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Tax Extenders Resurrected: Insights on Higher Education Tax Reform from the Recent Legislation on the Tuition and Fees Deduction

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ABSTRACT

U.S. legislators recently brought back thirty-four tax programs from legislative limbo, extending them for three years. This includes the tuition and fee deduction, used by taxpayers to save on college expenses. This regressive tax policy flows heavily towards higher-income levels, with almost a third of the deduction going to those with incomes between $100,000 and $200,000. Previous empirical research indicates the policy has had no effect on increasing college enrollment. It is imperative that researchers, policymakers, and practitioners remediate duplicative, fiscally irresponsible tax policy. To guide this remediation, I provide a legislative history of the tuition and fees deduction, duplicative effects of current education tax incentives, critiques against the current tax extender package, and recommendations for higher education tax reform.

Keywords: education tax spending, fiscal responsibility, tuition and fee deduction, tuition tax credits

As Americans prepared for Tax Season 2020, they had the option to utilize certain benefits that were not previously renewed for Tax Years 2018 and 2019. [1] These 34 tax deductions, credits, and incentives were recently renewed on December 20, 2019, less than a month before tax filing season started for Tax Year 2019 (see Appendix for the full list). They represented diverse issues such as cost recovery of depreciated racehorses to the above-the-line deduction for qualified tuition and fee expenses (henceforth called the tuition and fee deduction). These tax breaks are routinely extended in one- or two-year increments as an auxiliary feature of a major bill known as *tax extender* packages, usually as a means for bipartisan support (Sherlock, 2018). However, in 2015, President Obama sought to create long-term investment potential for American citizens, approving the Protecting Americans from Tax Hikes Act of 2015. This Act, an appropriations/legislative combination, made fifty temporary tax breaks permanent and left several others to the vagaries of Congress.

The Internal Revenue Service (IRS) expected many of these tax extenders to be either temporarily or permanently extended in the 2017 Tax Cut and Jobs Act signed by President Trump; however, no such action was taken. Many of these tax extenders were set to expire for Tax Year 2017. On February 9, 2018, President Trump signed the Bipartisan Budget Act of 2018, which retroactively brought the tax breaks back for Tax Year 2017. Tax filers, who already submitted returns for Tax Year 2017, had either to amend their returns or proceed without the deduction. Although tax filers were not able to select these tax benefits for Tax Year 2018 and 2019, the most recent legislation allowed another retroactive amendment for these tax years. The Consolidated Appropriations Act of 2020, which included tax extender legislation as an addendum, provided for a one-year extension (with a two-year retroactive designation for Tax Years 2018 and 2019) until December 31, 2020. Taxpayers will have to wait for Congress to extend these tax provisions for the next tax year, Tax Year 2021. The precarious nature of these tax breaks causes concern for many taxpayers as they cannot make long-term budgetary decisions on year-long legislative measures. Many of these tax breaks affect corporations and large industries, but several others affect individual business owners and taxpayers in need of disaster relief. Inasmuch as there was early indication a revolution was afoot in Congress regarding these tax incentives, with the House Democrats wary to pass extensions without assessment of individual tax credit efficacy, the revolution did not make traction. In early 2019, the Ways and Means Committee, the chief tax-writing committee in the House of Representatives, indicated that each tax extender would be reviewed on their own merits and costs instead of being *rubber-stamped* into current legislation as per usual (Bell, 2019).

This article is an examination of the tax extender phenomenon, particularly as it relates to the tuition and fees deduction and its effect on federal funding towards higher education. The following sections will provide legislative history of the tuition and fees deduction, the duplicative effects of current education tax incentives, critiques against the most recent legislation, and recommendations for further higher education tax reform.

[1] A Tax Season is the time period when taxpayers begin to file for the prior year and begins every January 1 to April 15. A Tax Year is the year prior to the year a taxpayer files their taxes. For instance, taxpayers began Tax Season 2020 on January 1, 2020; however, they filed taxes for Tax Year 2019.

TAX EXTENDER BACKGROUND

Temporary tax provisions are usually implemented to assess emerging theories on economic growth or to enact measures for disaster relief. However, it is rare for

Congress to actually eliminate such provisions, even when research has provided a poor assessment (Sherlock, 2018). The Protecting Americans from Tax Hikes Act made several of these routine tax extenders permanent in 2015, reducing federal revenue by approximately $62 billion for Fiscal Year 2019 (JCT, 2015). Foregone federal revenue as a result of all tax expenditures for Fiscal Year 2019 totaled $1.5 trillion (JCT, 2019b). The Joint Committee on Taxation (JCT), a congressional committee responsible for revenue estimations for tax expenditures, estimated that the cost of the total tax provisions of the Consolidated Appropriations Act of 2020 will total $426 billion over the standard, ten-year budget window associated with congressional budget resolutions. Furthermore, the 34 previously retired tax incentives will make up $39.2 billion of this gargantuan net loss (JCT, 2019c). Budget resolutions set congressional fiscal objectives, including spending limits and revenue projections.

