

Individual Income Tax

The modern Missouri individual income tax became effective January 1, 1917. Because this tax was independent of the federal income tax adopted the same year, the enabling legislation specifically defined all related tax items, including gross income and deductions. The original tax was a flat rate levy of one-half percent of net taxable income. Exemptions for taxpayers and dependents were not introduced until 1919 and the present tax rate structure of graduated tax rates and bracket was not introduced until 1931.

Exhibit 3 contains a historical summary of the major parameters of the Missouri individual income tax. Appendix II contains a historical summary of the statutory tax rates.

While there have been many modifications to this tax since its inception, the most significant was the enactment of what is now Chapter 143, RSMo. This change, which became effective January 1, 1973, redefined the Missouri income tax in terms of federal statutes. As a consequence, adjusted gross income and most deductions are now determined by the Internal Revenue Code.

The base of the Missouri individual income tax is, in essence, federal adjusted gross. The latter is defined as total, or gross, income less selected sources of income and specific modifications. These items are called *statutory exclusions*. They include such items as payments to IRA or Keogh plans and insurance premiums paid by self-employed individuals. Also included in this category are interpersonal transfers, such as alimony paid and gifts received which are excluded to avoid double taxation of these items.

The largest group of tax preference items excluded from the definition of income, however, consists of specific sources of income such as government transfer payments (for example veterans benefits and income maintenance payments) and employer provided fringe benefits.

Taxable income is defined as adjusted gross income less total deductions. The latter consists of two parts. First are personal expenditures permitted by law, for example charitable contributions and certain interest payments. In lieu of *itemizing* such expenditures, taxpayers have had the option of using the *standard deduction* since 1944.

The second set of deductions are taxpayer and dependency *exemptions*. These have also been the result of both political and practical considerations, such as keeping the total number of returns within manageable proportions and differentiating liability based on family size.

Exhibit 4 provides a schema of the relationships between the federal and Missouri definitions. Those items designated with a ✓ are considered *tax expenditures*.

Exhibit 5 presents estimated revenue losses for all currently defined individual income tax expenditures. As with all such estimates, some cautions pertain to their potential use and misuse.

Individual Income Tax by Calendar Year			
2008 Rank of portion of gross receipts: 1			
Maximum 2008 Tax Rate: 6.0%			
	2006	2007	2008
Gross Receipts			
General Fund	5,473.2	5,912.6	6,232.3
Other	0.0	0.0	0.0
Tax Expenditures			
Exclusions	48.6	49.6	47.5
Deductions	3,745.5	3,981.6	4,230.4
Credits	237.9	315.7	293.7

Figures in millions of dollars

First, they cannot be meaningfully aggregated. This is the result of interactions between the various items. In general, the simultaneous elimination of more than one deduction will have a smaller revenue effect than the sum of their individual components. Conversely, the elimination of more than one exclusion would have a larger impact than the sum of the individual exclusions.

Secondly, these estimates may not accurately project what the actual revenue gains would be as a result of eliminating a particular expenditure. Many of the provisions are designed to reduce the cost of a particular activity, for example, accelerated depreciation or charitable contributions. If either were to be altered or eliminated, the effective price of investment or charity would be increased. Economic theory would suggest that the purchases of items so affected would decline, perhaps quite precipitously.

Another issue involved is that of the “timing” of certain expenditures. This issue is of particular importance in the case of the expensing of business expenditures. For individuals and corporations that opt to either expense or amortize certain outlays, the tax expenditure is measured by the difference between the deduction utilized and that of capitalizing the expenditure. As a result, these decisions will lead to negative tax expenditures in later years when the taxpayer does not have the depreciation deduction.

