code has become a powerful and elaborate system of rewards and punishments used to coerce Americans and manipulate the economy. This complicated mess is more just unfair, it is a burden on working families and businesses.

Instead of using capital for investments to grow the U.S. economy through the creation of new jobs, American businesses are spending millions of dollars to comply with IRS paperwork requirements. Similarly, families are paying tax preparers, money which could be better spent purchasing goods, paying for their children's college education, and starting businesses of their own.

Congress should not attempt to manipulate or distort investment decisions through the code, but should create the most economically neutral tax system possible. This will allow the free market to determine the most efficient allocation of capital, and is the optimal tax policy to maximize wealth creation.

This month Congress will likely approve a "tax extenders" bill, reauthorizing dozens of expired tax perks for select companies and industries. The legislation will cost more than \$40 billion and will include many tax breaks discussed in the report, including the wind production tax credit, the New Markets Tax Credit, and tax breaks for NASCAR, Hollywood, and tuna manufacturers. This has become an annual ritual for Congress to rubber stamp the continuation of expiring tax earmarks and loopholes with little debate or discussion.

TAX DECODER is not a comprehensive tax reform plan. It is an educational reference guide designed to equip taxpayers and lawmakers with the details needed to thoughtfully reconsider many aspects of

the existing tax code. Ideally Congress would throw out the entire tax code and start over but at the very least make the code simpler, fairer and flatter. This report provides a list of options for Congress to streamline and simplify the tax code to achieve that goal. While many of the tax breaks identified throughout this report should be phased out or eliminated, others could also be reformed to better achieve their intended purpose.

Complexity of the Tax Code

- A pamphlet with the original 1913 income tax required only 27 pages for the full text of the statute.¹
- In 2012, the Internal Revenue Code contained over 4 million words, enough to fill 9,000 pages.²
- Between 2001 and 2012, there were over 4,600 changes to the tax code—an average of more than one a day.³
- Complying with the tax code costs households and businesses immensely in both time and money.
- Individuals spend about 6.1 billion hours a year complying with the filing requirements of the Internal Revenue Code—the equivalent of a year’s work for 3 million full-time workers.⁴
- Fifty-nine percent of individual taxpayers hired preparers to complete their tax forms for tax year 2010, and an additional 30 percent used tax software.⁵
- The tax preparation services industry takes in about \$10 billion in revenue annually,⁶ while the accounting services industry spends much of its time assisting with tax compliance, bringing in \$94 billion a year.⁷

¹ “Income Tax,” the Corporation Trust Company, 2003.

² “2012 Annual Report to Congress, Volume One,” Taxpayer Advocate Service, December 31, 2012 <http://goo.gl/b35KN9>, p. 6.

³ Commerce Clearing House (CCH) data provided to Taxpayer Advocate Service on Dec. 12, 2012. “2012 Annual Report to Congress, Volume One,” Taxpayer Advocate Service, December 31, 2012 <http://goo.gl/b35KN9>, p. 6.

⁴ “2012 Annual Report to Congress, Volume One,” Taxpayer Advocate Service, December 31, 2012, p6, <http://goo.gl/b35KN9>

⁵ “2012 Annual Report to Congress, Volume One,” p. 5-6, Taxpayer Advocate Service, December 31, 2012, <http://goo.gl/b35KN9>

⁶ “Tax Preparation Services in the US: Market Research Report,” IBISWorld, March 2014, <http://bit.ly/1uS48RK>, archived webpage snapshot from September 19, 2014.

⁷ “Accounting Services in the US: Market Research Report,” IBISWorld, June 2014, <http://bit.ly/1p9F4q5>, archived webpage snapshot from September 19, 2014.

- Assuming economic distortions from the complex tax code reduces GDP by just two percent a year, the tax system would have cost our economy \$336 billion in 2013.⁸

Who Pays Taxes and Who Does Not

- Americans paid over \$1.7 trillion in individual and corporate income taxes to the federal government this year.⁹ This financial burden, however, is not shared by all citizens. Some corporations and individuals contribute little or nothing in federal income taxes.
- The United States has a top federal corporate tax rate of 35 percent, and a combined federal and state top corporate tax rate of 39.1 percent—the highest in the industrialized world.¹⁰ To compensate for this Congress has handed out special tax breaks to various industries, designed to lower the corporate tax burden.
- Some companies pay no taxes at all. A recent study found that 111 of 288 Fortune 500 companies surveyed either paid zero taxes or received a refund in at least one year from 2008 to 2012. Together, the 288 companies in the Fortune 500 claimed about \$364 billion worth of tax breaks from 2008 to 2012—yet just 25 of the companies claimed nearly half of this amount.¹¹
- There are also numerous individual citizens who pay nothing in income taxes. Out of 145 million tax returns in 2011, 54 million (more than a third) had zero tax liability or were owed money back from the government.
- While it is fair to expect those who have more to pay more and for those have less to pay less, every citizen should contribute in some manner.
- Many of those who are not contributing, however, are among the highest earners who use creative accounting to leverage tax breaks and avoid paying taxes.
- In 2011, nearly 4.8 million tax filers earned \$200,000 or more. Of these, 15,000 filers paid no taxes to any national government, despite reporting \$5.7 billion in income.¹²
- Tax filers with \$1 million or more in adjusted gross income (AGI) earned about 11 percent of all income, but paid 21 percent of all federal income taxes, according to IRS data from 2011.¹³ Yet over 1,600 who filed tax returns with an AGI of \$1 million paid no income taxes at all.¹⁴

⁸ “Gross domestic product 2013,” GDP Ranking, The World Bank, <http://databank.worldbank.org/data/download/GDP.pdf>

⁹ “Monthly Budget Review for September 2014,” Congressional Budget Office, p. 2, <http://goo.gl/fT2XtN>.

¹⁰ “The U.S. Has the Highest Corporate Income Tax Rate in the OECD,” The Tax Foundation, January 27, 2014, <http://goo.gl/4NYVlw>.

¹¹ “The Sorry State of Corporate Taxes,” Citizens for Tax Justice, February 2014, p. 6; <http://goo.gl/yA29WN>.

¹² The IRS concept of “expanded income” is used in this statement instead of AGI because AGI does not include tax-exempt interest and other significant tax preferences on nontaxable returns. Bryan, Justin, “High-Income Tax Returns for 2011,” Statistics of Income Bulletin, IRS, Table 6, p. 80, <http://goo.gl/eB6gCR>.

- From deductions for yachts and second homes to tax credits to preserve estates and purchase luxury cars to write offs for gambling losses, the tax code is spending billions of dollars subsidizing the upscale lifestyles of the well-off.
- In 2011, those with AGI of over a million dollars claimed \$4.8 billion worth of deductions for gambling losses, deducted \$67 billion for taxes paid to state and local governments, and deducted another \$37 billion for charitable contributions.¹⁵ Millionaires also earned a total of \$17.8 billion in tax-exempt interest income from municipal bonds, over 24 percent of such income earned by all tax filers.¹⁶
- Nearly 9,000 millionaires claimed a total of \$67.7 million in residential energy credits in 2012.¹⁷
- For every tax break claimed by one company or industry, other businesses across the country must pay more. They pick up the financial slack created by the favored businesses, and bear a disproportionately high effective rate, because Washington politicians have handed out targeted tax breaks to the well-connected.
- Each year a significant amount of taxes owed the federal government are not collected. For FY 2014, the tax gap will likely be about \$500 billion. If this amount were fully paid, the entire deficit currently projected for FY 2014, \$483 billion, could be eliminated.¹⁸
- More than 318,000 federal workers owed over \$3.3 billion in federal taxes, according to a September 2013 report issued by the IRS.¹⁹

¹³ For purposes of this section, “millionaires” refers to tax filers with \$1 million or more of AGI, unless otherwise noted. “Individual Income Tax Returns 2011,” Publication 1304, revised Aug. 2013, IRS, Table 1.2, p. 36-41; <http://goo.gl/HvzFFX>.

¹⁴ Calculations based on Table 1.2. “Individual Income Tax Returns 2011,” Publication 1304, revised Aug. 2013, IRS, p. 36-41; <http://goo.gl/HvzFFX>.

¹⁵ “Table 3. Returns with Itemized Deductions: Itemized Deductions by Type and by Size of Adjusted Gross Income, Tax Year 2011,” SOI Tax Stats, Internal Revenue Service, <http://goo.gl/BtlxwL>.

¹⁶ Tax-exempt bond income is even more valuable to millionaires than the tax deductions discussed above, since it does not trigger Alternative Minimum Tax adjustments. Bryan, Justin, “High-Income Tax Returns for 2009,” Statistics of Income Bulletin, 2012, p. 15; <http://goo.gl/O8UNc7>.

