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Tax Provisions that Expired in 2014 ("Tax Extenders")

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Summary

In the past, Congress has regularly acted to extend expired or expiring temporary tax provisions. Collectively, these temporary tax provisions are often referred to as "tax extenders." Fifty-two temporary tax provisions expired at the end of 2014. This report provides a broad overview of the tax extenders.

Congress last acted on tax extenders towards the end of the 113th Congress. The Tax Increase Prevention Act of 2014 (P.L. 113-295), signed into law on December 19, 2014, made tax provisions that had expired at the end of 2013 available to taxpayers for the 2014 tax year. The law extended most (but not all) provisions that had expired at the end of 2013. Most of the provisions in P.L. 113-295 had been included in previous "tax extender" packages.

Tax extenders legislation has also been considered in the 114th Congress. The Senate Finance Committee has reported legislation, the Tax Relief Extension Act of 2015 (S. 1946), that would retroactively extend expired tax provisions, for two years, through 2016. All provisions in S. 1946 have been included in previous "tax extender" packages.

There are several reasons why Congress may choose to enact tax provisions on a temporary basis. Enacting provisions on a temporary basis provides legislators with an opportunity to evaluate the effectiveness of tax policies prior to expiration or extension. Temporary tax provisions may also be used to provide temporary economic stimulus or disaster relief. Congress may also choose to enact tax provisions on a temporary rather than permanent basis due to budgetary considerations, as the foregone revenue from a temporary provision will generally be less than if it was permanent.

The provisions that expired at the end of 2014 are diverse in purpose, including provisions for individuals, businesses, the charitable sector, and energy-related activities. Among the individual provisions that expired are deductions for teachers' out-of-pocket expenses, state and local sales taxes, qualified tuition and related expenses, and mortgage insurance premiums. On the business side, under current law, the research and development (R&D) tax credit, the work opportunity tax credit (WOTC), the active financing exceptions under Subpart F, the new markets tax credit, and increased expensing and bonus depreciation allowances will not be available for taxpayers after 2014. Expired charitable provisions include the enhanced deduction for contributions of food inventory and provisions allowing for tax-free distributions from retirement accounts for charitable purposes. The renewable energy production tax credit (PTC) expired at the end of 2014, along with a number of other incentives for energy efficiency and renewable and alternative fuels.

Additional information on specific extender provisions may be found in other CRS reports, including the following:

- CRS Report R43510, *Selected Recently Expired Business Tax Provisions ("Tax Extenders")*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock
- CRS Report R43688, *Selected Recently Expired Individual Tax Provisions ("Tax Extenders"): In Brief*, by Jane G. Gravelle
- CRS Report R43517, *Recently Expired Charitable Tax Provisions ("Tax Extenders"): In Brief*, by Jane G. Gravelle and Molly F. Sherlock
- CRS Report R43541, *Recently Expired Community Assistance-Related Tax Provisions ("Tax Extenders"): In Brief*, by Sean Lowry

- CRS Report R43449, *Recently Expired Housing Related Tax Provisions ("Tax Extenders"): In Brief*, by Mark P. Keightley\

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Introduction

There are dozens of temporary tax provisions in the Internal Revenue Code (IRC), many of which expired at the end of 2014. Recent legislation extended certain expiring provisions. The American Taxpayer Relief Act (ATRA; P.L. 112-240), signed into law on January 2, 2013, reduced tax policy uncertainty by permanently extending most of the tax cuts first enacted in 2001 and 2003 and permanently indexing the alternative minimum tax (AMT) for inflation.[1] ATRA, however, did not eliminate uncertainty in the tax code. Under ATRA, a number of provisions that had been allowed to expire at the end of 2011 or 2012 were temporarily extended through 2013.[2] Most of the provisions that expired at the end of 2013 were retroactively extended for one year, through 2014, in the Tax Increase Prevention Act of 2014 (P.L. 113-295).

Collectively, temporary tax provisions that are regularly extended by Congress rather than being allowed to expire as scheduled are often referred to as "tax extenders." Many of these "tax extender" provisions have been temporarily extended multiple times. The research tax credit, for example, has been extended 16 times since being enacted in 1981. Most of the temporary tax provisions that expired at the end of 2014 were previously extended more than once.

The Tax Increase Prevention Act of 2014, passed late in the 113th Congress, extended expiring tax provisions for one year, retroactively through 2014. Other legislation considered in the 113th Congress proposed a two-year extension—the Expiring Provisions Improvement Reform and Efficiency (EXPIRE) Act (S. 2260). Legislation was also considered that would have made certain expiring provisions permanent—see, for example, the Jobs for America Act (H.R. 4) and the America Gives More Act of 2014 (H.R. 4719). Tax reform legislation introduced in the 113th Congress, the Tax Reform Act of 2014 (H.R. 1), proposed to make permanent certain provisions that are currently part of the tax extenders, including the research and experimentation (R&D) tax credit and increased expensing allowances for certain businesses allowed under Internal Revenue Code (IRC) Section 179.[3] In the 114th Congress, the House has passed legislation that would permanently extend certain expired provisions (America's Small Business Tax Relief Act of 2015 (H.R. 636), State and Local Sales Tax Deduction Fairness Act of 2015 (H.R. 622), America Gives More Act of 2015 (H.R. 644), and American Research and Competitiveness Act of 2015 (H.R. 880)).

The Tax Relief Extension Act of 2015 (S. 1946), as reported by the Senate Committee on Finance, would extend the temporary provisions that expired at the end of 2014 for two years, making the provisions available for the 2015 and 2016 tax year. S. 1946 would extend all temporary tax provisions that expired at the end of 2014, as well as one provision that expired at the end of 2013.

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[1] For additional background, see CRS Report R42894, *An Overview of the Tax Provisions in the American Taxpayer Relief Act of 2012*, by Margot L. Crandall-Hollick.

[2] Provisions that had been allowed to expire at the end of 2011 were extended retroactively. In addition to the "tax extenders" discussed in this report, several provisions first enacted as part of the American Recovery and Reinvestment Act (ARRA; P.L. 111-5) were temporarily extended in ATRA.

[3] For background on expiring provisions that would be made permanent in the Tax Reform Act of 2014, see U.S. Congress, Joint Committee on Taxation, *Description of Expiring Business-Related Tax Provisions Made Permanent or Extended under the "Tax Reform Act of 2014," a Discussion Draft of the Chairman of the House Committee on Ways and Means to Reform the Internal Revenue Code*, committee print, 113th Cong., April 4, 2014, JCX-35-14, available at https://www.jct.gov/publications.html?func=startdown&id=4581.

The President's FY2016 budget also proposes to permanently extend or modify certain expired provisions and temporarily extend others.[4] The President's budget assumes that the American opportunity tax credit (AOTC), the earned income tax credit (EITC) expansions, and the child tax credit (CTC) expansions, which were extended through 2017 as part of ATRA, are made permanent.