Exhibit 3 Missouri Individual Income Tax Parameters 1917-2013

Year	Defined by Federal Statutes	Graduated Tax Rates	Exemption Amounts		Percent	Standard Deduction Amounts ¹			
			Taxpayer	Dependents		Minimum	Maximum	Minimum	Maximum
1917-1918	No	No	0	0	x	3,000		4,000	
1919-1930	No	No	\$1,000	\$200	x	0		0	
1931-1945	No	Yes	\$1,000	\$200	x	0		0	
1946-1972	No	Yes	\$1,200	\$400	5.0	0	500	0	500
1973	Yes	Yes	\$1,200	\$400	15.0	0	2,000	0	2,000
1974	Yes	Yes	\$1,200	\$400	15.0	0	2,300	0	2,000
1975	Yes	Yes	\$1,200	\$400	16.0	\$1,600	\$2,300	\$1,900	\$2,600
1976	Yes	Yes	\$1,200	\$400	16.0	\$1,700	\$2,400	\$2,100	\$2,800
1977	Yes	Yes	\$1,200	\$400	x	\$2,200		\$3,200	
1978	Yes	Yes	\$1,200	\$400	x	\$2,200		\$3,200	
1979	Yes	Yes	\$1,200	\$400	x	\$2,300		\$3,400	
1980	Yes	Yes	\$1,200	\$400	x	\$2,300		\$3,400	
1981	Yes	Yes	\$1,200	\$400	x	\$2,300		\$3,400	
1982	Yes	Yes	\$1,200	\$400	x	\$2,300		\$3,400	
1983	Yes	Yes	\$1,200	\$400	x	\$2,300		\$3,400	
1984	Yes	Yes	\$1,200	\$400	x	\$2,300		\$3,400	
1985	Yes	Yes	\$1,200	\$400	x	\$2,390		\$3,540	
1986	Yes	Yes	\$1,200	\$400	x	\$2,480		\$3,670	
1987	Yes	Yes	\$1,200	\$400	x	\$2,540		\$3,760	
1988	Yes	Yes	\$1,200	\$400	x	\$3,000		\$5,000	
1989	Yes	Yes	\$1,200	\$400	x	\$3,100		\$5,200	
1990	Yes	Yes	\$1,200	\$400	x	\$3,250		\$5,450	
1991	Yes	Yes	\$1,200	\$400	x	\$3,400		\$5,700	
1992	Yes	Yes	\$1,200	\$400	x	\$3,600		\$6,000	
1993	Yes	Yes	\$1,200	\$400	x	\$3,700		\$6,200	
1994	Yes	Yes	\$1,200	\$400	x	\$3,800		\$6,350	
1995	Yes	Yes	\$1,200	\$400	x	\$3,900		\$6,550	
1996	Yes	Yes	\$1,200	\$400	x	\$4,000		\$6,700	
1997	Yes	Yes	\$1,200	\$400	x	\$4,150		\$6,900	
1998	Yes	Yes	\$1,200	\$400	x	\$4,250		\$7,100	
1999	Yes	Yes	\$1,200	\$1,200	x	\$4,300		\$7,200	
2000	Yes	Yes	\$2,100	\$1,200	x	\$4,400		\$7,350	
2001	Yes	Yes	\$2,100	\$1,200	x	\$4,550		\$7,550	
2002	Yes	Yes	\$2,100	\$1,200	x	\$4,700		\$7,850	
2003	Yes	Yes	\$2,100	\$1,200	x	\$4,750		\$9,500	
2004	Yes	Yes	\$2,100	\$1,200	x	\$4,850		\$9,700	

x = Not applicable

¹ Beginning in 1977, the former two-part standard deduction was replaced by a single deduction based on marital status.

² Projected

Exhibit 3 (continued)
Missouri Individual Income Tax Parameters
1917-2013

Year	Defined by		Graduated Tax Rates	Exemption Amounts		Percent	Standard Deduction Amounts ¹			
	Federal Statutes	Yes		Taxpayer	Dependents		Single Minimum	Single Maximum	Minimum	Maximum
2005	Yes	Yes		\$2,100	\$1,200	*	\$5,000			\$10,000
2006	Yes	Yes		\$2,100	\$1,200	*	\$5,150			\$10,300
2007	Yes	Yes		\$2,100	\$1,200	*	\$5,350			\$10,700
2008	Yes	Yes		\$2,100	\$1,200	*	\$5,450			\$10,900
2009 ²	Yes	Yes		\$2,100	\$1,200	*	\$5,700			\$11,400
2010 ²	Yes	Yes		\$2,100	\$1,200	*	\$6,200			\$12,400
2011 ²	Yes	Yes		\$2,100	\$1,200	*	\$6,450			\$12,900
2012 ²	Yes	Yes		\$2,100	\$1,200	*	\$6,700			\$13,400
2013 ²	Yes	Yes		\$2,100	\$1,200	*	\$7,000			\$14,000

* = Not applicable

¹ Beginning in 1977, the former two-part standard deduction was replaced by a single deduction based on marital status.