¹⁷ “Table 3.3 All Returns: Tax Liability, Tax Credits, and Tax Payments, by Size of Adjusted Gross Income, Tax Year 2012,” available from “SOI Tax Stats - Individual Statistical Tables by Size of Adjusted Gross Income,” IRS, Aug. 22, 2014, <http://goo.gl/ZVCo4Q>

¹⁸ It is assumed that the tax gap over the course of a fiscal year is comparable to the tax gap over the course of a tax year. Projected revenue for FY 2014 is \$3.01 trillion. \$3.01 trillion is 86 percent of \$3.49 trillion, so the federal government would legally be owed about \$3.49 trillion in FY 2014, if past trends held true. \$494 billion is the difference between actual revenue and the theoretical amount owed for FY 2014. This figure is rounded up to the nearest hundred, for an estimated tax gap in FY 2014 of \$500 billion. \$506 billion is the estimated deficit for FY 2014. “An Update to the Budget and Economic Outlook: 2014 to 2024,” Congressional Budget Office, August 27, 2014, <http://goo.gl/VjB5B0>

¹⁹ Federal Employee/Retiree Delinquency Initiative (FERDI) report, Provided by the Internal Revenue Service to the Office of Senator Tom Coburn, September 30, 2013.

- This includes 714 employees of the House and Senate who owed \$8.6 million in taxes, and 36 members of the Executive Office of The President who owed \$213,000.²⁰

Little Oversight or Transparency

- There is little transparency of tax spending recipients and the IRS has little knowledge or control over how tax expenditures are used.
- This results in costly revenue losses with little demonstrable benefit and virtually no way for Congress to measure results or conduct oversight of tax spending.
- While there is a balance to be found between privacy and transparency, it is appropriate for sufficient light to be shed on all recipients of federal spending.

Agriculture & Natural Resources

- While the farmer has adapted to constantly changing times and shaken off outdated practices of the past, Congress has failed to do the same when it comes to agriculture tax provisions.
- While each provision has developed firm constituencies and advocates, far too many have outlived their usefulness. And all too often, these tax preferences and procedures are no longer in the interest of the nation as a whole, or the farm economy specifically.
- Agricultural policy beyond the tax code is also in need of an overhaul; for example, according to the GAO, the U.S. Department of Agriculture ran 60 programs to provide financial assistance to farmers, costing at least \$114 billion from 2008 to 2012.²¹
- Timber growers receive \$200 million each year in tax breaks for planting new trees.

Economic & Community Development

- Several tax breaks are intended to promote economic and community development, but they often function largely as entitlement welfare programs for profitable corporations.
- Corporations often claim these tax breaks for activities they had planned to do anyway. Congress is at fault for creating these types of tax provisions with little measurable results.

²⁰ Spreadsheet from FERDI report, September 30, 2013.

²¹ "Farmers Have Been Eligible for Multiple Programs and Further Efforts Could Help Prevent Duplicative Payments," Government Accountability Office, July 8, 2014, <http://goo.gl/BkXuvH>.

- It is often unclear why Congress chooses to single out a particular industry for special treatment. Instead of passing out special breaks for the well-connected or most powerful industries and companies, Congress should eliminate all tax earmarks and lower the overall corporate income rate on all companies
- The Tuna Tax Break provides nearly \$10 million to certain domestic corporations operating in American Samoa, a U.S. territory located south of Hawaii. Starkist Tuna has been the primary recipient of the credit.^{22 23}
- The tax credits for historic and nonhistoric structures, resulting in lost revenue of \$1 billion annually, help fund beach front resorts, Major League Baseball stadiums, and luxury hotels.
- The historic tax credit program provided \$40 million for a Fenway Park renovation, handed \$10 million over to the Las Vegas Mob Museum, and provided \$5 million for a site that hosted a Hollywood gala in Beverly Hills.
- The historic tax credits program gave \$60 million for a renovation of Miami's Fontainebleau Resort – which celebrated the affair in style with a Victoria's Secret Fashion Show and performances from Usher and Mariah Carey.
- Even Washington politicians and socialites benefit from the historic tax credit's generous subsidies for luxury hotel renovations. Since 2000, at least \$22.5 million in tax credits have paid for refurbishing four of the capital's finest hotels, including the Hay Adams, Courtyard Marriot, Hotel Monaco, and the St. Regis.
- Ani DiFranco, a Grammy award winning artist, utilized multiple federal tax breaks to build her record label, Righteous Babe, a new headquarters in an 1876 Gothic Revival church.²⁴ The project took advantage of \$1.5 million in historic preservation tax credits, along with \$3.7 million in New Market Tax Credits. The project manager admitted that the project would not add any permanent jobs and divulged that "It's kind of cruel.... We've been able to use these tax loopholes created by big government."²⁵
- The owners of the Chicago Cubs are planning to take on "an ambitious construction project that will include renovations to the interior, exterior, baseball facilities and infrastructure" at Wrigley Field.²⁶ A club spokesman confirmed that the Cubs will pursue federal historic tax credits to

²² Lowry, Sean, "Recently Expired Community Assistance Related Tax Provisions ("Tax Extenders"): In Brief," Congressional Research Service, R43541, May 22, 2014.

²³ Montgomery, Lori, "Special interests win in Senate panel's attempt at tax reform," Washington Post, August 2, 2012, <http://goo.gl/afyaXM>

²⁴ Swibel, Matthew. "Righteous Tax Credit" Forbes, Nov 29 2004, <http://goo.gl/KPDzBG>

²⁵ Swibel, Matthew. "Righteous Tax Credit" Forbes, Nov 29 2004, <http://goo.gl/KPDzBG>

²⁶ Strauss, Ben. "Cubs Hint at Paying for Renovations" The New York Times, Jan 30 2013, <http://goo.gl/7ZIBRy>

offset some of the estimated \$300 million renovation cost. The owner told the fan base regarding a dispute over usage restrictions on Wrigley Field in exchange for local financial support that “We’re not a museum. We’re a business.”²⁷

- In an ode to its founding mission, the Mob Museum, which is located in a Las Vegas Post Office listed on the National Register of Historic Places, wielded the United States Tax Code as its weapon of choice, concocting a “complex but also very artful method”²⁸ to gain \$10 million in tax benefits from the American taxpayers.
- Located in the “heart of Millionaire’s Row,” the Fontainebleau Resort in Miami Beach, Florida, completed a \$1 billion renovation that yielded “a spectacular blend of Miami’s glamorous golden era and stylish modern luxury.”²⁹ Taxpayers are helping pay for it through a \$317 million renovation project partly paid for through the historic preservation tax credit.³⁰
- Under special tax rules, Hollywood film and TV producers and magazine publishers claim more than \$150 million in tax breaks each year.³¹
- While Washington politicians tout that the goal of the New Markets Tax Credit is to put more money into the hands of businesses in struggling communities, the real beneficiaries are Wall Street banks and other large investment enterprises.
- The New Markets Tax Credit helped finance a Starbucks in Indianapolis, a bakery in New Bedford, Massachusetts, a baseball stadium in Kentucky, four bowling alleys, six car washes, four coffee shops, a day spa in Alaska, a doggie day care, a custom yacht dealer, an IHOP in Milwaukee, four law firms, and at least two Mexican restaurants in Colorado and Wisconsin.³²
- Dolphins and Hollywood producers are among the unlikely beneficiaries of tens of millions of dollars in NMTC investments intended to benefit struggling neighborhoods in Atlanta, Georgia. Financing through two New Markets allocations totaling \$40 million were sunk into the world’s largest aquarium— The Atlanta Aquarium— to expand the AT&T Dolphin Tales exhibit.³³ A Community Development Entity owned by the city of Atlanta, Georgia, received the tax credit

²⁷ Strauss, Ben. “Cubs Hint at Paying for Renovations” The New York Times, Jan 30 2013, <http://goo.gl/7ZIBRy>

²⁸ Botkin, Ben. “Mob Museum to appeal tax decision” Las Vegas Review-Journal, Mar 7 2013, <http://goo.gl/spbiez>

²⁹ “About Fontainebleau” Fontainebleau Resort, <http://goo.gl/9q4p5b>

³⁰ “Fontainebleau Resort Hotel,” National Park Service, <http://goo.gl/XATnCG>.

³¹ “Individual Income Tax Receipts and the Individual Tax Base—February 2014 Baseline,” Tab 7: Effects of Extending Tax Provisions Scheduled to Expire Before 2024, Congressional Budget Office, February 4, 2014, <http://www.cbo.gov/publication/45065>.

³² FY 2009 NMTC Data, CDFI Fund. <http://goo.gl/9K8kpy>.

³³ Hill, Jennifer, “Waves of NMTC Funding Shore up Aquarium,” Novogradac Journal of Tax Credits, June 2011, Volume II, Issue VI, <http://goo.gl/7BLU0t>.

allocation, which was then sold to Wells Fargo and SunTrust banks for funding to complete the \$120 million project.³⁴

- U.S. Bancorp Community Development Corporation, part of U.S. Bank, claims to be the “most active New Markets Tax Credit investor in the country.” U.S. Bank has invested more than \$4.1 billion in NMTC projects and employs at least 24 individuals to work on the bank’s NMTC investments.
- JP Morgan Chase has received at least \$480 million in NMTC allocations and has invested in “nearly \$3.7 billion of NMTC authority allocated” to other CDEs.³⁵
- From 2011 to 2012, fees charged by New Markets middlemen siphoned at least \$619 million away from the investment intended for low-income businesses.³⁶
- The Office of Management and Budget also admitted the goal of the NMTC overlaps several other tax credits and numerous programs administered by the Departments of Housing and Urban Development and Commerce.³⁷

Education

- Like many other provisions in the code, tax benefits for higher education disproportionately benefit higher-income households that have a greater tax liability and are only available many months after the education expense has been incurred.
- The American Opportunity Tax Credit higher income limits have resulted in a significant portion of the credit’s total value going to upper-income individuals. For instance, while less than 5 percent of 2008 Hope Credits went to individuals with incomes above \$100,000, roughly 20 percent of AOTC refunds in 2009 went to such high-income individuals.³⁸
- The Treasury Inspector General for Tax Administration found “the IRS does not have effective processes to identify taxpayers who claim erroneous education credits.” An audit found 2.1 million individuals received a total of \$3.2 billion in erroneous education credits. That is, of the \$16.3 billion in AOTC claims paid in 2009, nearly a fifth of this amount went to individuals

³⁴ “Georgia Aquarium Receives \$40M in New Markets Tax Credit Funding,” CityBizList, January 30, 2011, <http://goo.gl/BIslag>.