This report provides a broad overview of the tax extenders. Additional information on specific extender provisions may be found in other CRS reports, including the following:

- CRS Report R43510, *Selected Recently Expired Business Tax Provisions ("Tax Extenders")*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock
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The Concept of "Tax Extenders"

The tax code presently contains dozens of temporary tax provisions. In the past, legislation to extend some set of these expiring provisions has been referred to by some as the "tax extender" package. While there is no formal definition of a "tax extender," the term has regularly been used to refer to the package of expiring tax provisions temporarily extended by Congress. Oftentimes, these expiring provisions are temporarily extended for a short period of time (e.g., one or two years). Over time, as new temporary provisions have been routinely extended and hence added to this package, the number of provisions that might be considered "tax extenders" has grown.[5]

Evaluating Expiring Tax Provisions

There are various reasons Congress may choose to enact temporary (as opposed to permanent) tax provisions. Enacting provisions on a temporary basis, in theory, would provide Congress with an opportunity to evaluate the effectiveness of specific provisions before providing further extension. Temporary tax provisions may also be used to provide relief during times of economic weakness or following a natural disaster. Congress may also choose to enact temporary provisions for budgetary reasons. Examining the reason why a certain provision is temporary rather than permanent may be part of evaluating whether a provision should be extended.

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[4] For a complete description of the tax-related proposals in the President's FY2016 budget, see Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals*, February 2015, http://www.treasury.gov/resource-center/tax-policy/Pages/general_explanation.aspx.

[5] For a history of the tax extenders, see U.S. Congress, Senate Committee on Rules and Administration, *The Tax Extenders: How Congressional Rules and Outside Interests Shape Policy*, committee print, prepared by Congressional Research Service, 113th Cong., 2nd sess., December 2014, S. Prt. 113-30, pp. 441-456, available at http://www.gpo.gov/fdsys/pkg/CPRT-113SPRT89394/pdf/CPRT-113SPRT89394.pdf#page=453.

Reasons for Temporary Tax Provisions

There are several reasons why Congress may choose to enact tax provisions on a temporary basis. Enacting provisions on a temporary basis may provide an opportunity to evaluate effectiveness before expiration or extension. However, this rationale for enacting temporary tax provisions is undermined if expiring provisions are regularly extended without systematic review, as is the case in practice. In 2012 testimony before the Senate Committee on Finance, Dr. Rosanne Altshuler noted that

> an expiration date can be seen as a mechanism to force policymakers to consider the costs and benefits of the special tax treatment and possible changes to increase the effectiveness of the policy. This reasoning is compelling in theory, but has been an absolute failure in practice as no real systematic review ever occurs. Instead of subjecting each provision to careful analysis of whether its benefits outweigh its costs, the extenders are traditionally considered and passed in their entirety as a package of unrelated temporary tax benefits.[6]

While most expiring tax provisions have been extended in recent years, there have been some exceptions. For example, tax incentives for alcohol fuels (e.g., ethanol), which can be traced back to policies first enacted in 1978, were not extended beyond 2011. The Government Accountability Office (GAO) had previously found that with the renewable fuel standard (RFS) mandate, tax credits for ethanol were duplicative and did not increase consumption.[7] Congress may choose not to extend certain provisions if an evaluation determines that the benefits provided by the provision do not exceed the cost (in terms of foregone tax revenue).

Tax policy may also be used to address temporary circumstances in the form of economic stimulus or disaster relief. Economic stimulus measures might include bonus depreciation or generous expensing allowances.[8] Disaster relief policies might include enhanced casualty loss deductions or additional net operating loss carrybacks.[9] Other recent examples of temporary provisions that have been enacted to address special economic circumstances include the exclusion of mortgage forgiveness from taxable income during the recent housing crisis,[10] the payroll tax cut,[11] and the grants in lieu of tax credits to compensate for weak tax-equity markets during the economic downturn (the Section 1603 grants).[12] It has been argued that provisions that

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[6] U.S. Congress, Senate Committee on Finance, *Extenders and Tax Reform: Seeking Long-Term Solutions*, Testimony of Dr. Rosanne Altshuler, 112th Cong., January 31, 2012, available at http://www.finance.senate.gov/hearings/hearing/?id=b1604e2e-5056-a032-52ff-dd661f9280f6.

[7] See U.S. Government Accountability Office, *Biofuels: Potential Effects and Challenges of Required Increases in Production and Use*, GAO-09-44, August 2009, http://www.gao.gov/new.items/d09446.pdf and U.S. Government Accountability Office, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP, March 2011, http://www.gao.gov/assets/320/315920.pdf.

[8] For a discussion of bonus depreciation in the context of tax extenders, see CRS Report R43432, *Bonus Depreciation: Economic and Budgetary Issues*, by Jane G. Gravelle. For background on these policies, see CRS Report RL31852, *The Section 179 and Bonus Depreciation Expensing Allowances: Current Law and Issues for the 114th Congress*, by Gary Guenther.

[9] For more information, see CRS Report R42839, *Tax Provisions to Assist with Disaster Recovery,* by Erika K. Lunder, Carol A. Pettit, and Jennifer Teefy.

[10] For more information, see CRS Report RL34212, *Analysis of the Tax Exclusion for Canceled Mortgage Debt Income*, by Mark P. Keightley and Erika K. Lunder.

[11] For more information, see CRS Report R42103, *Extending the Temporary Payroll Tax Reduction: A Brief Description and Economic Analysis*, by Donald J. Marples and Molly F. Sherlock.

[12] For more information, see CRS Report R41635, *ARRA Section 1603 Grants in Lieu of Tax Credits for Renewable Energy: Overview, Analysis, and Policy Options*, by Phillip Brown and Molly F. Sherlock.

were enacted to address a temporary situation should be allowed to expire once the situation is resolved.[13]

Congress may also choose to enact tax policies on a temporary basis for budgetary reasons. If policymakers decide that legislation that reduces revenues must be paid for, it is easier to find resources to offset short-term extensions rather than long-term or permanent extensions.[14] Additionally, by definition the Congressional Budget Office (CBO) assumes under the current law baseline that temporary tax cuts expire as scheduled. Thus, the current law baseline does not assume that temporary tax provisions are regularly extended. Hence, if temporary expiring tax provisions are routinely extended in practice, the CBO current law baseline would tend to overstate projected revenues, making the long-term revenue outlook stronger. In other words, by making tax provisions temporary rather than permanent, these provisions have a smaller effect on the long-term fiscal outlook.[15]

Extenders as Tax Benefits[16]

Temporary tax benefits are a form of federal subsidy that treats eligible activities favorably compared to others, and channels economic resources into qualified uses. Extenders influence how economic actors behave and how the economy's resources are employed. Like all tax benefits, extenders can be evaluated by looking at the impact on economic efficiency, equity, and simplicity.[17] Temporary tax provisions may be efficient and effective in accomplishing their intended purpose, though not equitable. Alternatively, an extender may be equitable but not efficient. Policymakers may have to choose the economic objectives that matter most.