² Projected

Exhibit 4 Derivation of Missouri Taxable Income—Individuals

Total or Gross Income

- Wages, salaries
- Annuities and pensions
- Dividends received
- State and local income tax refunds
- Alimony received
- ✓ Taxable interest received
- Net business profits
- Net gain on sales or exchanges
- Commissions, bonuses and tips
- ✓ Certain taxable fringe benefits
- Net rent and royalty
- Prizes
- Net farm income
- ✓ Taxable social security
- Unemployment compensation

minus

Exclusions from Gross Income

- ✓ Self-employed retirement plans contributions (Keogh)
- Alimony paid
- ✓ Contributions to individual retirement accounts
- Interest forfeited upon premature withdrawal from time savings account
- ✓ Employment-Related moving expenses
- ✓ Self-Employment tax
- ✓ Self-Employed health insurance premiums

equals

Federal Adjusted Gross Income

plus

Positive Adjustments

- Interest on state and local obligations
- Partnership, fiduciary or S corporation adjustments
- Other positive adjustments

minus

Negative Adjustments

- Interest from exempt federal obligations
- ✓ Interest on Missouri state and local obligations
- State income tax refund included in federal adjusted gross income
- Partnership, fiduciary or S corporation adjustments
- Other negative adjustments:
- ✓ Exempt railroad retirement benefits
- ✓ Enterprise zone income

equals

Missouri Adjusted Gross Income

minus

Deductions

- ✓ Standard or itemized deductions
- ✓ Federal income tax
- ✓ Other federal tax deductions
- ✓ Taxpayer exemptions
- ✓ Dependency exemptions
- ✓ Government pensions

✓ - Tax expenditure

Exhibit 4 (continued)

Derivation of Missouri Taxable Income—Individuals

<i>equals</i>	
Missouri Taxable Income	
<i>equals</i>	<input type="checkbox"/> Multiplied by the effective tax rate or rates
Gross Tax Due Before Credits	
<i>less</i>	
Credits	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Senior citizen's property credit <input checked="" type="checkbox"/> Neighborhood assistance credit <input checked="" type="checkbox"/> Development reserve credit <input checked="" type="checkbox"/> Wood energy credit <input checked="" type="checkbox"/> Seed capital credit <input checked="" type="checkbox"/> Special needs adoption credit <input checked="" type="checkbox"/> Enterprise zone credit <input checked="" type="checkbox"/> Affordable housing credit <input checked="" type="checkbox"/> Export finance credit <input checked="" type="checkbox"/> Low income housing credit <input checked="" type="checkbox"/> Small business incubator credit <input checked="" type="checkbox"/> Infrastructure development credit <input checked="" type="checkbox"/> Qualified research expense credit <input checked="" type="checkbox"/> Small business investment credit <input checked="" type="checkbox"/> Brownfield tax benefits credit <input checked="" type="checkbox"/> Community bank investment credit <input checked="" type="checkbox"/> Business use incentives credit <input checked="" type="checkbox"/> Youth opportunities credit <input checked="" type="checkbox"/> Charcoal producers credit <input checked="" type="checkbox"/> Historic preservation credit <input checked="" type="checkbox"/> Maternity home credit <input checked="" type="checkbox"/> Domestic violence shelter credit <input checked="" type="checkbox"/> Sponsorship & mentoring credit <input checked="" type="checkbox"/> Film production credit <input checked="" type="checkbox"/> Wine & grape production credit <input checked="" type="checkbox"/> Rebuilding communities credit <input checked="" type="checkbox"/> Transportation development credit <input checked="" type="checkbox"/> Agricultural product utilization contributor credit <input checked="" type="checkbox"/> Bank tax credit for S corp. shareholders <input checked="" type="checkbox"/> Dry fire hydrant credit <input checked="" type="checkbox"/> Family development account credit <input checked="" type="checkbox"/> New enterprise creation credit <input checked="" type="checkbox"/> New generation cooperative incentive credit <input checked="" type="checkbox"/> Remediation tax credit <input checked="" type="checkbox"/> SBA guaranty fee credit <input checked="" type="checkbox"/> Shared care credit <input checked="" type="checkbox"/> Disabled access credit <input checked="" type="checkbox"/> Rebuilding community/neighborhood preservation credit <input checked="" type="checkbox"/> Bank franchise credit <input checked="" type="checkbox"/> Demolition tax credit <input checked="" type="checkbox"/> Development tax credit <input checked="" type="checkbox"/> New Enhanced Enterprise Zone credit <input checked="" type="checkbox"/> Missouri Quality Jobs <input checked="" type="checkbox"/> Children In Crisis <input checked="" type="checkbox"/> Residential Treatment Center <input checked="" type="checkbox"/> Pregnancy Resource Center <input checked="" type="checkbox"/> Family Farm Credit <input checked="" type="checkbox"/> Food Pantry Tax <input checked="" type="checkbox"/> Self Employed Health Insurance <input checked="" type="checkbox"/> New Market Credit
<i>equals</i>	
Net Tax Due	