The tuition and fee deduction is one of the 34 tax extenders renewed in the recent appropriations bill. The JCT (2019c) estimated the one-year extension of this item for Fiscal Year 2020 to be $489 million. If it were made permanent, the costs for ten years would total $1.7 billion (JCT, 2018). Sherlock, Keightley, Grevelle, and Driessen (2018) also identified the unequal distribution associated with the deduction, with incomes between $100,000 and $200,000 siphoning off approximately one quarter of the total amount distributed in Tax Year 2015. Table 1 provides the most recent income distribution of the tuition and fee deduction for Tax Year 2017. The data from Tax Year 2017 shows a 29% increase in the distribution of federal tax funds going to those with incomes between $100,000 and $200,000 up four percentage points from Tax Year 2016.

Table 1: Number of Returns and Deduction Amount per Income Class for Tax Year 2017

Income Class	Number of Returns	Percent of Distribution	Amount[a]	Percent of Distribution
$0 - $25,000	381,449	34%	1,145,918	44%
$25,000 - $50,000	106,938	10%	233,620	9%
$50,000 - $75,000	165,812	15%	318,773	12%
$75,000 - $100,000	64,367	6%	133,616	5%
$100,000 - $200,000	390,727	35%	752,955	29%

Note. Adapted from IRS SOI, TY 2017 from Table 1.4. Retrieved from https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-publication-1304-complete-report. Copyright 2019 by IRS.
[a]Amount in thousands.

Although the tax provision does seem to filter down to those with the lowest incomes, the deduction also goes to those with the highest incomes at a higher rate than those in the middle class altogether. When comparing the number of returns between classes, the data shows that taxpayers in the $100,000 to $200,000 range have claimed the deduction more than those in the lowest income class. The income cap on the Lifetime Learning Credit, which phases out at $134,000, presumably relates to the increased number of claims for this income class. The tuition and fee deduction terminates at $160,000. Taxpayers in this income threshold looking to find any tax savings, especially with the help of a Certified Public Accountant, will assuredly claim this deduction.

Middle-income households are defined as "those with an income that is 67% to 200% of the overall median household income, after incomes have been adjusted for household size" (Pew Research Center, 2015, para. 10). The U.S. Census Bureau provides the median household income every year, and in Tax Year 2017, the median household income was $60,366 (Guzman, 2018). Therefore, middle-income households range from $40,445 to $120,732, dependent on household size. Lower-income households fall below two-thirds of the median household income and upper-income households make more than double the median household income. Table 1 provides some evidence to suggest that the upper-middle and upper-income households routinely benefit from this deduction, whereas the lower-middle income households receive relatively minor savings.

Legislative History

The Internal Revenue Code includes the tuition and fee deduction in 26 US Code § 222. Taxpayers may deduct up to $4,000 in qualified tuition and fees from an eligible institution. Eligible institutions must be accredited and participate (or be eligible to participate) in Title IV federal financial aid programs administered by the U.S. Department of Education. For a taxpayer with an adjusted gross income (AGI) of up to $65,000, or $130,000 for joint filers, the total deduction allowed is $4,000. Taxpayers with an AGI of up to $80,000, or up to $160,000 for joint filers, may deduct up to $2,000. Taxpayers with AGIs above this limit are ineligible for the deduction. An individual may not claim the deduction if they are married and file separately, are considered a nonresident alien, are claimed by another taxpayer for an exemption, and/or are claiming the American Opportunity Tax Credit (AOTC) or the Lifetime Learning Credit in the same tax return. Qualified expenses include not just tuition and fees required by the institution, but also books, supplies, and equipment needed for a course of study. Qualified expenses also include nonacademic fees such as student activity fees that the institution requires for enrollment (IRS, 2017).

The tuition and fee deduction originated with the passing of the Economic Growth and Tax Relief Reconciliation Act of 2001. It was one of several tax provisions created to make education more affordable and to stimulate economic growth. Furthermore, with the passage of the Taxpayer Relief Act, legislators sought to create a tax benefit that could be utilized by taxpayers in income levels ineligible for the two tax credits created in 1997 (Stoll & Stedman, 2003). Being a temporary tax provision, the deduction was set to expire in 2005. The Economic Growth and Tax Relief Reconciliation Act of 2001 expanded income class eligibility after the first two years of implementation. In Tax Years 2002 and 2003, those with an AGI below $65,000 or below $130,000 for joint filers, could claim the deduction. After Tax Year

2003, eligibility expanded to include a higher AGI, $80,000 or below for single filers and $160,000 for joint filers.

