# Appendix B:  Tax Expenditures Retained in the New Tax Structure

*401(k) plans, Individual Retirement Accounts, and Keogh plans*, but the total amount employees and employers may contribute to tax-deferred retirement saving plans is limited to the smaller of 20 percent of earnings or $20,000.

*Accelerated depreciation of buildings other than rental housing (normal tax method)*

*Accelerated depreciation of machinery and equipment (normal tax method)*

*Capital gains exclusion on home sales*

*Carryover basis of capital gains on gifts*

*Deductibility of casualty losses*

*Deductibility of charitable contributions* is replaced by a 15-percent refundable credit for contributions that all taxpayers may claim.

*Deductibility of medical expenses*

*Deductibility of mortgage interest on owner-occupied homes* is replaced with a refundable credit of 15 percent for the first $25,000 of mortgage interest paid that all homeowners may claim.  The new credit is limited to principal residences.

*Deferral of income from controlled foreign corporations (normal tax method)*

*Deferral of interest on U.S. savings bonds*

*Deferred taxes for financial firms on certain income earned overseas*[89]

*Employer defined-benefit retirement plans*

*Exclusion of benefits and allowances to armed forces personnel*

*Exclusion of interest on public purpose State and local bonds*

*Exclusion of interest spread of financial institutions*

*Exclusion of net imputed rental income*

*Expensing of certain small investments (normal tax method)*

*Expensing of research and experimentation expenditures (normal tax method)*

*Income averaging for farmers*

*Low and moderate income savers credit* is expanded.  In place of a deduction, taxpayers may claim a 15-percent refundable credit.  This helps those in the 15-percent bracket with no liability.

*Ordinary income treatment of loss from small business corporation stock sale*

*Tax credit for the elderly and disabled, and additional deduction for the elderly and blind* are replaced with a new tax credit for those 65 and over or blind.

[89] The Task Force plan leaves in place the provision that allows U.S. multinationals to defer taxation of the profits of their foreign subsidiaries until those profits are repatriated to the U.S. parent (deferral).  Some view deferral as an incentive for U.S.-based companies to invest overseas, but others believe eliminating deferral would damage the ability of U.S. corporations to compete with foreign-based corporations and note that most of our major trading partners have enacted territorial systems that exempt completely the active foreign income of their corporations.  While the Task Force plan does not address our complex system of taxing international income flows of corporations, the substantially lower corporate tax rate that the Task Force proposes will increase the incentive for both U.S. and foreign-based multinationals to invest in the United States.