- Tax expenditure

Exhibit 5 - Part 1
Individual Income Tax Expenditures - Missouri Statutes
2003-2013

	2003	2004	2005	2006	2007 ^P	2008 ^F	2009 ^F	2010 ^F	2011 ^F	2012 ^F	2013 ^F
Exempt Income											
B.01 Pensions	37.5	46.7	48.3	48.4	49.0	49.2	47.9	45.2	42.8	40.2	37.2
B.03 Distribution Trust	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
B.04 Enterprise Zone Modification ^R	0.6	1.0	0.4	0.3	0.6	*	*	*	*	*	*
B.05 Lottery Prizes	•	•	•	•	•	•	•	•	•	•	•
B.06 Brownfield Income Modification	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B.07 National Socialist Persecution	0.0	•	•	•	•	•	•	•	•	•	•
Non-Taxable Expenditures											
C.01 Standard Deduction	522.1	514.2	605.0	571.0	621.1	643.6	679.8	742.0	779.2	816.6	859.1
C.02 Itemized Deduction											
C.02a Total	715.3	981.8	871.8	1,143.3	1,218.5	1,318.3	1,415.2	1,541.2	1,655.5	1,778.2	1,910.0
C.02b Require Standard Deduction	309.3	569.8	513.6	693.8	741.2	835.2	908.9	992.0	1,082.2	1,181.1	1,284.8
C.09 Artistic Literary Works	•	•	•	•	•	•	•	•	•	•	•
C.10 Social Security Taxes	208.4	217.8	164.9	235.7	246.1	247.2	258.9	268.8	281.2	294.1	306.9
C.13 Federal Income and Other Taxes	412.1	418.3	441.0	460.2	485.2	506.3	522.4	585.5	551.7	568.6	583.7
C.14a Health Insurance - Long-term	1.9	2.5	2.8	3.2	7.0	7.3	7.6	7.8	8.1	8.4	8.6
C.14b Health Insurance - Self-employed	**1	*	*	*	*	*	*	*	*	*	*
Personal Exemptions											
C.15 Taxpayer Exemptions	370.3	363.8	370.2	377.2	389.8	394.0	396.5	396.8	399.0	401.1	402.8
C.16 Dependent Exemptions	98.2	98.3	99.0	99.7	101.0	106.6	101.8	101.4	101.5	101.6	101.6
C.17a Dependent Students 19 or Over ^R	3.8	4.1	3.8	1.7	1.4	4.4	1.4	•	1.0	1.4	•
C.17b Dependent Age 65 & Older ^R	1.4	1.4	1.4	1.4	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Other											
C.18 Combined vs. Joint Return	152.7	150.8	153.3	158.3	168.9	171.1	173.1	174.7	176.9	179.1	181.5

Figures in millions of dollars; NA = Not available; * = Not applicable; • = Less than \$50,000; F = Forecasted; P = Preliminary numbers; R = Revised numbers; ** = repealed or expired
¹ In 2003 Federal Government allows 100% of expenditure on self employment health insurance to be deducted. No longer on Missouri tax form.

Exhibit 5 - Part 1 (continued)