Economic Efficiency

Extenders often provide subsidies to encourage more of an activity than would otherwise be undertaken. According to economic theory, in most cases an economy best satisfies the wants and needs of its participants if markets allocate resources free of distortions from taxes and other factors. Market failures, however, may occur in some instances, and economic efficiency may actually be improved by tax distortions.[18] Thus, the ability of extenders to improve economic

[13] This point was made in U.S. Congress, Senate Committee on Finance, *Extenders and Tax Reform: Seeking Long-Term Solutions*, Testimony of Dr. Rosanne Altshuler, 112th Cong., January 31, 2012, available at http://www.finance.senate.gov/hearings/hearing/?id=b1604e2e-5056-a032-52ff-dd661f9280f6 and U.S. Congress, House Committee on Ways and Means, Subcommittee on Select Revenue Measures, *Framework for Evaluating Certain Expiring Tax Provisions*, Testimony of Donald B. Marron, 112th Cong., June 8, 2012, available at http://waysandmeans.house.gov/uploadedfiles/marron.pdf.

[14] U.S. Congress, House Committee on Ways and Means, Subcommittee on Select Revenue Measures, *Framework for Evaluating Certain Expiring Tax Provisions*, Testimony of Donald B. Marron, 112th Cong., June 8, 2012, available at http://waysandmeans.house.gov/uploadedfiles/marron.pdf.

[15] U.S. Congress, Senate Committee on Finance, *Extenders and Tax Reform: Seeking Long-Term Solutions*, Testimony of Dr. Rosanne Altshuler, 112th Cong., January 31, 2012, available at http://www.finance.senate.gov/hearings/hearing/?id=b1604e2e-5056-a032-52ff-dd661f9280f6.

[16] This section is adapted from archived CRS Report RL32367, *Certain Temporary Tax Provisions that Expired in December 2009 ("Extenders")*, by James M. Bickley.

[17] Using these "criteria for good tax policy" to evaluate tax extenders was discussed in U.S. Congress, House Committee on Ways and Means, Subcommittee on Select Revenue Measures, *Framework for Evaluating Certain Expiring Tax Provisions*, Testimony of Dr. Jim White, 112th Cong., June 8, 2012, available at http://waysandmeans.house.gov/uploadedfiles/white.pdf.

[18] Market failure occurs when the marginal benefit of an action does not equal the marginal cost. For example, polluting forms of energy production cause social costs that are not taken into account by the producer; hence, there is an argument for taxing this type of energy or, alternatively, subsidizing less-polluting firms.

welfare depends in part on whether or not the extender is remedying a market failure. According to theory, a tax extender reduces economic efficiency if it is not addressing a specific market failure.

An extender is also considered relatively effective if it stimulates the desired activity better than a direct subsidy. Direct spending programs, however, can often be more successful at targeting resources than indirect subsidies made through the tax system such as tax extenders.[19]

Equity

A tax is considered to be fair when it contributes to a socially desirable distribution of the tax burden. Tax benefits such as the extenders can result in individuals with similar incomes and expenses paying differing amounts of tax, depending on whether they engage in tax-subsidized activities. This differential treatment is a deviation from the standard of horizontal equity, which requires that people in equal positions should be treated equally.

Another component of fairness in taxation is vertical equity, which requires that tax burdens be distributed fairly among people with different abilities to pay. Most extenders are considered inequitable because they benefit those who have a greater ability to pay taxes. Those individuals with relatively less income and thus a reduced ability to pay taxes may not have the same opportunity to benefit from extenders as those with higher income. The disproportionate benefit of tax expenditures to individuals with higher incomes reduces the progressivity of the tax system, which is often viewed as a reduction in equity.

An example of the effect a tax benefit can have on vertical equity is illustrated by two teachers who have both incurred $250 in classroom-related expenses and are eligible to claim the above-the-line deduction for expenses. Yet the tax benefit to the two differs if they are in different tax brackets. A teacher with lower income, who may be in the 15% income tax bracket, receives a deduction with a value of $37.50, while another teacher, in the 33% bracket, receives a deduction value of $82.50. Thus, the higher-income taxpayer, with presumably greater ability to pay taxes, receives a greater benefit than the lower-income taxpayer.

Simplicity

Extenders contribute to the complexity of the tax code and raise the cost of administering the tax system. Those costs, which can be difficult to isolate and measure, are rarely included in the cost-benefit analysis of temporary tax provisions. In addition to making the tax code more difficult for the government to administer, complexity also increases costs imposed on individual taxpayers. With complex incentives, individuals devote more time to tax preparation and are more likely to hire paid preparers.

Tax Provisions that Expired in 2014

Dozens of temporary tax provisions expired at the end of 2014 (see **Table 1**). Most of these provisions have been extended as part of previous "tax extender" legislation. For the purposes of this report, expiring provisions have been classified as belonging to one of four categories: individual, business, charitable, or energy. The following sections provide additional details on expiring provisions within each category. **Table 1** also notes which provisions are included as part

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[19] Stanley S. Surrey, "Tax Incentives as a Device for Implementing Government Policy: A Comparison with Direct Government Expenditures," *Harvard Law Review,* vol. 83, no. 4 (February 1970), pp. 705-738.

of the Tax Relief Extension Act of 2015 (S. 1946), and the estimated 10-year revenue cost of a two-year extension.

Individual[20]

All six of the individual tax extender provisions that expired at the end of 2014 have previously been extended as part of tax extenders legislation. The longest-standing individual extender provision is the above-the-line deduction for classroom expenses incurred by school teachers. This provision was first enacted on a temporary basis in 2002 and has regularly been included in tax extender packages. Other individual provisions that have been extended more than once include the deduction for state and local sales taxes,[21] the above-the-line deduction for tuition and related expenses,[22] the deduction for mortgage insurance premiums,[23] and the parity for the exclusion of employer-provided mass transit and parking benefits.

Business[24]

All of the business provisions that expired at the end of 2014 have been extended at least once, most more than once. Long-standing provisions that are scheduled for expiration include the research tax credit,[25] the rum excise tax cover-over,[26] the Work Opportunity Tax Credit,[27] the Qualified Zone Academy Bond (QZAB) allocation limitation,[28] and the active financing exception under Subpart F.[29] The New Markets Tax Credit, first enacted in 2000 to promote investment in low-income communities, also expired at the end of 2014.[30] Bonus depreciation and enhanced expensing allowances, which are often viewed as economic stimulus measures, also expired at the end of 2014.[31]

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[20] For more information, see CRS Report R43688, *Selected Recently Expired Individual Tax Provisions ("Tax Extenders"): In Brief*, by Jane G. Gravelle.

[21] For more information, see CRS Report RL32781, *Federal Deductibility of State and Local Taxes*, by Steven Maguire and Jeffrey M. Stupak.

[22] For more information, see CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick.

[23] For general background on expired housing-related provisions, see CRS Report R43449, *Recently Expired Housing Related Tax Provisions ("Tax Extenders"): In Brief*, by Mark P. Keightley.

[24] For more information, see CRS Report R43510, *Selected Recently Expired Business Tax Provisions ("Tax Extenders")*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.

[25] For more information, see CRS Report RL31181, *Research Tax Credit: Current Law and Policy Issues for the 114th Congress*, by Gary Guenther.

[26] For more information, see CRS Report R41028, *The Rum Excise Tax Cover-Over: Legislative History and Current Issues*, by Steven Maguire.

[27] For more information, see CRS Report R43729, *The Work Opportunity Tax Credit*, by Benjamin Collins and Sarah A. Donovan.

[28] For more information, see CRS Report R40523, *Tax Credit Bonds: Overview and Analysis*, by Steven Maguire.