³⁵ “New Markets Tax Credit (NMTC) Investments,” Chase, <http://goo.gl/nX50mY>.

³⁶ (GAO-14-500), New Markets Tax Credit: Better Controls and Data Are Needed to Ensure Effectiveness,” Government Accountability Office, August 2014, <http://goo.gl/d6UVfF>.

³⁷ Marples, Donald, “New Markets Tax Credit: An Introduction,” Congressional Research Service, January 10, 2013, <http://goo.gl/N2obk2>

³⁸ Crandall-Hollick, Margot, “The American Opportunity Tax Credit: Overview, Analysis, and Policy Options” Congressional Research Service, January 16, 2013; <http://crs.gov/pages/Reports.aspx?PRODCODE=R42561>.

whose incomes could not be verified. According to the report, “Over 4 years, erroneous education credits could potentially reach \$12.8 billion.”³⁹

Business Tax Provisions

- Of all aspects of the federal tax system, the U.S. corporate tax code is among the areas most urgently in need of a complete overhaul.
- There is little disagreement in Washington that these we need an affordable tax rate in order to retain United States’ competitiveness in an increasingly globalized market.
- The combined federal and average state corporate tax rate is the highest in the OECD at 39.1 percent.⁴⁰
- To compensate for this high tax burden, Congress has approved dozens of deductions, exclusions, and other special tax breaks to drastically reduce the taxes paid by many companies. Yet, this inefficient and unfair system has resulted in tax breaks for companies with the best accountants or high-powered lobbyists.
- Of the more than \$1 trillion in tax expenditures in the code, an estimated \$148 billion will be directed toward corporations in FY 2014.⁴¹
- The federal government simply cannot afford to reduce corporate rates to a competitive level while these preferences remain in place. Further, armies of special interests protest and lobby Congress when their favorite tax break is threatened.
- In some cases, corporate tax expenditures result in multi-billion dollar companies paying nearly no income tax at all or even receiving a refund from the government.
- The taxes paid by corporations account for only \$321 billion, slightly more than 17 percent, of the total revenues collected by the federal government in FY 2014.⁴²
- The business expense deduction has been used to write off the costs of fake companies, traveling on a jet plane, paying the salary of a child, and paying for skyboxes at sporting events.

³⁹ Treasury Inspector General for Tax Administration, “Billions of Dollars in Education Credits Appear to Be Erroneous,” September 16, 2011; <http://www.treasury.gov/tigta/auditreports/2011reports/201141083fr.pdf>.

⁴⁰ Pomerleau, Kyle et al. “The U.S. Has the Highest Corporate Income Tax Rate in the OECD,” The Tax Foundation, January 27 2014, <http://goo.gl/UWj4np>.

⁴¹ Cole, Alan, “Corporate vs Individual Tax Expenditures,” April 23 2014, <http://goo.gl/qfrwXK>.

⁴² “Monthly Budget Review for September 2014,” Congressional Budget Office, October 8 2014, <http://goo.gl/uMyAQK>, (p. 2).

- Through the business expense deduction, Uncle Sam is assisting the operation of the legal brothels in Nevada. Though prostitution is illegal almost everywhere in the nation, the federal tax code still allows brothels to qualify for standard business deductions and expenses.⁴³ These deductions significantly reduce a brothel's overall federal income tax liability, even though annual revenues for the industry have been approximately \$50 million.⁴⁴ Brothels can take deductions for groceries, "salaries and wages of prostitutes, rent, utilities and taxes and licenses."^{45 46}
- The Mustang Ranch brothel, which was Nevada's oldest, reduced its income tax liability by also deducting costs of "promotion," which included "free passes." Workers are also allowed business deductions. "[B]reast implants and...costumes" have also been ruled allowable deductions by the Internal Revenue Service (IRS).⁴⁷ Workers can also deduct the cost of "equipment for that specialized stuff," noted one tax expert.⁴⁸
- The Domestic Activities Production Deduction (DAPD), often referred to as Section 199, heavily favors large corporations. In 2009, 93 percent of the DAPD was claimed by the top 0.5 percent of firms with over \$100 million in assets.⁴⁹ The provision, while more widely available than some, remains a targeted tax break for certain industries. "In 2008, 66% of corporate claims of the Section 199 deduction were attributable to the manufacturing sector. Another 12% of the value of corporate claims came from the information sector, while 7% were attributable to the mining sector,"⁵⁰ according to the Congressional Research Service.
- Sections 167 and 168 of the tax code detail how businesses can deduct the cost of acquiring an asset that loses value over time. It is important that business are taxed only on real profits and not appropriate business costs. However, depreciation allowances that exceed rates of economic depreciation are considered tax expenditures, as they represent a subsidy for investment in the affected assets, and are often directed to particular industries.

⁴³ Information confirmed by the Congressional Research Service. Section 162 of the Internal Revenue Code or any other statute does not disallow deductions for expenses related to operating a brothel.

⁴⁴ Friess, Steve. "Nevada Brothels Want to Pay Tax, But State Says No," *nytimes.com*. The New York Times Company. 26 January 2009. Web. <http://www.nytimes.com/2009/01/26/world/americas/26iht-brothel.1.19671349.html?pagewanted=all&_r=0>.

⁴⁵ Information provided by the Congressional Research Service, 29 August 2013.

⁴⁶ Doan, Michael. "Prostitutes Called Legitimate Expense For Nevada Brothel," *Associated Press*. The Dispatch. July 27, 1978.

⁴⁷ Duryee, Tricia, and Mark Rahner. "Brilliant Deductions: Some Taxpayers Try Anything Once," *seattletimes.com*. The Seattle Times Company. 15 April 2002. Web.

<<http://community.seattletimes.nwsourc.com/archive/?date=20020415&slug=taxfun15>>.

⁴⁸ Randazzo, Ryan. "Wacky Writeoffs," *Reno Gazette-Journal*, April 15, 2001.

⁴⁹ Mazerov, Michael, "States Can Opt Out of the Costly and Ineffective 'Domestic Production Deduction' Corporate Tax Break" Center on Budget and Policy and Priorities, January 31 2013, <http://goo.gl/VY067l>.

⁵⁰ Sherlock, Molly F., "The Section 199 Production Activities Deduction: Background and Analysis," Congressional Research Service, February 27 2012, <http://goo.gl/Bu2Leh>.

- Significant exceptions and preferential treatment using depreciation exist throughout the code. Congress has enacted a number of special iterations of depreciation which cost hundreds of billions of dollars in lost revenue each year. Some of these provide overly generous tax subsidies by accelerating the depreciation for many as a form of stimulus spending. Others have been directed toward a select few industries with effective government relations operations.
- The Work Opportunity Tax Credit and the credit for retaining newly hired workers were intended to incentivize businesses to hire workers who met certain criteria, or to hire and retain workers during the economic recession. Yet, GAO revealed most of the credits were directed to large companies earning over \$1 billion annually.⁵¹ A Brookings study concluded these credits provide “no meaningful increase in employment of the disadvantaged.”⁵²
- Numerous similar and overlapping federal programs exist to encourage and increase employment for certain populations. In addition to these credits, the federal government runs 47 job training and employment programs within nine agencies, often targeted to specific groups of underprivileged individuals—such as disabled individuals, Native Americans, veterans, and ex-offenders. These programs cost taxpayers \$18 billion in FY 2009.⁵³

Research & Development

- Custom furniture makers, Barbie’s parent company Mattel, the development of hair salon products like mousse and conditioner have all benefited from the federal research and development tax credit.
- The R&D tax credit cost \$6.8 billion in FY 2013, making it one of the tax code’s most expensive corporate tax expenditures.⁵⁴
- Many of the companies are in little need of taxpayers’ generosity, yet according to the IRS, over 80 percent of the R&D credit in 2010 went to companies with \$250 million or more in annual sales.⁵⁵

⁵¹ “Work Opportunity Tax Credit: Employers Do Not Appear to Dismiss Employees to Increase Tax Credits,” Government Accountability Office, March 2001, <http://goo.gl/d3tshz>.

⁵² Hamersma, Sarah, “The Work Opportunity and Welfare-to-Work Tax Credits,” Urban-Brookings Tax Policy Center, October 15 2005, <http://goo.gl/gAm1Z3>.

⁵³ “Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies,” Government Accountability Office, January 2011, <http://goo.gl/XSrKuv>.