On December 20, 2006, President Bush signed into law the Tax Relief and Health Care Act, which retroactively extended all the tax provisions (that were set to expire in 2005) by two years. Upon the tax provisions' expiration deadline, he signed into law the Emergency Economic Stabilization Act of 2008 (EESA). Instead of solely extending tax provisions, legislators attached tax extender renewals to the emergency relief provided by the EESA. The EESA retroactively extended the same tax provisions for Tax Years 2008 and 2009. These tax breaks continued their temporary status with the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the American Taxpayer Relief Act of 2012, and the Tax Increase Prevention Act of 2014. All laws renewed these tax provisions in two-year increments. In 2015, the Protecting Americans from Tax Hikes Act made 50 tax provisions permanent but left out the tuition and fee deduction from legislation, providing only another two-year extension. The Bipartisan Budget Act of 2018 extended the tuition and fee provision for just one year and, currently, the Consolidated Appropriations Act of 2020 has extended the deduction for another year.

Regressive Tax Benefits

Education tax savings provided by the federal government come in different forms, including credits and deductions. Tax credits reduce overall tax liability by reducing taxable income dollar-for-dollar. For example, if an individual's tax liability is $5,000, a $5,000 tax credit would decrease the amount owed to the federal government to $0. A deduction, on the other hand, decreases an individual's taxable income based on the individual's respective tax bracket. Therefore, if an individual receives a $100 deduction and falls within the 35% tax bracket, they would receive a deduction of $35 from taxable income. The tuition and fee deduction, an above-the-line deduction, is particularly valuable as it decreases the taxpayer's AGI. The AGI determines a taxpayer's tax bracket and, accordingly, their tax liability. Taxpayers that fall into high tax brackets with larger incomes can use this deduction to lower AGIs, which increases eligibility for other tax savings with AGI caps and decreases overall tax liability owed to the federal government.

Taxpayers with little or no tax liability receive zero benefits from deductions. Several authors have argued that most of the education tax provisions are regressive in nature (e.g., Dynarski & Scott-Clayton, 2006; Long, 2004; Pike, 2007). These tax provisions provide more savings as income increases. For instance, a taxpayer that falls within the 22% tax bracket may still qualify for the maximum amount ($4,000) of the tuition and fee deduction, with total tax savings of $880. A taxpayer in a much lower tax bracket, 10% tax rate, would only receive $400 in tax savings.

The U.S. JCT, an independent committee of the U.S. Congress, informs legislators in both houses on tax legislation. The committee consults on legislative proposals and tax-writing committees, publishes revenue estimates of all tax legislation, and investigates federal tax system issues (JCT, 2019a). The JCT follows many guidelines when evaluating tax policy, with equity and fairness being one of the main criteria. The U.S. Government Accountability Office (GAO), another independent unit under Congress, assesses governmental use of taxpayers' dollars while providing best practices on cost-savings and efficiency. The GAO details this notion of equity and fairness by evaluating tax policies' horizontal and vertical equity. Horizontal equity is the similar tax treatment of taxpayers with similar incomes, whereas vertical equity is the differential treatment of taxpayers with incrementally higher incomes, or increased ability to pay (GAO, 2005).

If the JCT or GAO were to analyze the equity and fairness of the tuition and fee deduction, it would most likely agree that it meets the criteria for horizontal equity, but not vertical equity. The deduction provides higher-income families, who have greater resources to pay for college, with more tax savings than lower-income families who truly need the reduction in tax liability. Although lower-income families can now receive refundable tax credits via the AOTC—that lower tax liability dollar-for-dollar while providing a refund for taxpayers with below-zero liability—this does not affect the inefficiency of the tuition and fee deduction. The popularity of this tax provision among those earning too much to qualify for other tax provisions explicates this inefficiency.

The AOTC and the Lifetime Learning Tax Credit (LLTC) are lucrative education tax programs for taxpayers providing $2,500 or $2,000 in tax savings, respectively. Taxpayers with incomes above $67,000 for single filers and $134,000 for married filers are ineligible to receive the credit; however, they can qualify for the tuition and fee deduction. These households are included in the top 25% of the income distribution. Additionally, the AOTC increased its income cap in 2009 to include incomes up to $90,000 for single filers and $180,000 for married filers. Taxpayers above $67,000 for single filers and $134,000 for married filers could then choose between the AOTC and the tuition and fee deduction, whichever provided the most tax savings.