[29] For more information, see CRS Report R41852, *U.S. International Corporate Taxation: Basic Concepts and Policy Issues*, by Mark P. Keightley and Jeffrey M. Stupak.

[30] For more information, see CRS Report RL34402, *New Markets Tax Credit: An Introduction*, by Donald J. Marples and Sean Lowry and CRS Report R43541, *Recently Expired Community Assistance-Related Tax Provisions ("Tax Extenders"): In Brief*, by Sean Lowry.

[31] For more information, see CRS Report RL31852, *The Section 179 and Bonus Depreciation Expensing Allowances: Current Law and Issues for the 114th Congress*, by Gary Guenther. For more on bonus depreciation in the context of tax extenders, see CRS Report R43432, *Bonus Depreciation: Economic and Budgetary Issues*, by Jane G. Gravelle.

Table 1. Tax Provisions that Expired at the End of 2014

(extensions in previous "tax extenders" legislation)

	S. 1946		Extending Legislation							
	Extended?	10-Year Cost Estimate (billions)	P.L. 113-295	P.L. 112-240	P.L. 111-312	P.L. 110-343	P.L. 109-432	P.L. 108-311	P.L. 107-147	P.L. 106-170
Individual Provisions										
Above-the-Line Deduction of up to $250 for Teacher Classroom Expenses	Y[y]	$0.46	X	X	X	X	X	X		
Deduction for State and Local General Sales Taxes	Y	$6.70	X	X	X	X	X			
Above-the-Line Deduction for Qualified Tuition and Related Expenses	Y	$0.61	X	X	X	X	X			
Mortgage Insurance Premiums Treated as Qualified Residence Interest	Y	$2.32	X	X	X	[a]				
Parity for Exclusion for Employer-Provided Mass Transit and Parking Benefits	Y[y]	$0.19	X	X	X					
Exclusion of Discharge of Principal Residence Indebtedness from Gross Income for Individuals	Y[y]	$5.17	X	X		X[b]				
Business Provisions										
Tax Credit for Research and Experimentation Expenses	Y[y]	$22.62	X	X	X	X	X	X	[c]	X
Temporary Increase in Limit on Cover Over of Rum Excise Tax Revenues to Puerto Rico and the Virgin Islands	Y	$0.34	X	X	X	X	X	X	X	X
Work Opportunity Tax Credit	Y[y]	$3.15	X	X[d]	X	[e]	X	X	X	X
Qualified Zone Academy Bonds - Allocation of Bond Limitation	Y[y]	$0.26	X	X	X	X	X	X	X	X
Exceptions under Subpart F for Active Financing Income	Y	$13.45	X	X	X	X	[f]	[f]	X	X
Indian Employment Tax Credit	Y	$0.13	X	X	X	X	X	X	X	

	S. 1946		Extending Legislation							
	Extended?	10-Year Cost Estimate (billions)	P.L. 113-295	P.L. 112-240	P.L. 111-312	P.L. 110-343	P.L. 109-432	P.L. 108-311	P.L. 107-147	P.L. 106-170
Accelerated Depreciation for Business Property on Indian Reservations	Y[y]	$0.15	X	X	X	X	X	X	X	
New Markets Tax Credit	Y[y]	$2.08	X	X	X	X	X			
American Samoa Economic Development Credit	Y	$0.03	X	X	X	X	X			
Look-Through Treatment of Payments Between Related Controlled Foreign Corporations under the Foreign Personal Holding Company Rules	Y	$2.72	X	X	X	X				
Credit for Railroad Track Maintenance	Y[y]	$0.43	X	X	X	X				
15-Year Straight-Line Cost Recovery for Qualified Leasehold, Restaurant, and Retail Improvements	Y	$4.93	X	X	X	X				
7-Year Recovery for Motorsport Racing Facilities	Y	$0.10	X	X	X	X				
Deduction Allowable with Respect to Income Attributable to Domestic Production Activities in Puerto Rico	Y	$0.23	X	X	X	X				
Modification of Tax Treatment of Certain Payments under Existing Arrangements to Controlling Exempt Organizations	Y	$0.03	X	X	X	X				
Treatment of Certain Dividends of Regulated Investment Companies (“RICs”)	Y	$0.21	X	X	X	X				
RIC Qualified Investment Entity Treatment under FIRPTA	Y	$0.10	X	X	X	X				
Mine Rescue Team Training Credit	Y	-i-	X	X	X	X				
Election to Expense Mine-Safety Equipment	Y	—	X	X	X	X				
Employer Wage Credit for Activated Military Reservists	Y[y]	$0.26	X	X	X					
Special Expensing Rules for Film and Television Production	Y[y]	$0.03	X	X	X					
Exclusion of 100% Gain on Certain Small Business Stock	Y	$3.17	X	X	X					

	S. 1946		Extending Legislation							
	Extended?	10-Year Cost Estimate (billions)	P.L. 113-295	P.L. 112-240	P.L. 111-312	P.L. 110-343	P.L. 109-432	P.L. 108-311	P.L. 107-147	P.L. 106-170
Increase in Expensing to $500,000 / $2,000,000 and Expansion of Definition of Section 179 Property	Y[y]	$3.48	X	X	[g]					
Empowerment Zone Tax Incentives[h]	Y[y]	$0.65	X	X	X					
Bonus Depreciation[i]	Y	$3.04	X	X	X	[i]		[i]	[i]	
Reduction in S Corporation Recognition Period for Built-In Gains Tax	Y	$0.42	X	X						
Election to Accelerate AMT Credits in Lieu of Additional First-Year Depreciation	Y	$0.53	X	X						
Low-Income Housing Tax Credit (LIHTC) Rate	Y	$0.01	X	X[j]						
Treatment of Military Basic Housing Allowances under Low-Income Housing Credit[k]	Y	$0.04	X	X						
Three-Year Depreciation for Race Horses Two Years or Younger[l]	Y	$0.01	X							
Charitable Provisions										
Enhanced Charitable Deduction for Contributions of Food Inventory	Y	$0.26	X	X	X	X	[m]			
Tax-Free Distributions From Individual Retirement Accounts for Charitable Purposes	Y	$1.86	X	X	X	X				
Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property	Y	$0.10	X	X	X	X				
Special Rules for Contributions of Capital Gain Real Property for Conservation Purposes	Y	$0.28	X	X	X	[n]				

	S. 1946		Extending Legislation							
	Extended?	10-Year Cost Estimate (billions)	P.L. 113-295	P.L. 112-240	P.L. 111-312	P.L. 110-343	P.L. 109-432	P.L. 108-311	P.L. 107-147	P.L. 106-170
Energy Provisions										
Construction Date for Eligible Facilities (Including Wind) to Claim the Production Tax Credit (PTC) or the Investment Tax Credit (ITC) in Lieu of the PTC[o]	Y	$10.49	X	X	p	q	p	q	q	q
Special Rule to Implement Electric Transmission Restructuring	Y	—	X	X	X	X	r			
Credit for Construction of Energy Efficient New Homes	Y	$0.76	X	X	X	X	X			
Energy Efficient Commercial Building Deduction	Y[y]	$0.32	X			X[s]	X			
Credit for Section 25C Nonbusiness Energy Property	Y[y]	$1.39	X	X	X[t]	X				
Alternative Fuel Vehicle Refueling Property	Y	$0.11	X	X	X	X				
Incentives for Alternative Fuel and Alternative Fuel Mixtures	Y	$0.92	X	X	X	X				
Incentives for Biodiesel and Renewable Diesel[u]	Y[y]	$2.47	X	X	X	X				
Second Generation (Cellulosic) Biofuel Producer Credit	Y	$0.05	X	X						
Credit for Production of Indian Coal	Y	$0.08	X	X						
Special Depreciation Allowance for Second Generation (Cellulosic) Biofuel Plant Property[v]	Y	-i-	X	X						
Alternative motor vehicle credit for qualified fuel cell vehicles[w]	Y	$0.01	*							
Credit for two-wheeled plug-in electric vehicles[x]	Y	-i-		X						