⁵⁴ “Estimates of Federal Tax Expenditures for Fiscal Years 2012-2017,” Joint Committee on Taxation, February 1, 2013, p. 30, “Credit for increasing research activities,” <http://goo.gl/sTStWh>

⁵⁵ “Figure C. Corporations Claiming a Credit for Increasing Research Activities [1] Claimed Credit Amounts by Size of Business Receipts [2] Tax Years 1990-2010,” IRS, August 12, 2013; <http://goo.gl/b4YcWP> . accessed January 16, 2014.

- In 2011, the top beneficiaries of the credit were Intel (\$178 million), Apple (\$167 million), Boeing (\$146 million), and Google (\$140 million).⁵⁶
- One of the greatest areas of contention surrounding the R&D tax credit is what, exactly, counts as research. Initially, most research activities that qualified for the Section 174 deduction could also qualify for the credit.⁵⁷ This quickly became a problem. “Soon, horror stories emerged about tax credits being successfully claimed for such scientific breakthroughs as McNuggets, Gillette’s Lemon-Lime shaving cream, and new fashions in clothing,” as Robert McIntyre of Citizens for Tax Justice wrote.⁵⁸
- The Barbie maker Mattel claimed \$4 million in R&D credits after spending \$195 million on research.⁵⁹

Financial Services

- Banks, credit unions, insurance companies, and investment funds are just a few of the businesses that provide essential services such as lending, payment processing, retirement planning, and risk mitigation to individuals, families and businesses of all sizes across the country.
- Given the unique proximity financial service companies have to money and markets, no other industry should be more responsive to changing incentive structures in the marketplace. Congress has inserted a non-market based dynamic to the flow and price of capital through the creation and perpetuation of various carve outs for specific members of the financial services sector.
- Sweetheart deals for small life insurance companies. Tax-exempt status of credit unions. Tax treatment of investment fund manager earnings. Tax shelters for the rich disguised as life insurance policies. These tax preferences have different applications and recipients, but they each end in the same result – a skewed policy that benefits a select few at the expense of the many.
- Carried Interest should be taxed at ordinary tax rates. The purpose of favorable tax treatment on capital gains is to incentivize people to place their financial assets at risk, thus generating more capital investment that is the cornerstone of economic growth. But this incentive is not applicable to carried interest. Carried interest is not attributable to a fund manager’s own financial assets at risk, but rather providing time and effort to manage others’ capital investment. If time, effort, and risk are capital investments, then all income should be taxed as capital gains.

⁵⁶ “Reform the Research Tax Credit – or Let It Die,” Citizens for Tax Justice, December 4, 2013; <http://goo.gl/1Lkr9p> . accessed January 17, 2014.

⁵⁷ Gary Guenther, “Research Tax Credit: Current Law and Policy Issues for the 113th Congress,” Congressional Research Service, June 13, 2014; <http://goo.gl/ITmJV4>

⁵⁸ Robert McIntyre, “The Taxonomist,” The American Prospect, January 3, 2002; <http://goo.gl/ZuNlpD>

⁵⁹ Scott Thrum, “Taking Credit,” Wall Street Journal, June 14, 2013; <http://goo.gl/BpOwGQ>

- Credit unions are “the only depository institutions exempt from federal income taxes,” notes the Congressional Research Service.⁶⁰
- From 2003 to 2012, the asset size of the credit union industry nearly doubled from \$610.1 billion to \$1.02 billion.⁶¹ Despite this growth and their similar nature to more traditional banks, credit unions remain tax-exempt.
- The credit union tax exemption will cost taxpayers \$2.1 billion in FY 2014 and \$11.9 billion from FY 2014 through FY 2018.⁶²
- Removing the tax exempt status of credit unions has been proposed several times by administrations from both parties, including Carter, Reagan, Bush 41, Bush 43, and Obama.⁶³

Energy

- As the third largest industry in America,⁶⁴ the energy sector is vitally important to our national economy.
- From 1999 to 2010, Congress increased energy related tax expenditures by at least 500 percent, using the tax code to influence domestic energy production and usage.⁶⁵
- The federal government should not interfere with this process or attempt to artificially spur our economy in the direction of one technology at the expense of others.
- The failure of Congress’ artificial support for ethanol is a prime example of why our energy economy—and emerging energy technologies in particular—must be shaped by the free market rather than the agendas of politicians.
- A fair tax code would not provide targeted tax breaks to the different fuel sources, and as such, as part of overall reform of the tax code, many of the fossil fuel tax provisions should be

60 “Tax Expenditures: Compendium of Background Material on Individual Provisions,” Congressional Research Service, December 2012, <http://goo.gl/oOOCZh>

61 Getter, Darryl E., “Policy Issues Related to Credit Union Lending,” Congressional Research Service, July 8 2014, <http://goo.gl/0l9BPP>.

62 “Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018,” Joint Committee on Taxation, August 5 2014, <http://goo.gl/QSAz1O>.

63 63 “Tax Expenditures: Compendium of Background Material on Individual Provisions,” Congressional Research Service, December 2012, <http://goo.gl/oOOCZh>

64 Select USA, Department of Commerce. *The Energy Industry in the United States*. <http://goo.gl/xuni2C> , accessed Oct. 23, 2014.

65 Rorke, Catrina, “Energy Tax Expenditures in the United States: What Are They Buying Us?” American Action Forum, August 27, 2013; <http://goo.gl/vNdaiO> .

eliminated. There are at least eight fossil fuel provisions in the code, which will cost a total of \$2.7 billion in FY 2014, and more than \$17 billion from FY 2014 through FY 2018.⁶⁶

- In 2010, a \$417 million clean coal investment tax credit was awarded to a 602-megawatt facility in Taylorville, Illinois. The company that received the award believed the credit “to be the largest ever granted to a single project.” The same facility had already received a \$2.579 billion loan guarantee, which brought the federal support for this one facility to \$3 billion out of its \$3.6 billion total cost.⁶⁷ Despite the significant federal investment, the project was eventually shelved by the developer for cost and regulatory reasons.⁶⁸

International Taxation

- Our nation’s international tax system includes numerous deferrals, deductions, and credits that distort behavior and lead to inefficiencies in our economy.
- At the same time, the U.S. corporate tax rate, which is the highest in the developed world, not only places U.S. companies at a competitive disadvantage to their foreign competitors; it creates incentives for corporations and individuals to keep their income abroad rather than invest it here at home.
- A study by a private research firm found that U.S. multinational corporations kept \$2.1 trillion abroad in 2013. Among these companies were General Electric, which stashed \$110 billion overseas; Microsoft, with \$76 billion; and Pfizer, with \$69 billion.⁶⁹
- Many individuals also benefit from generous tax treatment of overseas income. “Roughly 57 percent of taxpayers who reported foreign-earned income had no U.S. tax liability for 2006, after claiming the foreign-earned income exclusion and the foreign tax credit.”⁷⁰

Family and Child

⁶⁶ These figures are the sums of the estimates provided in the sections below. They include the cost of continued extensions of certain expiring provisions.

⁶⁷ Scott, DiSavino, “US gives tax credit to Illinois clean coal project,” Reuters, July 28, 2010, <http://www.reuters.com/article/2010/07/28/utilities-tenaska-taylorville-idUSN2821308620100728>, accessed October 31, 2014.

⁶⁸ Tim Landis, “Developer pulls plug on Taylorville Energy Center,” The State-Journal Register, June 21, 2013, <http://goo.gl/xxaw1l>

⁶⁹ Audit Analytics, “Overseas Earnings of Russell 1000 Tops \$2 Trillion in 2013,” April 1, 2014, available at <http://goo.gl/LOH8uO>.

⁷⁰ “Tax Expenditures: Compendium of Background Material on Individual Provisions,” Congressional Research Service, December 2012, <http://goo.gl/oOOCZh>

- Congress has built numerous provisions into the tax code intended to support children and those that care for them. These range from provisions used by nearly all caretakers, such as exemptions for dependents, to special refundable tax credits that provide cash payments to low-income households.
- Although they were well-intentioned, many of the expenditures are not targeted to those with the greatest financial need and some even provide significant subsidies to the very wealthiest taxpayers. Others are an inappropriate use of social engineering through the tax code that provide incentives intended to encourage certain behavior from taxpayers.
- The Earned Income Tax Credit and the Additional Child Tax Credit are vulnerable to fraud and are costing the taxpayers billions of dollars.
- The Child Tax Credit is the sixth largest expenditure in the tax code. Over \$170 billion, or roughly 3/5 of the cost of the program, is considered direct spending and is provided as a refundable credit to families with no tax liability.⁷¹
- While just over half of the cost of the Child Tax Credit is directed to families with no tax liability,⁷² over 40 percent of the credit is utilized by those on the higher end of the income spectrum.
- The credit is also plagued by fraud and abuse, resulting in billions of dollars in wasted taxpayer funds every year. A Social Security number is not required to receive the Additional Child Tax Credit (ACTC, the refundable portion), leading to fraud.
- The Treasury Inspector General concluded of ITIN fraud, “Billions of dollars in ACTC are being provided to ITIN filers without verification of eligibility, and IRS employees have raised concerns about the lack of an adequate process for identifying and addressing improper claims.”⁷³
- The Earned Income Tax Credit (EITC) is similarly plagued with fraud. In the last decade, 21 to 29 percent of all EITC payments were erroneously awarded each year.⁷⁴ The IRS estimates from FY 2003 to 2013 between \$124.1 billion and \$148.2 billion was improperly awarded through the

⁷¹ “Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018,” Joint Committee on Taxation, August 5, 2014; <http://goo.gl/4COaYo>. (p. 30, 34)

⁷² “The Tax Break-Down: Child Tax Credit,” The Committee for a Responsible Federal Budget, August 29, 2013; <http://goo.gl/s9OsjH>. Accessed June 17, 2014

⁷³ Russell George (Treasury Inspector General for Tax Administration), “Improper Payments in the Administration of Refundable Tax Credits,” Testimony before the U.S. House Committee on Ways and Means – Subcommittee on Oversight, May 25, 2011; <http://goo.gl/fjeS7N>. (p. 6). Accessed June 17, 2014.

