FREEDOM PARTNERS

$19.4 BILLION IN CORPORATE WELFARE CONGRESS CAN SAVE TAXPAYERS THIS YEAR

EXPIRING CORPORATE WELFARE: LET IT DIE

We frequently hear people complain about the "do-nothing Congress" in Washington, D.C. But every so often, Congress doing nothing can yield a great result.

At the end of this year, some 35 special-interest tax carve-outs are set to expire, saving taxpayers $19.4 billion and further leveling the playing field for everyone. The best part is, these special-interest tax carve-outs are going to go away once and for all as long as Congress does nothing.

Unfortunately, when there is $19.4 billion on the line, there are a lot of powerful people in Washington lining up with their hands out. Lobbyists for industries and companies that receive these giveaways are already campaigning on Capitol Hill, months before these provisions expire in December.

Members of Congress will return from their summer vacation and have only a few weeks to provide funding for the federal government before the current spending runs out on September 30. If a large spending bill is punted into a "lame duck" session of Congress after the election, but before a new Congress convenes, it is likely to be stuffed with giveaways for D.C. special interests. That alone should be reason enough for Congress to resist any attempt to write spending bills in the lame duck.

But that is the direction some politicians want to go. First, they'll call for a short-term spending bill that funds the government into December. Then, as the year end approaches, they will use closed-door negotiations, a looming government shutdown, and the holidays to extract more money from the taxpayers for their favored interests.

The American people have had enough of these tactics and special-interest giveaways. The money of hardworking taxpayers should not be going to special interests like the racehorse and movie industries, railroad companies, and NASCAR.

What follows is a list of 35 tax preferences that will expire December 31, 2016. Taxpayers will be better off if Congress simply does nothing and lets them expire.

This is just another reason Congress must avoid a lame duck spending bill – without a legislative vehicle, renewing these corporate giveaways will be much more difficult.

TAX PROVISION	DESCRIPTION	TWO-YEAR COST (IN MILLIONS)
Credit for certain nonbusiness energy property (sec. 25C(g))	Provides a tax credit for 10 percent of the cost of energy efficiency improvements.	$1,331
Credit for residential energy property (sec. 25D(g))	Provides a tax credit of 30 percent of cost of residential solar electric systems and water heaters, fuel cell, small wind, and geothermal heat pump property.	$1,100
Credit for qualified fuel cell motor vehicles (sec. 30B(k)(1))	Provides a tax credit of up to $40,000 for the purchase of a fuel cell motor vehicle.	$6
Credit for alternative fuel vehicle refueling property (sec. 30C(g))	Provides a tax credit for property at an alternative fuel station.	$112
Credit for two-wheeled plug-in electric vehicles (sec. 30D(g)(3)(E)(ii))	Provides a tax credit for 10 percent of the purchase price of a 2-wheeled electric vehicle.	$4
Second generation biofuel producer credit (sec. 40(b)(6)(J))	Provides a tax credit up to $1.01 per gallon for advanced biofuel producers.	$45
Incentives for biodiesel and renewable diesel: a. Income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agri-biodiesel producers (sec. 40A); b. Income tax credits for renewable diesel fuel and renewable diesel used to produce a qualified mixture (sec. 40A); c. Excise tax credits and outlay payments for biodiesel fuel mixtures (secs. 6426(c)(6) and 6427(e)(6)(B); d. Excise tax credits and outlay payments for renewable diesel fuel mixtures (secs. 6426(c)(6) and 6427(e)(6)(B))	Provides a tax credit up to $1.00 per gallon of renewable and biodiesel production.	$2,563

TAX PROVISION	DESCRIPTION	TWO-YEAR COST (IN MILLIONS)
Beginning-of-construction date for non-wind renewable power facilities eligible to claim the electricity production credit or investment credit in lieu of the production credit (secs. 45(d) and 48(a)(5))	Provides a tax credit for renewable electricity production and property worth 30 percent and/or 1.5 cents/kWh.	$1,356
Credit for production of Indian coal (sec. 45(e)(10)(A))	Provides a tax credit that is $2.00 per ton of coal produced on Indian land.	$75
Indian employment tax credit (sec. 45A(f))	Provides businesses a 20 percent credit for the cost of a qualified American Indian worker's wages and health care costs.	$126
Railroad track maintenance credit (sec. 45G(f))	Provides companies a 50 percent tax credit for the costs of maintaining railroad tracks.	$428
Credit for construction of new energy efficient homes (sec. 45L(g))	Provides a tax credit for 30 percent of cost of installed residential energy-efficient equipment.	$760
Mine rescue team training credit (sec. 45N)	Provides a 20 percent credit for mine operator training.	$4
Credit for hybrid solar lighting system property (sec. 48(a)(3)(A)(ii))	Tax credit up to 30 percent of costs to install equipment.	**
Credit for geothermal heat pump property, small wind property, and combined heath and power property (secs. 48(a)(3)(A)(vii), 48(c)(4), and 48(c)(3)(A)(iv))	Tax credit up to 30 percent of costs to install power systems.	**
Credit for qualified fuel cell and stationary microturbine power plant property (secs. 48(c)(1)(D) and (c)(2)(D))	Tax credit up to 30 percent of costs to install power plant property.	**
Qualified zone academy bonds: allocation of bond limitation (sec. 54E(c)(1))	Debt instrument allowing zero percent interest rates largely for infrastructure projects at certain public schools. Bond holder receives tax credit instead of interest payments from the school.	$196