Source: CRS analysis of extending legislation; Joint Committee on Taxation, List of Expiring Federal Tax Provisions 2014-2025, January 9, 2015, JCX-1-15; and U.S. Congress, Joint Committee on Taxation, *A Report to the Congressional Budget Office of the Macroeconomic Effects of the "Tax Relief Extension Act of 2015," as Ordered to be Reported by the Senate Committee on Finance*, committee print, 114th Cong., August 4, 2015, JCX-107-15.

Notes: A "*" indicates that the provision expired in 2014, but not in 2013, and thus was not extended as a part of P.L. 113-295. An "-i-" indicates an estimated revenue loss of less than $5 million between 2016 and 2025. For additional information on specific provisions, see U.S. Congress, Senate Committee on the Budget, *Tax*

Expenditures: Compendium of Background Material on Individual Provisions, committee print, prepared by Congressional Research Service, 113th Cong., 2nd sess., December 2014.

a. This provision was extended as part of the Mortgage Forgiveness Debt Relief Act of 2007 (P.L. 110-142).

b. This provision was enacted as part of P.L. 110-142 and extended through 2012 in P.L. 110-343.

c. The Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170) extended the research credit through June 30, 2004. The credit was next extended by the Working Families Tax Relief Act of 2004 (P.L. 108-311).

d. The expiration date of the Work Opportunity Tax Credit for qualified veterans was extended through December 31, 2012, as part of P.L. 112-56. Under P.L. 112-240 the expiration date was extended through December 31, 2013, for all eligible employees.

e. The Work Opportunity Tax Credit was extended through August 31, 2011, as part of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2008 (P.L. 110-28).

f. The exceptions under Subpart F for active financing income were extended for five years as part of the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147) and for two years by the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222).

g. The Small Business Jobs Act of 2010 (P.L. 111-240) set the maximum amount a taxpayer can expense at $500,000, with the phaseout threshold raised to $2 million, for tax years 2010 and 2011. The Tax Relief Act of 2010 set the expensing limit at $125,000 for 2012, with a phaseout threshold of $500,000. For background on Section 179 expensing, see CRS Report RL31852, *The Section 179 and Bonus Depreciation Expensing Allowances: Current Law and Issues for the 114th Congress*, by Gary Guenther.

h. Empowerment zone tax incentives include (1) designation of an empowerment zone; (2) increased exclusion of gain; (3) empowerment zone tax-exempt bonds; (4) empowerment zone employment credits; (5) increased expensing under IRC Section 179; (6) nonrecognition of gain on rollover of empowerment zone investments.

i. Under ATRA, 50% bonus depreciation was extended for one year. The Job Creation and Worker Assistance Act of 2002 (P.L. 107-147) created the initial bonus depreciation allowance of 30%. The allowance was increased to 50% and extended as part of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA; P.L. 108-27). Under the Economic Stimulus Act of 2008 (P.L. 110-185) bonus depreciation was reinstated at 50%. Bonus depreciation was again extended as part of the American Recovery and Reinvestment Act (ARRA; P.L. 111-5), the Small Business Jobs Act (P.L. 111-240), and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312). For more on the history of this provision, see CRS Report RL31852, *The Section 179 and Bonus Depreciation Expensing Allowances: Current Law and Issues for the 114th Congress*, by Gary Guenther.

j. The Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) temporarily changed the LIHTC rate to not less than 9% for new construction placed in service before December 31, 2013. The American Taxpayer Relief Act of 2012 (ATRA, P.L. 112-240) extended the 9% floor for credit allocations made before January 1, 2014.

k. This provision was enacted as part of the Housing and Economic Recovery Act of 2008 (P.L. 110-289).

l. This provision was enacted as part of the Heartland, Habitat, Harvest, and Horticulture Act of 2008 (P.L. 110-246).

m. This provision was extended as part of the Pension Protection Act of 2006 (P.L. 109-280).

n. This provision was extended for two years, from 2007 through 2009, as part of the Food, Conservation, and Energy Act of 2008 (P.L. 110-234).

o. As part of ATRA, the expiration date for the renewable energy production tax credit (PTC) was modified such that facilities that were under construction but not yet placed in service by the end of 2013 would qualify. The option to claim the ITC in lieu of the PTC was not available prior to 2009.

p. The renewable energy PTC placed-in-service deadline was extended as part of the EPACT05 and as part of ARRA.

q. Prior to 2013, the renewable energy PTC expiration was a placed-in-service deadline. Historically, this placed-in-service deadline has been regularly extended as part of tax extenders legislation.

r. This provision was extended as part of the Energy Policy Act of 2005 (EPACT05; P.L. 109-58).

s. This provision was extended for five years, through 2013, in P.L. 110-343.

t. This provision was extended at a reduced rate of 10%, with the maximum credit reduced to $500. During 2009 and 2010, a 30% credit of up to $1,500 had been available.

u. Tax incentives for biodiesel were introduced as part of the American Jobs Creation Act of 2004 (AJCA; P.L. 108-357).

v. In addition to extending this provision through 2013, ATRA expanded the definition of qualified cellulosic biofuel production to include algae-based fuels.

w. The alternative motor vehicle credit for qualified fuel cell vehicles was enacted as part of P.L. 109-58. When enacted, this provision was set to expire on December 31, 2014.

x. This provision was enacted as part of P.L. 111-5, and extended through 2013 by P.L. 112-240. This provision expired at the end of 2013 and was not extended as part of P.L. 113-295; however the provision is currently included in S. 1946.

y. The Tax Relief Extension Act of 2015, in addition to extending this provision, would also modify the provision. Details on proposed modifications can be found in U.S. Congress, Senate Committee on Finance, *Tax Relief Extension Act of 2015*, Report to Accompany S. 1946, 114th Cong., 1st sess., August 5, 2015, S.Rept. 114-119 (Washington: GPO, 2015).

Charitable[32]

The four charitable provisions that expired at the end of 2014 have previously been extended multiple times. Provisions providing an enhanced deduction for noncorporate businesses donating food inventory were first enacted in response to Hurricane Katrina in 2005.[33] The remaining charitable provisions set to expire were first enacted as part of the Pension Protection Act of 2006 (P.L. 109-280).[34]

Energy[35]

The longest-standing energy-related provision that expired at the end of 2014 is the renewable energy production tax credit (PTC).[36] Several of the temporary energy-related tax provisions that expired at the end of 2014 were first enacted as part of the Energy Policy Act of 2005 (EPACT05; P.L. 109-58). These include the credit for construction of energy efficient new homes, the deduction for energy efficient commercial buildings, and the credit for nonbusiness energy property (also known as the tax credit for energy efficiency improvements for existing homes).[37] Certain tax incentives for alternative technology vehicles and alternative fuel vehicle refueling property were also first included in EPACT05.