⁷⁴ Treasury Inspector General “The Internal Revenue Service Fiscal Year 2013 Improper Payment Reporting Continues to Not Comply With the Improper Payments Elimination and Recovery Act,” Dept. Treasury, March 31, 2014; <http://goo.gl/G3Dhu1>.

Earned Income Tax Credit.⁷⁵ In FY 2013, between \$13.3 and \$15.6 billion in improper payments were made through the program.⁷⁶

- A superior way to support American families is to allow them to keep more of their own money instead of taking it and ineffectively distributing it, losing billions of dollars to fraud. This serves families and children better than continuing to fund ineffective and wasteful programs that siphon money from those who need it most.

Healthcare

- The exclusion for employer-sponsored insurance (ESI) contributions will cost \$143 billion in 2014 in lost federal income taxes⁷⁷ and approximately \$120 billion in foregone payroll tax revenue.⁷⁸ From FY 2014 through FY 2018, the exclusion will result in \$785.1 billion in lost revenue from income tax revenue.⁷⁹
- Roughly three-quarters of the insurance exclusion goes to the top half of income earners, many of whom are most able to purchase health insurance without subsidies.⁸⁰ This is a poor method for ensuring all Americans have adequate access to health insurance.
- A single health insurance brand has a special deduction written into statute. Under current federal law, Blue Cross/Blue Shield (BCBS) is cited by name and given special status related to how its funds are treated for tax purposes.⁸¹ This advantage may give BCBS plans an unfair edge over their competitors, to the tune of \$400 million each year.
- Taxpayers who itemize are able to deduct their medical and dental expenses, insurance premiums, and long-term care costs in excess of 10 percent of adjusted gross income (AGI).⁸² The benefit

⁷⁵ Treasury Inspector General “The Internal Revenue Service Fiscal Year 2013 Improper Payment Reporting Continues to Not Comply With the Improper Payments Elimination and Recovery Act,” Dept. Treasury, March 31, 2014; <http://goo.gl/G3Dhu1>.

⁷⁶ Treasury Inspector General “The Internal Revenue Service Fiscal Year 2013 Improper Payment Reporting Continues to Not Comply With the Improper Payments Elimination and Recovery Act,” Dept. Treasury, March 31, 2014; <http://goo.gl/G3Dhu1>.

⁷⁷ Joint Committee on Taxation, “Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018,” August 5, 2014, JCX-97-14, page 31; <http://goo.gl/Au28Z6>

⁷⁸ CBO estimated the payroll tax revenue foregone on account of the ESI exclusion was about \$120 billion in 2013. The 2014 Long-Term Budget Outlook, Congressional Budget Office, July 2014, page 12; <http://goo.gl/oXGf4N>

⁷⁹ Joint Committee on Taxation, “Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018,” August 5, 2014, JCX-97-14, page 31; <http://goo.gl/Au28Z6>

⁸⁰ Statement of Professor Jonathan Gruber Before the Senate Finance Committee, July 31, 2008, <http://goo.gl/0Bm5Tb>

⁸¹ “26 U.S. Code § 833 – Treatment of Blue Cross and Blue Shield Organizations, etc.” Legal Information Institute. <http://goo.gl/37JKPX>

⁸² For tax years 2014-2016, taxpayers over age 64 temporarily have a lower threshold. They can deduct unreimbursed medical expenses exceeding 7.5 percent of AGI.

accrues largely for higher income earners. For those with incomes over \$500,000, the average deduction is \$66,700.⁸³

- The IRS allows overly broad medical expense deductions. The cost of attending a conference can be deducted as long as “the majority of the time spent at the conference [is] spent attending sessions on medical information.”⁸⁴ Air conditioners are also eligible as a deduction, as long as they are alleviating an allergy or other condition.⁸⁵
- One taxpayer was able to claim medical deductibility of dance lessons, because his doctor said they would “alleviate postoperative stiffness of his abdominal and leg muscles and because this suggestion was concurred in by his psychiatrist.”⁸⁶

Housing

- Today, the federal government assists in putting nearly every American in his or her own home, costing more than \$135 billion annually through the tax code.
- Wealthy households – those who would likely purchase housing even without a tax benefit – get the biggest bang for the buck. Meanwhile, affordable housing needs have hit record levels, even when dozens of federal tax and grant initiatives have targeted the issue.⁸⁷
- The mortgage interest deduction, one of the most expensive and widely known tax expenditures, is purported to help the everyman, but instead overwhelmingly benefits the well-off at the expense of every taxpayer.
- The mortgage interest deduction is claimed for interest spent on vacation homes, RVs, and yachts. Most of the benefits from the deduction accrue to the high-income class, those in the top 20% of earners.⁸⁸ Filers with annual incomes over \$100,000 account for 55% of the claims and take 77% of the benefits.⁸⁹
- The tax exclusion for parsonages has been abused by some televangelists. Some clergy are able to double dip on the tax code, claiming both the exclusion, as well as the mortgage interest

⁸³ Internal Revenue Service, Statistics of Income, Table 2.1 – Returns with Itemized Deductions: Sources of Income, Adjustments, Itemized Deductions by Type, Exemptions, and Tax Items, Tax Year 2011.

⁸⁴ IRS Publication 502 (2013), Medical and Dental Expenses; <http://goo.gl/vK22QZ>.

⁸⁵ “John RIACH and Maude M. Riach, his Wife, Appellants, v. William E. FRANK, District Director of Internal Revenue, Appellee,” United States Court of Appeals Ninth Circuit, April 13, 1962, No. 17530; <http://goo.gl/5UeQL4>

⁸⁶ JOHN J. THOENE, PETITIONER, v. COMMISSIONER OF INTERNAL REVENUE, RESPONDENT. JOHN J. THOENE AND HELEN THOENE, PETITIONERS, v. COMMISSIONER OF INTERNAL REVENUE, RESPONDENT. 33 T.C. 62 (1959).

⁸⁷ National Low Income Housing Coalition, “HUD Reports Record-Breaking Worst Case Housing Needs,” August 23, 2013, <http://goo.gl/exzjzC>, accessed January 30, 2014.

⁸⁸ Internal Revenue Service, Table 2.1: Returns with Itemized Deductions: Sources of Income, Adjustments, Itemized Deductions by Type, Exemptions, and Tax Items, by Size of Adjusted Gross Income, Tax Year 2011.

⁸⁹ “Present Law, Data, and Analysis Relating to Tax Incentives for Residential Real Estate,” Joint Committee on Taxation, JCX-10-13, April 22, 2013.

deduction. Trinity Broadcasting Network, for example, has ordained station managers and department heads to qualify part of their compensation for the tax break, even though they are not pastors.⁹⁰

- One provision allows homeowners, including the rich and famous to rent out their property tax-free for short periods of time. Kevin Jonas rented his mansion out for \$20,000 per night for 12 nights for the Super Bowl XLVII, potentially bringing in \$240,000 tax-free, adding to his estimated net worth of \$18 million.⁹¹
- The Low-Income Housing Tax Credit is touted as a “win-win-win for affordable housing,”⁹² but in reality benefits big banks, financial institutions, and wealthy landlords, duplicates a variety of other federal programs, increases the cost of providing affordable housing, and has had questionable impacts.
- Over 90 percent of the LIHTC benefit goes to corporate investors.⁹³ Many companies worth billions of dollars – like Google and Verizon - use the credit to lower their tax bill.⁹⁴

Indian Tribes

- As sovereign government entities, Indian tribes are not subject to the federal corporate income tax. A corporation wholly owned by a tribe is likewise typically exempt from this tax. This means most tribe-owned casino operations do not pay the federal corporate income tax.
- Despite the widespread hardship among tribal members, a handful of tribes have been very successful taking advantage of the privileges extended to the tribes—most notably, the tribes’ exemptions from gambling laws.
- A few tribes have become spectacularly wealthy from tribe-owned casino operations. The *New York Times* reported in 2012 that the Shakopee Mdewakanton tribe of Minnesota, thought to be the wealthiest tribe in the nation, paid each of its 480 members about \$1.08 million a year out of the profits from Mystic Lake Casino and other gaming operations.⁹⁵

⁹⁰ Johnston, David Cay. “YOUR TAXES; From Holy Men to Houses, a World of Tax Breaks,” *New York Times*, March 1, 1998.