Individual Income Tax Expenditures - Missouri Statutes 2003-2013

	2003	2004 ^R	2005 ^R	2006 ^R	2007 ^P	2008 ^F	2009 ^F	2010 ^F	2011 ^F	2012 ^F	2013 ^F
Missouri Credits											
D.01 Senior Citizen Property Tax	89.22	85.11	89.94	86.54	92.34	104.03	107.93	111.84	115.74	119.65	123.55
D.02 Neighborhood Assistance	6.63	6.77	7.52	9.85	9.89	8.99	9.39	9.80	10.21	10.62	11.02
D.03 Business Facility	3.85	1.91	1.55	4.25	1.09	2.59	2.77	2.94	3.11	3.28	3.45
D.04 Development Reserve	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D.05 Enterprise Zones	1.60	2.06	1.39	1.51	1.27	1.18	1.11	1.04	0.97	0.91	0.84
D.06 Wood Energy	2.90	2.76	2.95	1.56	1.59	2.54	2.66	2.78	2.90	3.01	3.13
D.07 Seed Capital Credit	0.12	0.21	0.08	0.09	0.01	0.10	0.08	0.06	0.04	0.02	0.00
D.08 Special Needs Adoption	1.50	2.01	2.90	2.29	0.39	2.01	2.05	2.08	2.11	2.15	2.18
D.09 Timely Withholding	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
D.10 Affordable Housing	5.58	4.56	5.97	6.98	6.46	7.33	7.84	8.35	8.86	9.37	9.88
D.11 Export Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D.12 Missouri Low Income Housing	4.07	4.05	7.43	7.19	13.73	10.02	10.92	11.81	12.71	13.60	14.50
D.13 Small Business Incubator	0.10	0.10	0.15	0.13	0.11	0.14	0.15	0.15	0.16	0.17	0.18
D.14 Infrastructure Development	2.50	15.18	23.12	12.16	17.70	17.11	18.50	19.89	21.28	22.68	24.07
D.15 Jobs Training	8.45	7.49	6.12	11.20	10.57	9.62	9.71	9.79	9.88	9.96	10.05
D.16 Qualified Research	*	0.00	**	**	**	**	**	**	**	**	**
D.17 SBIC	0.10	0.02	0.11	0.10	0.02	-0.61	-0.82	-1.04	-1.25	-1.46	-1.67
D.18 Higher Education Scholarship	0.00	**	**	**	**	**	**	**	**	**	**
D.19 Brownfield Job/Investment Credits	0.00	0.33	0.28	0.21	0.31	0.31	0.34	0.37	0.40	0.43	0.46
D.20 CDC/Community Banks	0.26	3.36	0.03	0.00	0.00	2.36	2.67	2.98	3.30	3.61	3.92
D.21 BUILD	1.08	0.69	1.07	0.98	0.77	1.13	1.23	1.34	1.45	1.56	1.66
D.22 Youth Opportunities	2.03	2.28	2.98	3.57	4.10	3.96	4.27	4.58	4.89	5.20	5.51
D.23 Charcoal Producers	0.27	0.19	0.14	0.18	0.02	0.17	0.19	0.20	0.22	0.23	0.25
D.24 Historic Preservation	30.30	48.21	59.32	65.15	115.27	87.87	96.63	105.40	114.16	122.93	131.70
D.25 Maternity Home	0.81	0.75	0.79	1.05	0.92	1.07	1.20	1.30	1.40	1.49	1.57
D.26 Shelter for Victims of Domestic Viol	0.50	0.51	0.54	0.67	0.72	0.80	0.86	0.92	0.98	1.05	1.11
D.27 Sponsorship and Mentoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D.28 Film Production	0.19	0.35	0.01	0.73	1.80	1.39	1.62	1.86	2.09	2.33	2.56
D.29 Wine and Grape	0.30	0.30	0.09	0.14	0.17	0.24	0.25	0.26	0.27	0.29	0.30
D.31 Rebuilding Communities	2.02	1.23	1.31	1.31	1.27	1.80	1.95	2.09	2.24	2.39	2.54
D.32 Missouri Individual Job Training	0.00	**	**	**	**	**	**	**	**	**	**
D.33 Transportation Development	1.53	4.06	2.98	0.78	1.30	**	**	**	**	**	**
D.37 Advantage Missouri Program	0.00	**	**	**	**	**	**	**	**	**	**
D.38 Agricultural Product Utilization Con	0.68	1.30	1.38	1.08	0.16	1.09	1.18	1.27	1.37	1.46	1.56
D.39 Bank Tax Credit for S-Corp	1.21	1.31	1.21	1.51	1.20	1.75	1.89	2.04	2.19	2.34	2.48
D.40 Dry Fire Hydrants	0.02	**	**	**	**	**	**	**	**	**	**

See Appendix III for information on D.30, D.34, D.35, and D.36.
 Figures in millions of dollars; * = Not applicable; ** = Less than \$5,000; F = Forecasted numbers; P = Preliminary numbers; R = Revised numbers
 ** = repealed or expired; NA=Not Available

Exhibit 5 - Part 1 (continued)
Individual Income Tax Expenditures - Missouri Statutes
2003-2013