The alternative motor vehicle credit for qualified fuel cell vehicles also expired at the end of 2014. This provision was introduced as part of EPACT05, and was originally set to expire December 31, 2014, when first introduced. EPACT05 incentives for other alternative motor vehicles—including hybrids, alternative fuel, and advanced lean-burn technology vehicles—expired at earlier dates. The credit for two-wheeled plug-in electric vehicles expired at the end of 2013, and was not extended as part of P.L. 113-295, but would be extended in the Tax Relief Extension Act of 2015 (S. 1946). The credit was first enacted as part of the American Recovery and Reinvestment Act (ARRA; P.L. 111-5) and was extended once previously by the American Taxpayer Relief Act (ATRA; P.L. 112-240).

[32] The Tax Increase Prevention Act of 2014 contained separate subtitles for individual, business, and energy extenders, but not for charitable extenders. Charitable extenders have been separately identified for the purposes of this report, as there was considerable debate regarding permanent extension of these provisions in the 113th and 114th Congresses (discussed below). For more information, see CRS Report R43517, *Recently Expired Charitable Tax Provisions ("Tax Extenders"): In Brief*, by Jane G. Gravelle and Molly F. Sherlock.

[33] For more information, see CRS Report RL34608, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle and Molly F. Sherlock.

[34] For more information on the provision allowing tax-free distributions from retirement accounts for charitable contributions, see CRS Report RS22766, *Qualified Charitable Distributions from Individual Retirement Accounts: Features and Legislative History*, by John J. Topoleski and Gary Sidor.

[35] For general background on energy tax policy, see CRS Report R43206, *Energy Tax Policy: Issues in the 114th Congress*, by Molly F. Sherlock and Jeffrey M. Stupak and CRS Report R41227, *Energy Tax Policy: Historical Perspectives on and Current Status of Energy Tax Expenditures*, by Molly F. Sherlock.

[36] For more information, see CRS Report R43453, *The Renewable Electricity Production Tax Credit: In Brief*, by Molly F. Sherlock. The PTC was first enacted in 2002. When first enacted, the PTC was only available for wind and closed-loop biomass technologies. Over time, Congress has expanded the list of qualifying technologies.

[37] For more information, see CRS Report R42089, *Residential Energy Tax Credits: Overview and Analysis*, by Margot L. Crandall-Hollick and Molly F. Sherlock.

The Cost of Extending Expired and Expiring Tax Provisions

As discussed above, Congress has regularly acted to temporarily extend expired or expiring tax provisions. Legislation has been considered in the House in the 114th Congress that would make permanent certain tax provisions that are currently part of the tax extenders. Cost of temporary as opposed to permanent extension has, in the past, been one consideration in the debate surrounding the extension of temporary tax provisions.

Cost of Temporary Extension

The Senate Finance Committee has reported legislation, the Tax Relief Extension Act of 2015 (S. 1946), that would retroactively extend expired tax provisions, for two years, through 2016. The cost of extending individual provisions as proposed in S. 1946 is reported in **Table 1**. The JCT has estimated that extending these provisions would reduce revenue by $97.1 billion between 2016 and 2025.[38] S. 1946 also includes several revenue raising provisions, which bring the cost of the proposal to $96.9 billion. Neither of these figures include macroeconomic effects.

With macroeconomic effects included, the cost of extending expired provisions, as proposed in S. 1946, is $86.6 billion over the 10-year budget window. According to the JCT, extending certain expired provisions affecting businesses, particularly the provision allowing businesses to expense 50% of investments, is expected to increase economic growth in the near term. Thus, the cost estimate when macroeconomic effects are included is less than the cost estimate that does not incorporate macroeconomic effects. Since S. 1946 is projected to increase the federal debt, part of the gain in economic growth from extending expired business-related provisions is expected to be offset by higher interest rates, which tend to slow economic growth. The net effect of JCT's macroeconomic analysis, however, is increased economic growth within the budget window, leading to a lower cost estimate for S. 1946.

Cost of Permanent Extension

The Congressional Budget Office (CBO) provides estimated costs of extending all tax provisions scheduled to expire before 2025 (see **Table 2**).[39] CBO's estimates can be viewed as the cost of a long-term extension. According to CBO's estimates, over the 2016 to 2025 budget window,

- extending all expiring tax provisions would reduce revenues by $897.9 billion;
- extending bonus depreciation would cost $223.6 billion and extending Section 179 expensing would cost $60.8 billion;[40] and

[38] U.S. Congress, Joint Committee on Taxation, *A Report to the Congressional Budget Office of the Macroeconomic Effects of the "Tax Relief Extension Act of 2015," as Ordered to be Reported by the Senate Committee on Finance*, committee print, 114th Cong., August 4, 2015, JCX-107-15.

[39] CBO provides this estimate to calculate their alternative fiscal scenario. CBO's baseline for spending and revenues assumes current law. Thus, revenue levels under CBO's baseline assume that all tax policies expire as scheduled. The alternative fiscal scenario assumes that current policies remain in place (i.e., expiring tax provisions are extended). The estimated revenues that would be raised from extending certain provisions might change depending on how provisions are stacked (i.e., interaction effects might cause revenue estimates for specific provisions to be higher or lower depending on what other provisions are also assumed to have been extended).

[40] For more on bonus depreciation in the context of tax extenders, see CRS Report R43432, *Bonus Depreciation: Economic and Budgetary Issues*, by Jane G. Gravelle.

- extending expansions to the child tax credit, the earned income tax credit, and the American Opportunity Tax Credit currently scheduled to expire at the end of 2017 would cost $202.8 billion.[41]

Of the 70 tax provisions set to expire before the end of 2025, 52 expired at the end of 2014. Thus, most of the revenue cost associated with extending expiring provisions is for provisions that have already expired.

Since tax extender provisions are assumed to expire as scheduled by CBO, their extension—even if expected by policymakers—is not included in CBO's current law revenue baseline. As a result, CBO's revenue projections are higher than actual revenue levels that are likely to occur. Consequently, projected budget deficits under the current law baseline are smaller than actual deficits that are likely to occur.

The baseline used in the President's FY2016 budget proposal also makes adjustments for certain expiring provisions. Specifically, the President's FY2016 budget uses a baseline that assumes that the American Opportunity Tax Credit (AOTC), expansions to the earned income tax credit (EITC), and child tax credit (CTC) are all made permanent.

The cost of providing a short-term extension, as is typical in "tax extenders" legislation, is less than the cost of extending expiring provisions through the budget window, as is done by CBO for the purposes of constructing the alternative fiscal scenario baseline. The CBO scores presented here, some might argue, provide a more accurate measure of the overall or long-term budget impact of temporary tax provisions. The Joint Committee on Taxation (JCT) scores accompanying extenders legislation reflect the budget impact of the temporary extension relative to current law.

