

Now, this is done on a functional basis the way the budget is established. You will see that for national defense chart 1, there is a little benefit under the tax code. You would ask where does that come from? Well, it comes from the fact that certain housing and other allowances for military personnel are nontaxable.

International affairs and finance, chart 2—you will find an explanation on the cover side as I flip through these charts—you will find that the Congress is appropriating \$3.7 billion, and there is about a half billion dollars, running through the tax code.

Now, part of that arises from the fact that you can live overseas and the first \$20,000 or \$25,000 of your income is exempt from taxation. The other is various forms of corporate exemptions built into the code.

Agriculture and Agricultural Resources, which is chart 3. You will find that there are special provisions in the tax code that provide about a billion dollars in tax expenditures versus \$5.2 billion in budgetary expenditures.

You will find under Natural Resources—chart 4—that the U.S. Government appropriates about \$1.9 billion a year in the most recent years. The total that ran through the tax expenditure side was \$1.7 billion.

In Commerce and Transportation—chart 5—you will find that the budget outlays which you voted are \$9 billion. The tax expenditure item is \$9.7 billion.

Community Development and Housing is chart 6. The budget outlays total about \$2.8 billion a year, the tax expenditure item total \$5.2 billion.

Health and Welfare, chart 7. Budget outlays are about \$55 billion a year; tax expenditures are roughly \$19.5 billion.

For education and Manpower, chart 8, the budget outlays are \$7.9 billion, tax expenditures are \$900 million.

Veterans Benefits and Services—chart 9.—Budget outlays are about \$7.8 billion, tax expenditures are \$700 million.

The study adds two other headings to cover tax expenditures which do not fit under functional headings in the Federal Budget:

Aid to State and Local Government. Financing involves tax expenditures of \$4.6 billion.

Capital Gains—Individual Income Tax have a tax expenditure cost in the range of \$5.5 to \$8.5 billion.

Mr. Chairman, let me alert the committee to the fact that this is a highly controversial study. It is based on carefully drawn assumptions by the Treasury staff. I submit this not as the last word, but a carefully done staff study to provide additional information which I think this committee should have available to it. You can examine and discuss it as you see fit.

Chairman PATMAN. Without objection, they will be placed in the record at this point.

(The documents referred to follow:)

1. Comparison of Budget Outlays and Tax Expenditures by Function.
2. Supplementary Statement—Tax Expenditures—Government Expenditures Made Through the Income Tax System.