⁹¹ Maresca, Rachel. “Kevin Jonas, pregnant wife list New Jersey home to rent for week of Super Bowl at \$20,000 a night,” *New York Daily News*, January 29, 2014, <http://goo.gl/h3pqAx>, accessed January 30, 2014.

⁹² Dietz, Robert. “A Win-Win-Win for Affordable Housing,” *US News Economic Intelligence Blog*, September 5, 2013, available at <http://goo.gl/H0XotG>, accessed January 22, 2014.

⁹³ 2014 JCT Report

⁹⁴ Pristin, Terry. “Who Invests In Low-Income Housing? Google, for One,” *New York Times*, January 25, 2011.

⁹⁵ Williams, Timothy, “\$1 Million Each Year for All, as Long as Tribe’s Luck Holds,” *New York Times*, August 9 2012, <http://goo.gl/wBo6EG>.

- The Seminole Tribe of Florida, which has only a few thousand members, owns the Hard Rock brand and multiple Hard Rock hotels, casinos, and restaurants.^{96,97}
- In 2011, the Chickasaw Nation earned over \$1.27 billion⁹⁸ in revenue from its 17 gaming operations, including the Riverwind Casino in Norman, Oklahoma and the sprawling WinStar World Casino on the Oklahoma-Texas border, the largest casino in Oklahoma as measured by gaming floor space. The tribe paid no federal corporate income taxes on this income.⁹⁹
- Nearly 240 tribes, more than half of federally-recognized Indian tribes, were operating more than 420 gaming establishments across 28 states in 2012. The industry generated a total of \$27.9 billion in revenue in 2012 alone.¹⁰⁰
- The majority of tribal casinos bring in significant revenue; in 2012, at least 280 gaming establishments earned revenue of \$10 million or more.¹⁰¹ Yet, these earnings are not subject to federal income taxes.

Military & Veterans

- In acknowledgement of the special demands placed on our military, Congress has enacted a number of tax benefits for military service members and veterans designed to incentivize military service and make military pay more competitive.
- Special tax treatment for both active military and veterans will account for a combined total of \$15.6 billion in lost revenue in FY 2014.¹⁰²
- Several of these exclusions, such as tax-free pay for men and women serving in a combat zone, are in need of reform to ensure the benefit is directed to those fighting overseas.
- Other exclusions, such as those used to cover basic living expenses, should also be examined. These tax exclusions not only create complexity in the tax code and lead service members to

⁹⁶ Kestin, Sally et al. "Seminole Tribe is Suddenly Wealthy, but Little Oversight Means Potential Abuses," Sun Sentinel, November 25 2007, <http://goo.gl/lqbZnQ>.

⁹⁷ Garcia, Oskar, "Hard Rock Café sues Las Vegas Namesake Hotel," NBC News, September 23 2010, <http://goo.gl/uTTxKZ>. Some properties, such as the Hard Rock Hotel and Casino Las Vegas, are not owned by the tribe-owned corporation, Hard Rock International, but instead license the Hard Rock name from the company.

⁹⁸ According to NewsOK.com, Chickasaw business revenue was 1.39 billion in 2011, 91.5 percent of which was from gaming.

⁹⁹ Mize, Richard, "Oklahoma Gains more than Gaming from Chickasaw Nation, Study Shows," NewsOK, July 8 2012, <http://goo.gl/TAOKce>. Image: "Oklahoma's Top 10 Casinos," 500 Nations, 2014, <http://goo.gl/VN18Sn>.

¹⁰⁰ "Indian Gaming Revenues Increase 2.7 Percent," National Indian Gaming Commission, July 23 2013, <http://goo.gl/3ISJrt>.

¹⁰¹ "Indian Gaming Revenues Increase 2.7 Percent," National Indian Gaming Commission, July 23 2013, <http://goo.gl/3ISJrt>.

¹⁰² Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018," Joint Committee on Taxation, August 5, 2014, <https://www.jct.gov/publications.html?func=startdown&id=4663>

underestimate their total compensation, but may have unintended consequences that distort the intent of the provisions and result in an inequitable distribution of these benefits.

- As it looks to comprehensive tax reform in the coming months or years, Congress should not ignore this section of the tax code, but instead look for ways to simplify the military pay structure, including benefits handed out through the tax code.

Sports Tax Breaks

- Through the tax code, the federal government provides hundreds of millions of dollars in assistance to professional sports leagues, stadiums, franchise owners, sporting goods manufacturers, and even the players themselves every single year.
- Today's professional sports leagues are raking in billions, even while some stadiums are still funded with tax-free bonds.
- New York's beloved Yankees are hitting homeruns in the second most expensive baseball stadium ever built,¹⁰³ in part thanks to \$942 million in tax-free financing. The bonds will result in revenue losses of at least \$231 million over 30 years.¹⁰⁴
- Dallas Cowboy fans may not cheer quite as loud this year considering their unrivaled \$1.2 billion stadium completed in 2009 was financed by tax-exempt governmental bonds, resulting in more than \$65 million in subsidies to investors over the next 29 years.¹⁰⁵
- "There are 21 NFL owners whose teams play in stadiums built or renovated in the past quarter-century using tax-free public borrowing. Such municipal debt helped build structures used by 64 major-league teams, including baseball, hockey and basketball," revealed a *Bloomberg* investigation.¹⁰⁶
- Public educational institutions, such as state universities, have access to tax-exempt financing to construct stadiums for their teams. Examples of stadiums funded with tax-free bonds include:
 - University of California-Berkeley, \$445 million¹⁰⁷
 - University of Washington, \$200 million¹⁰⁸

¹⁰³ "11 Most Expensive Stadiums In The World," Totalprosports.com, May 26, 2014, <http://bit.ly/1yflmsy>.

¹⁰⁴ Joseph Henchman and Travis Greaves, "From the House That Ruth Building to the House the IRS Built," The Tax Foundation, April 6, 2009, <http://taxfoundation.org/article/house-ruth-built-house-irs-built>.

¹⁰⁵ Aaron Kuriloff and Darrell Preston, "In Stadium Building Spree, U.S. Taxpayers Loser \$4 Billion," Bloomberg, September 5, 2012, <http://bloom.bg/1wCHMW7>.

¹⁰⁶ Aaron Kuriloff and Darrell Preston, "In Stadium Building Spree, U.S. Taxpayers Loser \$4 Billion," Bloomberg, September 5, 2012, <http://bloom.bg/1wCHMW7>.

¹⁰⁷ Schwab, Frank. "Cal's new stadium renovation leaves school with huge debt to pay off," *Yahoo! Sports*, June 19, 2013; <http://yhoo.it/10zKbUD>.

¹⁰⁸ Husky Stadium Financial Plan; <http://bit.ly/1EpFbBn>.

- University of Minnesota, \$220 million¹⁰⁹
 - University of Michigan, \$148 million (to add luxury seats)¹¹⁰
- Universities are also able to sell stadium naming rights, without having to pay tax on the income.¹¹¹ The University of Washington’s Husky Stadium, for example, is partly funded with \$1.25 million revenue from selling the stadium’s naming rights.¹¹²
 - Owners of motor speedways and surrounding facilities, like those at NASCAR events, receive a tax break worth more than \$160 million over five years.¹¹³
 - In the 2004, Congress also eliminated the tax for bets placed by foreign bettors on live horse or dog races in the United States, resulting in a \$3 million tax break for foreigners, who can now gamble tax free.¹¹⁴
 - Despite millions of dollars in profits and revenue, the National Football League, the National Hockey League, and the PGA Tour classify themselves as 501(c)(6) non-profit organizations, allowing them to exempt their earnings from federal income taxes.¹¹⁵
 - Allowing professional sports leagues to avoid paying millions of dollars in taxes while paying out million-dollar salaries is inappropriate for a tax-exempt organization. Taxpayers should not be asked to subsidize sports organizations that are already benefiting widely from willing fans. Professional sports organizations should therefore be disqualified from claiming 501(c)(6) nonprofit status.
 - Sports fans and taxpayers alike may be surprised to learn that one lucrative tax advantage results in significant tax breaks that are enjoyed by wealthy professional sports franchise owners. Through a rarely discussed loophole, known as Roster Depreciation Allowance (RDA), professional sports team owners are avoiding paying millions in taxes.
 - Roster Depreciation Allowance allows sports-franchise owners to count the roster of players as a depreciable asset.¹¹⁶ This has resulted in billions of dollars in tax breaks for wealthy professional sports team owners.

¹⁰⁹ Bachman, Rachel. “Cal’s Football-Stadium Gamble,” *Wall Street Journal*, April 20, 2012; <http://on.wsj.com/10FPjHo>.

¹¹⁰ Bachman, Rachel. “Cal’s Football-Stadium Gamble,” *Wall Street Journal*, April 20, 2012; <http://on.wsj.com/10FPjHo>.

¹¹¹ Congressional Budget Office, *Budget Options Volume 2*, August 1, 2009: page 232; <http://1.usa.gov/1z7lQSn>.

¹¹² Husky Stadium Financial Plan; <http://bit.ly/1EpFbBn>.