If expiring provisions are temporarily extended, the 10-year revenue cost may be less than the cost in year 2015, as many of the expired provisions are tax deferrals, or timing provisions. Bonus depreciation is one example of a timing provision, where the short-term cost of extension is greater than the long-term or budget window cost. The one-year extension of bonus depreciation enacted as part of the Taxpayer Relief Act of 2014 (P.L. 113-295) cost an estimated $1.2 billion over the 10-year budget window; however, the one-year revenue loss of the same provision in 2015 was $45.3 billion, with much of the cost recovered in the later years in the budget window. As a timing provision, bonus depreciation shifts cost recovery forward, resulting in revenue losses in earlier years, with part of that revenue loss recovered in later years. In contrast to a temporary extension, making bonus depreciation permanent would cost $223.6 billion over the 10-year budget window (see **Table 2**).

[41] Extending these provisions would reduce revenues by $44.3 billion between 2016 and 2025, and increase outlays by $158.5 billion.

Table 2. The Cost of Extending Expired and Expiring Provisions

(billions of dollars)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
Extend bonus depreciation[a]	68.6	38.6	29.0	21.2	15.2	12.0	10.2	9.3	9.5	9.9	223.6
Extend Section 179 expensing	13.8	10.2	8.0	6.2	4.8	4.0	3.4	3.3	3.6	3.4	60.8
Extend Temporary ARRA Provisions[b]			2.8	29.1	28.9	28.8	28.7	28.3	28.2	28.0	202.8
Extend all Other Expired or Expiring Tax Provisions[c]	26.6	29.1	32.9	36.0	39.1	43.2	46.3	49.8	52.4	55.2	410.7
Total[d]	**109.0**	**78.0**	**72.7**	**92.5**	**88.0**	**88.1**	**88.6**	**90.7**	**93.7**	**96.5**	**897.9**

Source: CRS calculations using data published in the Congressional Budget Office, *The Budget and Economic Outlook*, Washington, DC, January 26, 2015, http://www.cbo.gov/publication/45069.

Notes:

a. The cost of extending bonus depreciation depends on whether the cost is estimated alongside other tax policy changes, such as an extension in Section 179 expensing, or in isolation. See **Table 3** below for additional cost estimates for extending bonus depreciation.

b. Provisions are currently scheduled to expire on December 31, 2017. Includes a lower earned income threshold for the refundable portion of the child tax credit, expansions to the earned income tax credit (EITC), and the American Opportunity Tax Credit (AOTC). The figures in this line include both the reduction in tax revenues as well as the change in outlays from refundable tax credits.

c. Expired provisions include those that expired or are set to expire between December 31, 2014, and December 31, 2025.

d. This line includes the cost of extending all provisions scheduled to expire between 2014 and 2024.

Recent "Tax Extenders" Legislation and Proposals

During the 113th Congress, the House considered legislation to make permanent certain expired tax provisions. In the 114th Congress, the House has again considered proposals to make permanent certain expired tax provisions. Legislation has also been reported out of the Senate Committee on Finance that would temporarily extend expired tax provisions.

114th Congress

The Senate Finance Committee has reported legislation, the Tax Relief Extension Act of 2015 (S. 1946), that would retroactively extend expired tax provisions, for two years, through 2016.

The House has passed legislation to make permanent eight of the temporary tax provisions that expired at the end of 2014 (see **Table 3**). America's Small Business Tax Relief Act of 2015 (H.R. 636), as passed in the House, would make permanent the enhanced expensing allowances under Section 179 and also included the text from bills that would extend expired S corporation provisions (the Permanent S Corporation Built-in Gains Recognition Period Act of 2015 (H.R. 629) and the Permanent S Corporation Charitable Contribution Act of 2015 (H.R. 630). Three expired charitable provisions are part of the America Gives More Act of 2015 (H.R. 644): (1) the enhanced deduction for contributions of food inventory; (2) the provision allowing for tax-free distributions from Individual Retirement Accounts (IRAs) for charitable purposes; and (3) the special rules for contributions of capital gain real property for conservation purposes. The American Research and Competitiveness Act of 2015 (H.R. 880), as passed in the House, would modify and make permanent the research tax credit.[42] Legislation has also passed the House that would make permanent the option to deduct state and local sales taxes in lieu of state and local income taxes (H.R. 622). Taken together, these eight measures would cost $317.5 billion over the 10-year budget window, excluding potential macroeconomic effects.

The President's FY2016 Budget Proposal

The President's FY2016 budget also proposes to permanently extend or modify certain expired provisions, and temporarily extend others.[43] Provisions that would be permanently extended (and in some cases modified) include (1) the increased expensing for certain businesses under Section 179; (2) the 100% exclusion for qualified small business stock; (3) the research and experimentation (R&E) tax credit; (4) certain employment-related credits (the Work Opportunity Tax Credit (WOTC) and the Indian employment credit); (5) incentives for renewable electricity (the production tax credit (PTC) and investment tax credit (ITC)); (6) the energy-efficient commercial building deduction; (7) the New Markets Tax Credit (NMTC); and (8) the enhanced deduction for conservation easements. The President's budget also proposes permanently extending the exception under Subpart F for active financing income and the look-through treatment of payments between related controlled foreign corporations (CFCs) as part of a broader reform to the U.S. international tax system.[44]

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[42] For more information, see CRS Report RL31181, *Research Tax Credit: Current Law and Policy Issues for the 114th Congress*, by Gary Guenther.

[43] For a complete description of the tax-related proposals in the President's FY2016 budget, see Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals*, February 2015, http://www.treasury.gov/resource-center/tax-policy/Pages/general_explanation.aspx.

[44] For background information on international tax reform, see CRS Report RL34115, *Reform of U.S. International Taxation: Alternatives*, by Jane G. Gravelle.

Provisions that would be temporarily extended in the President's FY2016 budget proposal include (1) the exclusion for cancellation of home mortgage debt (through 2017); (2) the tax credit for second generation (cellulosic) biofuel (through 2020, with a phaseout between 2021 and 2024); and (3) the tax credit for energy-efficient new homes (through 2025).[45]

As noted above, the President's FY2016 budget assumes that the American opportunity tax credit (AOTC), the earned income tax credit (EITC) expansions, and the child tax credit (CTC) expansions, which were extended through 2017 as part of ARTA, are made permanent.

113th Congress

During the 113th Congress, various bills were considered to either extend or make permanent certain tax extender provisions. Ultimately, a one-year "tax extenders" bill was passed and enacted late in the year (the Tax Increase Prevention Act of 2014 (P.L. 113-295) was signed into law on December 19, 2014). Earlier in the year, the Senate Finance Committee had reported a two-year extenders package, the Expiring Provisions Improvement Reform and Efficiency (EXPIRE) Act (S. 2260). The EXPIRE Act proposed extending most expiring provisions for two years, through 2015.[46]

The House also considered legislation to make certain expiring tax provisions permanent during the 113th Congress. As noted in **Table 3**, the House passed legislation that would have made permanent nine provisions that are currently part of the tax extenders. Taken together, permanently extending these nine provisions would have reduced revenues by an estimated $511.4 billion over the 10-year budget window. Six of these nine provisions were included in the Jobs for America Act (H.R. 4), which also passed the House in the 113th Congress.[47] Three other charitable-related provisions were passed as part of the America Gives More Act of 2014 (H.R. 4719). The Committee on Ways and Means reported legislation during the 113th Congress that would have made two additional international-related extender provisions permanent, although this legislation was not considered in the full House.

