

Tax Subsidies for Health and Housing Top \$600 Billion

By Georgia Ivsin and Donald B. Marron

Tax expenditures will total more than \$1.4 trillion in fiscal 2014, almost half as large as expected federal revenues. Individual income tax provisions make up the majority of that figure, including more than \$1 trillion in reduced revenues. Corporate income tax expenditures total about \$150 billion, although that figure will increase if Congress extends some of the tax breaks — often known as “extenders” — that expired at the end of last year.

Health and housing account for more than 40 percent of tax expenditures, about \$640 billion. The biggest chunk goes to health policies, most notably the exclusion for employer-sponsored health insurance and the new premium assistance credit enacted as part of health reform. The exclusion reduces receipts from individual income and payroll taxes by more than \$300 billion, while the credit boosts outlays by \$34 billion. Another sixth of tax

expenditures go to housing policies, primarily the mortgage interest deduction, the exclusion of imputed rental income, the capital gains exclusion on home sales, and the deductibility of property taxes.

These figures come from adding together the most recent tax expenditure estimates reported by Treasury in the *Analytical Perspectives* volume of the president’s budget. Those estimates show how much each provision reduces individual and corporate income tax receipts; footnotes report additional effects on payroll and excise receipts and on outlays resulting from credits. Treasury does not estimate the total budget impact of all tax expenditures together. Adding them is imprecise as it does not account for interactions among the various provisions. Also, the estimates do not reflect any behavioral responses that might occur if policies change and thus do not necessarily represent the amount of revenue that Congress might be able to raise by scaling back these provisions. Nonetheless, these estimates do demonstrate the substantial amount of policy made through the tax code and, in particular, how much is directed to health and housing.

Tax Expenditures in Fiscal 2014 (dollars in billions)							
Category	Revenues					Outlays	Total
	Individual	Corporate	Payroll ^a	Excise ^a	Subtotal		
Health	\$223	\$3	\$123	\$0	\$349	\$34	\$383
Housing	\$247	\$9	\$0	\$0	\$255	\$0	\$255
Pensions and other income security	\$158	\$2	\$0	\$0	\$160	\$0	\$160
Capital gains and dividends	\$117	\$0	\$0	\$0	\$117	\$0	\$117
Foreign income and other international	\$5	\$79	\$0	\$0	\$85	\$0	\$85
State and local governments, general	\$70	\$8	\$0	\$0	\$78	\$3	\$81
Earned income tax credit	\$4	\$0	\$0	\$0	\$4	\$58	\$63
Business, finance, and research	\$25	\$36	\$0	\$0	\$61	\$0	\$61
Children and dependents	\$30	\$0	\$0	\$0	\$30	\$22	\$52
Education	\$38	\$2	\$0	\$0	\$40	\$7	\$47
Charity, except for health and education	\$42	\$2	\$0	\$0	\$44	\$0	\$44
Social Security	\$41	\$0	\$0	\$0	\$41	\$0	\$41
Other	\$35	\$9	\$0	\$1	\$44	\$5	\$49
Total	\$1,036	\$148	\$123	\$1	\$1,309	\$129	\$1,438

^aIncomplete. Treasury provides estimates for select payroll and excise tax expenditures only.
Source: “Fiscal Year 2015 Analytical Perspectives: Budget of the U.S. Government,” Table 14-2, Office of Management and Budget (Apr. 2014). Tax expenditures amounts are calculated by summing individual provisions.



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