

## Why GAO Did This Study

Tax expenditures—special exemptions and exclusions, credits, deductions, deferrals, and preferential tax rates claimed by corporations, individuals, or both—support federal policy goals but result in revenue forgone by the federal government. Congress and the administration are reexamining tax expenditures used by corporations as part of corporate tax reform. GAO was asked to examine issues related to corporate tax expenditures. This report: (1) describes trends in the number of corporate tax expenditures and estimated corporate revenue losses since 1986; (2) describes the use of corporate tax expenditures in 2011; and (3) compares the size of corporate tax expenditures to federal spending by budget function and, for tax expenditures used only by corporations, identifies spending programs with similar purposes. To address these objectives, GAO analyzed Department of the Treasury estimates of tax expenditure revenue losses from 1986 to 2011 and Internal Revenue Service 2010 data and interviewed agency officials. GAO also reviewed the legislative history and relevant studies to determine the reported purpose of corporate-only tax expenditures, and searched federal program lists to identify federal spending programs that appear to share a reported specific purpose similar to corporate-only tax expenditures. The programs identified as related were not reviewed by the agencies responsible for the programs.

## What GAO Recommends

GAO made no recommendations in this report. Treasury provided technical comments that were incorporated, as appropriate; IRS had no comments.

View [GAO-13-339](#). For more information, contact James R. White at (202) 512-9110 or [whitej@gao.gov](mailto:whitej@gao.gov)

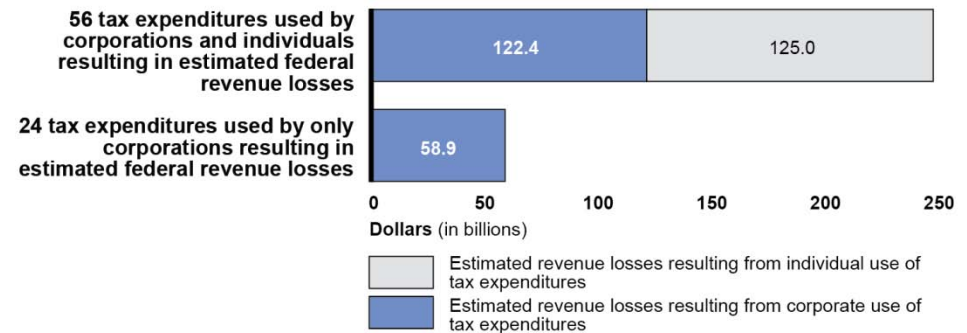
# CORPORATE TAX EXPENDITURES

## Information on Estimated Revenue Losses and Related Federal Spending Programs

## What GAO Found

Estimated tax revenue that the federal government forgoes resulting from corporate tax expenditures increased over the past few decades as did the total number of corporate tax expenditures. In 2011, the Department of the Treasury estimated 80 tax expenditures resulted in the government forgoing corporate tax revenue totaling more than \$181 billion. Many of these tax expenditures are broadly available to both corporate and individual taxpayers. More than two-thirds or 56 of the 80 tax expenditures used by corporations in 2011 were also used by individual taxpayers, such as other types of businesses not organized as corporations. Modifying any of these 56 tax expenditures as part of broader corporate tax reform would likely affect both corporate and individual taxpayers to some degree.

**Estimated Federal Tax Revenue Losses for Corporate Tax Expenditures, 2011**



Source: GAO analysis of Office of Management and Budget budget data on tax expenditures, fiscal year 2013.

Note: Sum of estimated revenue losses does not include outlay effects or reductions in excise tax receipts. Tax expenditures may be available to corporate and individual taxpayers, including other types of business entities other than corporations. According to the Department of the Treasury's estimates, some tax expenditures may be used by only corporate taxpayers and some by only individual taxpayers while other tax expenditures may be used by both corporate and individual taxpayers.

Corporate tax expenditures span a majority of federal mission areas, but their relative size differs across budget functions. The 80 corporate tax expenditures had estimated revenue losses in 12 of the 18 budget functions in 2011. Of the \$181 billion in estimated corporate tax revenue losses, 81 percent was concentrated in the international affairs and housing and commerce budget functions, exceeding federal outlays in those budget functions. The 24 tax expenditures used only by corporations in 2011 provide support intended to encourage certain activities, such as energy production, or provide support for certain entity types, such as credit unions. A corporate tax expenditure may have multiple purposes: one narrowly focused on a specific activity or entity as well as broader or additional purposes pursuing national priorities or other activities. For example, 7 of the 24 corporate-only tax expenditures are aimed at encouraging or supporting specific energy sources and technologies, and these tax expenditures may also have broader national purposes such as promoting domestic energy production and energy security. In examining their narrowly focused reported purposes, one-third of the 24 corporate-only tax expenditures appear to share a similar purpose with at least one federal spending program.