[45] The President's FY2016 budget also proposed to provide additional funds for or to modify certain other tax incentives that are not necessarily expired (although limited allocations may be available). For example, the FY2016 budget proposes additional funds be provided for tax incentives for carbon dioxide sequestration, advanced energy manufacturing tax credits, credits for certain alternative technology vehicles, geographically targeted incentives for economic development, and support of tax-favored financing for infrastructure.

[46] In the Senate, the EXPIRE Act became an amendment to H.R. 3474, and a motion to end debate on H.R. 3474 was voted down on May 15, 2014.

[47] The Jobs for America Act (H.R. 4) contained the text of a number of previously passed House bills.

Table 3. House Legislation to Permanently Extend Expired Tax Provisions

113th and 114th Congresses

	Cost of Extension (billions of dollars)	114th Congress		113th Congress	
		Legislative Action	Legislation	Legislative Action	Legislation
Individual Provisions					
Deduction for State and Local General Sales Taxes	$42.4	Passed in the House	State and Local Sales Tax Deduction Fairness Act of 2015 (H.R. 622)		
Business Provisions					
Tax Credit for Research and Experimentation Expenses	$181.6	Passed in the House	American Research And Competitiveness Act Of 2015 (H.R. 880)	Passed in the House	American Research and Competitiveness Act of 2014 (H.R. 4438) and Jobs for America Act (H.R. 4)
Exceptions under Subpart F for Active Financing Income	$58.8			Approved by the Committee on Ways and Means	Permanent Active Financing Exception Act of 2014 (H.R. 4429)
Look-Through Treatment of Payments Between Controlled Foreign Corporations under the Foreign Personal Holding Company Rules	$20.3			Approved by the Committee on Ways and Means	Permanent CFC Look-Through Act of 2014 (H.R. 4464)
Increase in Expensing to $500,000 / $2,000,000 and Expansion of Definition of Section 179 Property	$77.1	Passed in the House	America's Small Business Tax Relief Act of 2015 (H.R. 636)	Passed in the House	America's Small Business Tax Relief Act of 2014 (H.R. 4457) and Jobs for America Act (H.R. 4)
Bonus Depreciation	$244.7[a]			Passed in the House	H.R. 4718, to amend the Internal Revenue Code of 1986 to modify and make permanent bonus depreciation and Jobs for America Act (H.R. 4)
Election to Accelerate AMT Credits in Lieu of Additional First-Year Depreciation	$24.5			Passed in the House	H.R. 4718, to amend the Internal Revenue Code of 1986 to modify and make permanent bonus depreciation and Jobs for America Act (H.R. 4)

	Cost of Extension (billions of dollars)	114th Congress		113th Congress	
		Legislative Action	Legislation	Legislative Action	Legislation
Reduction in S Corporation Recognition Period for Built-In Gains Tax	$1.5	Passed in the House	America's Small Business Tax Relief Act of 2015 (H.R. 636)	Passed in the House	S Corporation Permanent Tax Relief Act of 2014 (H.R. 4453) and Jobs for America Act (H.R. 4)
Charitable Provisions					
Enhanced Charitable Deduction for Contributions of Food Inventory	$2.2	Passed in the House	America Gives More Act of 2015 (H.R. 644)	Passed in the House	America Gives More Act of 2014 (H.R. 4719)
Tax-Free Distributions From Individual Retirement Accounts for Charitable Purposes	$8.8	Passed in the House	America Gives More Act of 2015 (H.R. 644)	Passed in the House	America Gives More Act of 2014 (H.R. 4719)
Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property	$0.6	Passed in the House	America's Small Business Tax Relief Act of 2015 (H.R. 636)	Passed in the House	S Corporation Permanent Tax Relief Act of 2014 (H.R. 4453) and Jobs for America Act (H.R. 4)
Special Rules for Contributions of Capital Gain Real Property for Conservation Purposes	$1.2	Passed in the House	America Gives More Act of 2015 (H.R. 644)	Passed in the House	America Gives More Act of 2014 (H.R. 4719)

Source: Joint Committee on Taxation revenue estimates for the legislation listed in the table can be found at: https://www.jct.gov/publications.html.

Notes: The cost of extension is the estimated revenue loss in the most recent proposal considered by the House. This table includes only legislation that was considered either at the committee level or on the House floor.

a. The estimated cost of making bonus depreciation permanent, as proposed in H.R. 4718, was $262.9 billion over the 2014 through 2024 budget window. The lower revenue cost estimate in H.R. 4 is likely due to interaction effects with other provisions that would be extended in H.R. 4, specifically the increased expensing allowances under Section 179. Thus, absent these other provisions, the cost of bonus depreciation would likely be greater.

Tax Provisions that Expired in 2013 that Were Not Extended by P.L. 113-295

Several provisions that had expired at the end of 2013 were not extended as part of the Tax Increase Prevention Act of 2014 (P.L. 113-295). Two of these provisions would have been extended in the EXPIRE Act, but were not included in P.L. 113-295: the health coverage tax credit and the credit for electric-drive motorcycles and three-wheeled vehicles.

The health coverage tax credit had not been extended as part of past "tax extenders" legislation. The health coverage tax credit was first enacted, without an expiration date, as part of the Trade Act of 2002 (P.L. 107-240). A January 1, 2014, termination date was enacted as part of an act to extend the Generalized System of Preferences in 2011 (P.L. 112-40).[48] The health coverage tax credit was modified and retroactively extended as part of the Trade Preferences Extension Act of 2015 (P.L. 114-27), signed into law on June 29, 2015.

The other provision that was not extended in P.L. 113-295, but would have been extended by the EXPIRE Act, was the credit for electric-drive motorcycles and three-wheeled vehicles. In recent years, a number of incentives have been available for various alternative technology vehicles. There are currently incentives available for plug-in electric vehicles. Incentives for most other alternative technology vehicles have expired.[49]

Two other energy-related provisions were not extended past their January 1, 2014, termination date: the placed-in-service date for partial expensing of certain refinery property and the credit for energy efficient appliances. The EXPIRE Act did not propose extending either of these provisions.

Two disaster-related provisions that expired at the end of 2013—one that provided tax-exempt bond financing authority for facilities in the New York Liberty Zone and another related to the replacement period for nonrecognition of gain for areas damaged by the 2008 Midwestern storms—were not extended in P.L. 113-295. The EXPIRE Act also did not include an extension for these disaster-related provisions.

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[48] For more information, see CRS Report RL32620, *Health Coverage Tax Credit*, by Bernadette Fernandez.

[49] For more information, see CRS Report R42566, *Alternative Fuel and Advanced Vehicle Technology Incentives: A Summary of Federal Programs*, by Lynn J. Cunningham et al., and CRS Report R43206, *Energy Tax Policy: Issues in the 114th Congress*, by Molly F. Sherlock and Jeffrey M. Stupak.