¹¹³ ¹¹³ “Individual Income Tax Receipts and the Individual Tax Base—February 2014 Baseline,” Tab 7: Effects of Extending Tax Provisions Scheduled to Expire Before 2024, Congressional Budget Office, February 4, 2014, <http://www.cbo.gov/publication/45065>.

¹¹⁴ “Gambling Winnings From Dog or Horse Racing,” Internal Revenue Service, <http://1.usa.gov/1vW9hpv>, accessed September 16, 2014.

¹¹⁵ For a more lengthy discussion of 501(c)(6) organizations, please see the chapter on tax-exempt organizations.

¹¹⁶ Coulson, N. Edward and Rodney Fort, “Tax Revisions of 2004 and Pro Sports Team Ownership,” *Contemporary Economic Policy* (ISSN 1465-7287) Vol. 28, No. 4, October 2010, <http://goo.gl/s90AGx>.

- Veeck’s audacious book, the *Hustler’s Handbook*, has this to say about the roster depreciation allowance: “It is almost impossible not to make money on a baseball club when you are buying it new because, unless you become inordinately successful, you pay no income tax at all. It is, in fact, quite possible for a big-league club to go on forever without *ever* paying any income tax. Look, we play the ‘Star-Spangled Banner’ before every game. You want us to pay income taxes too?”¹¹⁷
- Former Microsoft executive Steve Ballmer recently purchased the Los Angeles Clippers basketball team for \$2 billion — but banked a sweet tax deal in the process. “Ballmer could seek as much as half of the purchase price of the team in tax benefits over the next 15 years, according to accountants and sports business analysts familiar with the financial aspects of team ownership,” reports the *Los Angeles Times*. It is unclear how large the tax break will be for Ballmer, but “sports business analysts and accountants say owners can seek tax benefits equal to about half of the purchase price.”¹¹⁸ In this case, that could be close to \$1 billion.
- Major League Baseball commissioner Bud Selig took advantage of RDA when he purchased the team that eventually became the Milwaukee Brewers. The team cost \$10.8 million, and depreciated \$10.2 million for the “five–year useful lives” of his players.¹¹⁹

Tax-Exempt Interest

- Anheuser-Busch, four-diamond hotels, high-end fishing boat manufacturers, and a golf course in one of the country’s wealthiest neighborhoods are just some of the beneficiaries of tax-exempt bonds.
- The investors who purchase these bonds pay no tax on the interest they earn, resulting in hundreds of billions of dollars in lost revenue from the U.S. Treasury.
- The cost of these tax-exempt bonds is expected to reach at least \$235 billion over the next five years.¹²⁰
- Because the investors who purchase tax-exempt bonds pay no federal taxes on their interest earnings, they are willing to accept relatively low interest payments on the bonds, decreasing borrowing costs for state and local governments.

¹¹⁷ Veeck, Bill, *Veeck as in Wreck*, The University of Chicago Press, 1962

¹¹⁸ Wharton, David, “Steve Ballmer’s Clippers purchase”; Don’t write off tax-break potential,” *The Los Angeles Times*, November 16, 2014, <http://goo.gl/7EHhnM>

¹¹⁹ Wharton, David, “Steve Ballmer’s Clippers purchase”; Don’t write off tax-break potential,” *The Los Angeles Times*, November 16, 2014, <http://goo.gl/7EHhnM>

¹²⁰ Combines the 14 estimates listed by JCT for exclusion of interest on state and local government bonds. “Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018,” Joint Committee on Taxation, August 5, 2014, <https://www.jct.gov/publications.html?func=startdown&id=4663>

- The exclusion, therefore, functions as a federal subsidy through the tax code for state and local government borrowing. Like any other tax subsidy, this provision distorts economic decisions, misdirecting capital flows in an attempt to achieve a social objective—in this case, lower borrowing costs for state and local governments.
- In addition, the provision accomplishes this objective in a highly inefficient way—part of the subsidy goes to the bondholders, functioning as a tax shelter for investors instead of benefiting state and local governments.
- Current law prohibits the use of tax-exempt private-activity bonds for hotels, sports stadiums, and private golf courses.¹²¹ However, the GAO uncovered instances where all three had been funded by the less-restrictive governmental bonds.¹²² GAO identified 18 hotels and six golf courses that benefited from governmental bonds.¹²³
- These luxury hotels were “three- or four-diamond hotels,” “and, in the case of four-diamond hotels, were considered upscale with extensive amenities.”¹²⁴ The list included Hiltons, Marriotts, Hyatts, and even two Hard Rock Hotels.¹²⁵
- The six golf courses identified by GAO “were considered among the better golfing facilities in their respective regions,” including one “rated as one of the top 10 in California,” another “rated as one of the top 10 in Louisiana,” and another with green fees “between \$145 and \$160.”¹²⁶ There is little need for taxpayer funding to bankroll these golf courses. As GAO noted, “in 2005, about 85 percent of existing golf courses had been financed privately, offering a range of fees and services often similar to those offered by publicly financed courses.”¹²⁷
- The city-owned SilverRock Resort in La Quinta, California, which is to include “36 holes of championship golf, a world-class practice center, retail venues, [and] luxury and boutique hotels” received \$103.8 million in tax-exempt governmental bonds in 2002.¹²⁸

¹²¹ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, footnote 21, p. 29, <http://www.gao.gov/products/GAO-08-364>

¹²² “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 29, <http://www.gao.gov/products/GAO-08-364>

¹²³ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 4, <http://www.gao.gov/products/GAO-08-364>

¹²⁴ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 30, <http://www.gao.gov/products/GAO-08-364>

¹²⁵ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 30-31, <http://www.gao.gov/products/GAO-08-364>

¹²⁶ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 32-33, <http://www.gao.gov/products/GAO-08-364>

¹²⁷ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 37, <http://www.gao.gov/products/GAO-08-364>

¹²⁸ “Challenge the Rock,” Silver Rock Resort, 2010; <http://www.silverrock.org/index.html>

“Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 33, <http://www.gao.gov/products/GAO-08-364>

- The Laurel Hill Golf Club in Lorton, Virginia, is owned and run by Fairfax County, Virginia,¹²⁹ the sixth wealthiest county in the country, and received \$15.53 million in tax-exempt financing.¹³⁰
- The 450-room Hilton hotel in Omaha, Nebraska received nearly \$103 million in tax-exempt governmental bonds.¹³¹
- In 2004, the Miami-Dade County Industrial Development Authority issued over \$3 million in bonds to benefit SeaVee Boats, a corporation that builds custom high-performance fishing and cruising boats.¹³²
- In 2008, the California Enterprise Development Authority issued \$9.7 million in tax-exempt sewage facilities revenue bonds to Anheuser-Busch, producer of the popular Budweiser beers.¹³³
- This report recommends Congress follow the lead of the President’s National Commission on Fiscal Responsibility and Reform, which in its final deficit reduction proposal recommended eliminating the exclusion entirely.¹³⁴

Tax Exempt Organizations

- More than 1.6 million tax-exempt nonprofit organizations are recognized by the Internal Revenue Service (IRS).¹³⁵
- Many of these groups are dedicated to providing social goods, such as eradicating social injustices and educating the public. Some tax-exempt entities in America today, however, bear little resemblance to more familiar nonprofits, such as soup kitchens, the Red Cross, or the Salvation Army.
- Tax-exempt nonprofit organizations include groups ranging from professional sports leagues to labor unions to world-renowned hospitals.

¹²⁹ “Laurell Hill Golf Club,” Lorton Patch, 2014; <http://lorton.patch.com/listings/laurel-hill-golf-club>

¹³⁰ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 33; <http://www.gao.gov/products/GAO-08-364>

¹³¹ “Tax-Exempt Status of Certain Bonds Merits, Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should be Addressed,” GAO, February 2008, p. 31, <http://www.gao.gov/products/GAO-08-364>

¹³² “Miami-Dade County Industrial Development Authority, Tax-Exempt Adjustable Mode, Industrial Development Revenue Bonds (RAM Investments of South Florida, Inc. Project), Series 2004,” Electronic Municipal Market Access, November 5, 2004; <http://emma.msrb.org/MS228538-MS203846-MD396038.pdf>

¹³³ “Sustainability over the Years,” Budweiser, <http://budice.com/es/world-of-budweiser/budweiser-better-world/sustainability/sustainability-over-the-years.aspx>

¹³⁴ National Commission on Fiscal Responsibility and Reform, “The moment of Truth,” White House, December 2010 p. 31; http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf

¹³⁵ Katie L. Roeger, Amy S. Blackwood, and Sarah L. Pettijohn, *The Nonprofit Almanac 2012* (Washington, DC, The Urban Institute, 2012).