	2003	2004 ^R	2005 ^R	2006 ^R	2007 ^P	2008 ^F	2009 ^F	2010 ^F	2011 ^F	2012 ^F	2013 ^F
Missouri Credits											
D.41 Family Development Account	0.03	0.01	*	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02
D.42 Enterprise Creation	1.24	1.56	1.96	0.41	0.84	1.59	1.73	1.87	2.01	2.15	2.29
D.43 New Generation Cooperative Incentive	2.20	1.47	1.47	2.84	2.70	2.70	2.94	3.18	3.42	3.66	3.89
D.44 Remediation (Brownfield)	3.11	2.00	11.81	8.11	19.13	12.81	14.11	15.41	16.72	18.02	19.32
D.45 SBA Guaranty Fee	0.00	0.00	0.04	0.08	0.07	0.06	0.07	0.07	0.08	0.08	0.09
D.47 Shared Care	0.03	0.05	0.07	0.08	0.07	0.08	0.09	0.10	0.11	0.11	0.12
D.48 Disabled Access	0.05	0.04	0.03	0.02	0.01	0.04	0.04	0.05	0.05	0.05	0.05
D.49 Mature Worker	0.00	**	*	*	*	*	*	*	*	*	*
D.50 Strategic Initiative	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D.51 Neighborhood Preservation	3.25	3.60	7.50	4.34	5.75	6.47	7.11	7.74	8.38	9.01	9.65
D.52 Bank Franchise	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D.53 Demolition	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00
D.54 Development Tax Credit	0.00	0.57	0.73	0.19	0.06	0.38	0.40	0.42	0.44	0.46	0.48
D.55 Enhanced Enterprise Zone	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.00	0.00	0.00	0.00
D.56 Missouri Quality Jobs	0.00	0.00	0.00	0.30	1.85	0.00	0.00	0.00	0.00	0.00	0.00
D.57 Children In Crisis	0.00	0.00	0.00	0.30	0.17	0.00	0.00	0.00	0.00	0.00	0.00
D.58 Residential Treatment Agency	0.00	0.00	0.00	0.00	0.33	0.00	0.00	0.00	0.00	0.00	0.00
D.59 Pregnancy Resource Center	0.00	0.00	0.00	0.00	1.17	0.00	0.00	0.00	0.00	0.00	0.00
D.62 Food Pantry Tax Credit	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.00	0.00	0.00	0.00

Figures in millions of dollars; * = Not applicable; * = Less than \$5,000; F = Forecasted numbers; P = Preliminary numbers; R = Revised numbers
 ** = repealed or expired; NA=Not Available

Exhibit 5 - Part 2 Individual Income Tax Expenditures - Federal Statutes 2003-2013

	2003	2004	2005	2006	2007 ^P	2008 ^F	2009 ^F	2010 ^F	2011 ^F	2012 ^F	2013 ^F
Exempt Income											
A.01 Military Benefits & Allowances	7.3	7.4	11.6	12.4	13.6	14.2	14.9	15.7	16.4	17.2	17.9
A.02 U.S. VA Benefits	17.4	19.0	19.7	21.3	22.3	22.9	23.9	25.9	28.0	30.2	32.3
A.03 Military Disability Pensions	0.1	0.4	0.4	0.4	0.4	0.5	0.6	0.7	0.9	1.0	1.2
A.04 Railroad Retirement Benefits	3.5	3.7	3.2	3.3	3.3	3.3	3.2	3.2	3.2	3.0	2.8
A.05 Social Security Benefits	148.7	158.1	124.3	137.9	146.5	146.3	154.9	164.8	179.9	192.00	203.2
A.06 Scholarships and Fellowships	6.5	6.9	7.2	9.3	10.3	10.8	11.4	11.9	12.5	13.2	13.8
A.07 Workmen's Compensation Benefits	2.9	3.0	8.7	8.8	9.2	4.5	4.6	4.7	4.9	5.0	5.1
A.07b Worker's Compensation Insurance Premiums	*	*	*	*	*	*	*	*	*	*	*
A.08 Cash Public Assistance	27.3	28.9	31.1	2.1	2.2	4.6	4.8	5.0	5.3	5.4	5.6
A.09 State & Local Interest (G.O.)	52.4	52.8	58.3	39.8	43.7	48.7	53.6	58.3	63.0	67.5	72.0
A.10 State & Local Interest (Other)	13.3	14.5	14.1	12.8	13.9	16.1	17.7	19.2	20.6	22.1	23.5
A.52 Highway Projects & Rail Truck Transfer Facilities	*	*	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2
Exempt Fringe Benefits											
A.11a Meals & Lodging	2.8	2.9	2.9	3.0	3.1	3.2	3.3	3.4	3.6	3.8	3.9
A.11b Miscellaneous Fringe Benefits	20.8	20.4	22.6	23.3	24.0	22.3	22.8	23.6	26.8	28.6	25.8
A.11d Educational Expenditures	1.8	1.9	1.9	2.0	2.1	2.2	2.3	0.1	0.0	0.0	0.0
A.11e Employer-provided Child Care	2.0	2.1	2.6	3.8	4.2	4.4	4.6	4.6	4.7	4.9	5.1
A.11h Pension/Profit Sharing Plans	159.9	173.2	162.9	151.6	145.2	142.9	138.0	131.2	130.0	127.6	125.2
A.11i Medical Insurance	348.1	386.0	429.4	431.0	478.0	527.0	576.1	650.0	718.3	781.1	843.5
A.11j Accident/Disability Premiums	0.9	1.0	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1
A.11k Employer Provided Supplementary Unemployment	1.4	1.6	1.8	6.8	6.8	7.0	7.1	7.4	7.9	8.0	8.2
A.11l Supplemental U.I.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
A.11n Employer Provided Transit Passes	1.4	1.7	1.8	1.4	1.4	1.5	1.6	1.6	1.7	1.8	1.9
A.11o Reimbursed Parking Expenses	8.4	8.9	8.8	9.1	9.3	9.6	10.0	10.2	10.6	10.9	11.1
A.11p Employer Stock Ownership Plan	1.3	1.2	1.1	1.6	1.5	1.6	2.0	2.1	2.1	2.1	2.1
Other Personal Exclusions											
A.12 Income Earned Abroad	2.8	3.2	0.9	1.5	1.8	1.9	2.0	2.1	2.2	2.4	2.5
A.13 IRA Plans	23.4	23.1	12.4	26.9	30.9	34.1	36.5	41.4	46.9	47.7	47.7
A.14 Keogh Plans	19.9	22.0	15.1	22.3	26.8	28.8	30.9	35.2	39.6	46.2	52.8
A.15 Life Insurance	64.9	71.4	57.7	57.2	62.0	66.6	71.8	79.4	89.3	98.0	106.4
A.17c Capital Gains on Home Sales	93.9	110.9	94.2	87.9	91.6	94.4	98.1	103.2	109.1	112.8	115.1