TAX PROVISION	DESCRIPTION	TWO-YEAR COST (IN MILLIONS)
Discharge of indebtedness on principal residence excluded from gross income of individuals (sec. 108(a)(1)(E))	Allows taxpayers who are foreclosed on or who are in default on a mortgage to exclude their canceled mortgage debt income from taxation.	$5,143
Premiums for mortgage insurance deductible as interest that is qualified residence interest (sec. 163(h)(3))	Allows people who need mortgage insurance (often required when a borrower is unable to make the requisite down payment on a home) to count their mortgage insurance premiums toward their mortgage interest deduction when they itemize their taxes.	$2,318
Three-year depreciation for race horses two years old or younger (sec. 168(e)(3)(A))	Allows recovery of the cost of a racehorse to be realized over three years.	***
Five-year cost recovery for certain energy property (secs. 168(e)(3)(B)(vi)(I) and 48(a)(3)(A))	Allows bonus depreciation recovery of certain energy property costs over five years.	$600
Seven-year recovery period for motorsports entertainment complexes (secs. 168(i)(15) and 168(e)(3)(C)(ii))	Allows recovery of motorsports racetrack construction and renovation costs to be realized over seven years instead of the typical fifteen.	$95
Accelerated depreciation for business property on an Indian reservation (sec. 168(j)(8))	Allows businesses on Indian reservations to recover property costs on an accelerated schedule.	$159
Special depreciation allowance for second generation biofuel plant property (sec. 168(l))	Allows a 50 percent special depreciation to immediately recover and write off the cost of advanced biofuel plant property.	****
Energy efficient commercial buildings deduction (sec. 179D(h))	Provides a tax credit of up to $1.80 per square foot of installed energy-efficient technologies.	$324
Election to expense advanced mine safety equipment (sec. 179E(g))	Allows expensing 50 percent of the cost of certain mine equipment.	***

TAX PROVISION	DESCRIPTION	TWO-YEAR COST (IN MILLIONS)
Special expensing rules for certain film, television, and live theatrical productions (sec. 181)	Allows expensing up to $20 million of the cost of film and TV production.	$26
Deduction allowable with respect to income attributable to domestic production acti-vites in Puerto Rico (sec. 199(d)(8))	Allows a 9 percent income tax deduction for production on the island.	$234
Deduction for qualified tutition and related expenses (sec. 222(e))	Allows some taxpayers to subtract qualified tuition and other higher educational expenses from their gross income, reducing their adjusted gross income and therefore their overall tax bracket.	$608
Special rule for sales or dispositions to implement Federal Energy Regulatory Commission (FERC) or State electric restructuring policy (sec. 451(i))	Allows certain utilities to recognize and report capital gains over 8-years rather than the full amount in the year of sale.	**
Special rate for qualified timber gains (sec. 1201(b))	Allows businesses to pay only 23.8 percent rather than standard 35 percent on timber sales.	$35
Empowerment zone tax incentives: a. Designation of an empowerment zone and of additional empowerment zones (secs. 1391(d)(1)(A)(i) and (h)(2)); b. Empower-ment zone tax-exempt bonds (secs. 1394 and 1391(d)(1)(A)(i)); c. Empowerment zone employment credit (secs. 1396 and 1391(d)(1)(A)(i)); d. Increased expensing under sec. 179 (secs. 1397A and 1391(d)(1)(A)(i)); e. Nonrecognition of gain on rollover of empowerment zone investment (secs. 1397B and 1391(d)(1)(A)(i))	Provides federal wage credits, favorable expensing, and tax exempt bonds for businesses operating in certain federally designated geographic areas.	$498

TAX PROVISION	DESCRIPTION	TWO-YEAR COST (IN MILLIONS)
Incentives for alternative fuel and alternative fuel mixtures: a. Excise tax credits and outlay payments for alternative fuel (secs. 6426(d)(5) and 6427(e)(6)(C)), b. Excise tax credits for alternative fuel mixtures (sec. 6426(e)(3))	Allows alternative fuel blenders to take a tax credit for up to $0.50 per gallon of fuel sold.	$918
Temporary increase limit on cover over of rum excise tax revenues (from $10.50 to $13.25 per proof gallon) to Puerto Rico and the Virgin Islands (sec. 7652(f))	Provides an excise tax on rum imported to the U.S. which is transferred to the governments of Puerto Rico and U.S. Virgin Islands, the more rum produced, the greater the tax return to them.	$336
American Samoa economic development credit (sec. 119 of Pub. L. No. 109-432 as amended by sec. 756 of Pub. L. No. 111-312)	Allows businesses to deduct wages and depreciate property in American Samoa.	$32
		TOTAL $19,432

**** JCT cost estimate is less than $500,000.
*** JCT estimates no cost.
** cost estimate not currently available.

Sources
https://www.jct.gov/publications.html?func=startdown&id=4860
https://www.jct.gov/publications.html?func=startdown&id=4862
https://www.fas.org/sgp/crs/misc/R42089.pdf
https://www.fas.org/sgp/crs/misc/R43206.pdf