- Some are multi-million dollar operations that are akin to for-profit businesses, but pay virtually nothing in federal taxes. Many, such as prestigious academic universities and credit unions, stockpile billions of dollars in assets, and generate revenues equal to those of large corporations.
- Approximately 62,000 education-related 501(c)(3) entities have Forms 990 filed with the IRS. These organizations reported \$277 billion in revenue and \$916 billion in assets, according to 2013 data.¹³⁶ Similarly, from 2003 to 2012, the assets of the credit union industry nearly doubled, jumping from \$610 billion to more than \$1 trillion.¹³⁷
- The tax-exempt status of these organizations protects significant amounts of income from taxation. More importantly, this status may lead to an uneven playing field in the private sector, as nontaxed entities compete with traditional businesses for market share.
- Out of about 1.6 million tax-exempt organizations, only 591,000 filed full Forms 990 with the IRS, according to 2013 data. These organizations reported a combined \$2.1 trillion in revenue and \$4.8 trillion in assets.¹³⁸
- Lady Gaga’s 501(c)(3) Born This Way Foundation is advertised as an organization that connects youth with anti-bullying, mental health, and other community resources. The foundation raised \$2.6 million in 2012, but only gave away \$5,000 for “grants to organizations or individuals.”¹³⁹
- In 2013, a breakthrough investigative project exposed the 50 worst charities in America.¹⁴⁰ Their investigation raised serious concerns with the activities and financial structures of dozens of charitable 501(c)(3) organizations. Many of these entities diverted most of their charitable donations to private fundraising companies instead of the charitable activities advertised.
- With names like “Find the Children,” “The Veterans Fund,” and “Cancer Fund of America,” the 50 worst charities in America raised \$1.3 billion in donations over the last ten years.¹⁴¹ Yet, almost none of this money benefited missing children, wounded veterans, cancer patients, or any other charitable cause.
- These charities duped donors and stole millions of dollars from the sick and needy. The money spent by all 50 charities on hired telemarketers “would have been enough to build 20,000 Habitat

¹³⁶ A total of more than 142,000 education-related 501(c)(3) organizations are registered with the IRS, but not all filed full Forms 990. Internal Revenue Service, Exempt Organizations Business Master File, The Urban Institute, National Center on Charitable Statistics, December 2013 data, <http://goo.gl/8Eoqx0>.

¹³⁷ Getter, Darryl E., “Policy Issues Related to Credit Union Lending,” CRS, July 8 2014, <http://goo.gl/DVW0FD>.

¹³⁸ Internal Revenue Service, Exempt Organizations Business Master File, The Urban Institute, National Center on Charitable Statistics, December 2013, <http://goo.gl/8Eoqx0>.

¹³⁹ “Lady Gaga’s Charity Raises \$2 million, Only Spends \$5,000,” Mashable.com, March 14, 2014, <http://goo.gl/YYdjsi>

¹⁴⁰ Kris Hundley and Kendall Taggart, “America’s 50 Worst Charities rake in nearly \$1 billion for Corporate Fundraisers,” Tampa Bay Times, June 6, 2013; <http://www.tampabay.com/topics/specials/worst-charities1.page>

¹⁴¹ “The 50 Worst, Ranked by Money Blown on Soliciting Costs,” Tampa Bay Times, November 15, 2013; <http://www.tampabay.com/americas-worst-charities/>

for Humanity homes, buy seven million wheelchairs or pay for mammograms for nearly 10 million uninsured women,” according to the Tampa Bay Times.¹⁴²

- The Kids Wish Network (KWN), a Florida organization, earned the title of America’s worst charity. This Make-A-Wish knock-off claims to grant the wishes of terminally ill children. Yet, KWN gave its corporate fundraisers \$110 million of the \$128 million it raised in the last decade.¹⁴³
- The second worst charity, Cancer Fund of America (CFOA), spent less than one percent of donations on charitable activities. Over 10 years, the organization paid \$5 million to its founder’s family members and spent \$80 million on hired fundraisers, but gave only \$890,000 to cancer patients.
- Several celebrity charities ultimately gave little or nothing to charitable causes. In 2009, the Kanye West Foundation spent a total of \$553,826—but only \$583 went to charity. The rest was eaten up by expenses such as salaries, travel, overhead, and “professional fees.” In 2010, the foundation did even worse, spending \$572,383 on expenses, and not a single penny on charity.¹⁴⁴
- There are about 2,900 nongovernmental, nonprofit hospitals nationwide, together generating around \$800 billion in revenue.^{145, 146} Few estimates exist of the overall revenue impact of the hospital tax exemption under Section 501(c)(3). In 2002, the exemption itself resulted in \$2.5 billion in lost federal revenue.¹⁴⁷

Transportation

- The beneficiaries of federal transportation tax breaks are a disparate group, ranging from short-line railroads to commuters to shipbuilders.
- As with much of the tax code, there does not appear to be any coherent national transportation policy underlying these tax expenditures. Each has developed independently to benefit a narrow set of recipients, and some have long since become outdated.

¹⁴² Kris Hundley and Kendall Taggart, “America’s 50 Worst Charities rake in nearly \$1 billion for Corporate Fundraisers,” Tampa Bay Times, June 6, 2013; <http://www.tampabay.com/topics/specials/worst-charities1.page>

¹⁴³ Kris Hundley and Kendall Taggart, “Part 1: Dirty secrets of the worst charities,” The Center for Investigative Reporting, June 6, 2013; <http://cironline.org/reports/part-1-dirty-secrets-worst-charities-4603>

¹⁴⁴ “Kanye West’s Charity Spends More than \$500G Annually, donates \$0, Report Says,” FOX 411, February 21, 2012, <http://goo.gl/3HX9tj>.

¹⁴⁵ “Fast Facts on US Hospitals,” American Hospital Association, <http://www.aha.org/research/rc/stat-studies/fast-facts.shtml>, accessed August 1, 2014.

¹⁴⁶ Sarah Pettijohn, “The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering, 2013,” Urban Institute, 2012, page 4; <http://www.urban.org/UploadedPDF/412923-The-Nonprofit-Sector-in-Brief.pdf>

¹⁴⁷ “Nonprofit Hospitals and the Provision of Community Benefits,” Congressional Budget Office, December 2006; <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/76xx/doc7695/12-06-nonprofit.pdf>

- The tax code provides more than \$70 million a year in tax breaks to certain railroad companies for the maintenance of railroad tracks.¹⁴⁸

Chained-CPI

- The measure currently used to calculate automatic spending increases in many federal benefits programs, the Consumer Price Index (CPI), is considered by many to be outdated, leading to higher increases in federal spending than are needed based on growth.¹⁴⁹
- From the size of the standard deduction and thresholds for income bracket to most income exemption levels, many provisions throughout the tax code are also automatically adjusted for inflation each year using the consumer price index.¹⁵⁰
- The Bureau of Labor Statistics developed a more accurate measure of inflation. Known as Chained CPI, over the last ten years it has grown at a slightly slower rate—an average of .3 percentage points each year—than the current measure for CPI.¹⁵¹
- This report supports the proposal of President Obama’s National Commission on Fiscal Responsibility and Reform, which recommended applying a more accurate measure of inflation, chain-weighted Consumer Price Index (Chained CPI), to all government programs currently tied to CPI.¹⁵²
- While the focus of this report is changes to the tax code, any transition to the use of Chained-CPI should be simultaneously applied to all government programs and benefits currently measured by CPI.

State & Local Tax Deduction

- At an annual cost of more than \$56 billion in lost revenue, the state and local tax deduction is one of the most expensive expenditures in the tax code today. Almost half of this lost revenue is claimed as a tax break by the top five percent wealthiest residents, largely concentrated in certain regions of the country.

¹⁴⁸ “Tax Expenditures Compendium of Background Material on Individual Provisions,” Committee on the Budget United States Senate, prepared by the Congressional Research Service, December 2012, page: 565.

¹⁴⁹ Goldwein, Marc, Peuquet, Jason, and Rosenberg, Adam, Moment of Truth Project, “Measuring Up: The Case for Chained CPI,” March 19, 2013, p. 2, <http://goo.gl/Neq2fa>.

¹⁵⁰ Congressional Budget Office, “Budget Options 2007,” Revenue Option 6, p. 266, <http://goo.gl/ffRvTf>.

¹⁵¹ Congressional Budget Office, Director’s Blog, “Using a Different Measure of Inflation for Indexing Federal Programs and the Tax Code,” accessed July 5, 2011, p. 1, <http://goo.gl/Pnsllb>.

¹⁵² National Commission on Fiscal Responsibility and Reform, “Moment of Truth, Report of the National Commission on Fiscal Responsibility and Reform,” December 1, 2010, p. 51, <http://goo.gl/9eeFrD>.

- Combined with the extenders sales tax portion, the S&L deduction will account for a \$56.6 billion reduction in revenue in FY 2014 and cost \$328.2 billion from FY 2014 through FY 2018.¹⁵³
- The top 20 percent of income earners receives 80 percent of the value of the State and Local Deduction.¹⁵⁴
- The State and Local Deduction is also biased towards assisting states with higher income tax rates. It favors states with higher state income tax rates, and perversely discourages states from lowering their income tax rates.

¹⁵³ “Estimates of Federal Tax Expenditures for Fiscal Years 2014-2018,” Joint Committee on Taxation, August 5, 2014, <https://www.jct.gov/publications.html?func=startdown&id=4663>. AND “Individual Income Tax Receipts and the Individual Tax Base—February 2014 Baseline,” Tab 7: Effects of Extending Tax Provisions Scheduled to Expire Before 2024, Congressional Budget Office, February 4, 2014, <http://www.cbo.gov/publication/45065>

¹⁵⁴ The Committee for a Responsible Federal Budget, “The Tax Break-Down: The State and Local Tax Deduction.” August 20, 2013, <http://crfb.org/blogs/tax-break-down-state-and-local-tax-deduction>