Figures in millions of dollars; NA = Not available; * = Not applicable; • = Less than \$50,000; F = Forecasted; ² Beginning in 2005, we switched from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS). With such a change, it becomes impossible to directly compare tax expenditures values prior to 2005 with those in 2005 and subsequent years.

Exhibit 5 - Part 2 (continued)
Individual Income Tax Expenditures - Federal Statutes
2003-2013

	2003	2004	2005	2006	2007 ^P	2008 ^F	2009 ^F	2010 ^F	2011 ^F	2012 ^F	2013 ^F
Other Personal Exclusions											
A.18 Capital Gains at Death	83.5	90.7	93.8	107.3	116.5	118.9	123.2	128.7	134.4	140.0	145.2
A.19 Carry-Over Capital Gains on Gifts	0.7	0.8	1.7	2.1	2.5	2.6	4.1	20.7	4.9	5.3	5.6
A.22 Parsonage Allowance	1.2	1.3	1.3	1.4	1.5	1.5	1.6	1.7	1.8	1.8	1.9
A.24 U.S. Savings Bonds	0.4	0.4	8.8	1.2	1.1	1.2	1.3	1.4	1.6	1.6	1.7
A.28 Self-Employed Health Insurance Premiums	8.7	10.0	8.8	10.8	11.8	13.5	15.2	17.8	20.2	22.3	24.3
A.29 Self-Employment Tax	16.8	18.6	23.0	23.2	24.0	23.9	24.1	25.5	26.3	27.1	27.9
A.30 Cancellation of Indebtedness	0.1	0.1	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1
A.32 Medical Savings Account	3.6	6.3	5.8	2.5	3.7	4.8	5.2	5.3	5.0	4.8	4.5
A.35 Deferral of State Prepaid Tuition Plans	1.1	2.7	2.4	4.2	5.2	6.3	7.8	9.9	11.3	12.1	12.9
A.36 Education IRA	0.6	0.8	0.4	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.5
A.37 Deduction of Interest on Student Loans	2.6	2.7	2.5	2.7	2.7	2.7	2.7	2.5	1.7	1.8	1.8
A.40 Utility Conservation Subsidies	0.4	0.4	0.2	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5
A.41 401(k) Plans	162.5	157.9	120.8	148.2	154.3	159.5	171.1	210.4	227.8	236.0	244.2
A.42 Deduction for Higher Education Expenses	6.7	10.1	8.1	7.1	5.9	5.9	5.9	5.9	5.9	5.9	5.9
A.43 Deduction for Teacher Expenses	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
A.44 Imputed Net Rental Income-Owner Occupied	65.7	79.5	111.0	14.7	12.1	13.1	54.7	45.2	58.1	78.1	98.3
A.47 Discharge of Student Loan Indebtedness	•	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.53 Housing Hurricane Katrina Displaced Individuals	*	*	0.1	•	•	*	*	*	*	*	*
A.54 Distributions for Premiums for Health and Long-term Care Insurance	NA	NA	NA	0.8	0.8	0.9	1.0	1.1	1.2	1.4	1.5
Business Exclusions											
A.23b Timber Growing Costs	•	•	•	•	•	•	•	•	•	•	•
A.23c Percentage Over Cost Depletion:											
Fuels	0.2	0.2	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.5
Non-Metallic Minerals	•	•	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
A.23d Farm Cash Accounting Rules											
Expensing Certain Costs	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Multi-Year Production Costs	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
A.23e Research/Development Costs	-0.1	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3
A.23f Mineral Exploration/Development	0.1	0.1	*	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1
A.23f3 Fuels Exploration/Development	0.2	0.2	0.5	*	*	*	*	*	*	*	*
A.23g Accelerated Depreciation											
Rental Property	2.0	-0.3	20.6	3.5	5.4	8.8	31.9	37.2	41.5	45.3	48.9
Other Property	-0.7	-0.9	-1.4	-8.4	-8.0	-7.9	-7.6	-8.1	-8.0	-6.7	-5.6
Machinery & Equipment	19.8	-5.9	21.3	29.7	34.3	40.5	41.7	41.1	45.5	51.6	57.6

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Exhibit 5 - Part 2 (continued)
Individual Income Tax Expenditures - Federal Statutes
2003-2013

	2003	2004	² 2005	2006	2007 ^P	2008 ^F	2009 ^F	2010 ^F	2011 ^F	2012 ^F	2013 ^F
Business Exclusions											
A.23h Historic Structures	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
A.23k Special Treatment of Farm Loans	•	•	•	•	•	•	0.1	0.1	0.1	0.1	0.1
A.23l Business Start-Up Costs	•	•	•	•	•	•	•	•	•	•	•
A.23n Imputed Interest Rules	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
A.23o Passive Loss Real Estate	14.0	13.5	23.8	23.6	18.7	15.3	47.8	29.8	29.0	28.6	28.5
A.23p Gas & Oil Exception	•	•	•	•	•	•	•	•	•	•	•
A.25 Real Property Installment Sales	2.1	2.2	1.7	2.3	2.3	2.4	2.8	3.2	3.6	4.0	4.5
A.27 Small Corporation Stock Sale Losses	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
A.27a Capital Gains Exclusion for Small Business Stock	0.6	0.9	0.7	1.0	1.2	1.3	1.5	2.0	2.3	2.5	2.7
A.33 Expensing Environmental Remediation Costs	•	•	•	0.2	0.1	•	0.0	0.0	0.0	0.0	0.0
A.34 Income Averaging for Farmers	0.2	0.2	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
A.38 Expensing of Certain Small Investments	3.4	13.1	9.7	11.4	11.4	11.0	2.9	-2.4	-2.4	0.3	0.0
A.39 Empowerment Zones	3.2	3.6	4.2	4.2	4.5	5.3	3.9	1.7	2.3	2.7	3.1
A.45 U.S. Production Activities	•	3.0	2.4	6.2	8.3	9.5	13.5	18.1	20.1	21.1	22.2
A.46 Sale or Exchange of Certain Brownfield Sites	•	•	•	•	•	•	•	•	•	•	•
A.48 Film & TV Productions	•	•	•	0.1	•	•	0.1	•	•	•	•
A.49 Low Sulfur Diesel Expensing to Coop Owners	•	0.1	•	•	•	•	•	•	•	•	•
A.50 Geological & Geophysical Expenditures Over 2 years	•	•	•	•	•	•	•	•	•	•	•
A.51 Energy Efficient Commercial Building Property	•	•	•	•	•	•	•	•	•	•	•
A.52 Highway Project and Rail Truck Transfer Facilities	•	•	•	0.1	0.1	0.1	0.0	0.0	•	•	•
A.54 Housing Hurricane Katrina Displaced Individuals	•	•	•	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2
A.55 Discharge of Mortgage Indebtedness	•	•	•	0.8	0.8	0.9	1.0	1.1	1.2	1.4	1.5
A.56 Volunteer EMS and Firefighters	•	•	•	•	0.2	0.2	0.2	0.0	0.0	0.0	0.0

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