These tax credits and deductions are duplicative, granting savvy tax filers more options to look for the best bargain. The JCT (2018) illustrated this duplication to the House Ways and Means Committee:

> In 2018, a taxpayer claiming the deduction for tuition and fees will be in a tax bracket no higher than 22 percent. This translates to a maximum tax benefit of $880, on $4,000 of tuition payments. Taxpayers eligible to claim the American Opportunity credit (i.e., those paying tuition for the first four years of postsecondary education) would receive a tax credit worth $2,500 for the same tuition payment. Taxpayers eligible to receive the Lifetime Learning credit (for tuition payments beyond the first four years of postsecondary education), however, would be eligible for only an $800 credit. Nonetheless, if tuition payments exceed $4,000, the value of the Lifetime Learning credit can exceed the deduction for tuition and fees. (p. 20)

Even though the JCT confirms that most taxpayers choose the AOTC or LLTC, the tuition and fee deduction would still reduce federal revenues by approximately $1.7 billion over 10 years if continuously renewed or made permanent. Of the 34 tax extenders in this limbo state, the tuition and fee deduction is the 11th costliest (JCT, 2019c).

Tax Benefit Effects on College Enrollment

Intuitively, an increase in disposable income that can help offset the costs of college should increase college enrollment as studies on federal grant aid often indicate; however, some studies on tax-based aid indicate mostly null effects on college enrollment (e.g., Bulman & Hoxby, 2015; Crandall-Hollick, 2018; Hoxby & Bulman, 2016; LaLumia, 2012; Long, 2004; Turner, 2011). Hoxby and Bulman (2016) were perhaps the first to evaluate the tuition and fee deduction empirically, whereas prior studies only included analysis of tax credit policies. Hoxby and Bulman utilized a regression discontinuity design to identify the effect of the tuition and fee deduction on college enrollment. Their findings provided no evidence of the deduction influencing postsecondary attendance, choice of sector, full-time enrollment, grants and scholarships received, among other college-related outcomes. There has yet to be further empirical analysis on this form of education tax benefit; however, the ramifications of ineffective policymaking leads to further budget deficits.

Recent Congressional Legislation

On February 14, 2019, President Trump signed into law the Consolidated Appropriations Act of 2019, an omnibus spending bill for Fiscal Year 2019. To many legislators, including Senator Chuck Grassley, the bill seemed the best place to renew the expiring tax extenders (Grassley, 2019). However, the bill did not include such verbiage. Ten days later, Senators Grassley and Ron Wyden introduced a proposal on the Senate floor to retroactively extend the cache of tax provisions and include a temporary extension for another year. The Senate bill, the Tax Extender and Disaster Relief Act of 2019, sought to amend the Internal Revenue Code by revising expiration dates and to offer disaster tax relief to businesses and individuals affected by disasters in 2018.

The House Ways and Means Committee is responsible for introducing all revenue-related proposals to Congress. The U.S. Constitution explicitly states, "All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills" (U.S. Const. art. I, § 7, cl. 1). In June 2019, the House Ways and Means Committee approved legislation to extend the expiring tax breaks, but the House of Representatives took much longer to obtain bipartisan support. On December 17, 2019, the House of Representatives passed the Taxpayer Certainty and Disaster Tax Relief Act of 2019—a rendition of Senators Grassley and Wyden's proposal. Two days later, the Senate approved the bill as an addendum to the appropriations package for Fiscal Year 2020 (U.S. Senate Committee on Appropriations, 2019).

Three months prior to the June 2019 House Ways and Means Committee meeting, the House Ways and Means Select Revenue Measures Subcommittee heard evidence from tax scholar witnesses on the ramifications of temporary policy in the Internal Revenue Code. The subcommittee began evaluation and assessment of approximately 80 temporary tax provisions set to expire between 2019 and 2027. Chairman Mike Thompson mentioned in his opening statement the negative actions that can come about by renewing tax provisions without proper evaluation. He stated that, “temporary tax law can be used to hide the true cost of certain policy changes” (Thompson, 2019, para. 9). Furthermore, he referenced how certain tax extenders have been passed through the expedited and often unchecked reconciliation process, which dismisses filibustering and allows a simple majority to approve a bill (Thompson, 2019).

Witnesses invited to speak at the subcommittee hearing were associated with the Tax Foundation, The Brookings Institution, and the Center for Budget and Policy Priorities (CBPP). All witnesses referenced the ill effects of renewing tax extenders without proper evaluation. Mark Mazur and Robert Pozen (2019), from the Tax Policy Center at the Urban Institute & Brookings Institution, recommended that temporary tax measures be evaluated for efficiency by the GAO or the National Academies of Sciences. Kyle Pomerleau (2019), Chief Economist of the Tax Foundation, called for complete and permanent expiration of the tax provisions in question. In particular, he argued that retroactive expenditures do not serve the objectives of good tax policy in the first place, which are to spur economic growth. Finally, Chye-Ching Huang, Senior Director of Federal Fiscal Policy Team at the CBPP wrote, “True tax reform would close loopholes and make the tax code more efficient, but the law encourages rampant tax avoidance and gaming that undermine the tax code’s integrity” (Huang, 2019, p. 7). All witnesses encouraged evaluation and efficiency for future tax reform.

RECOMMENDATIONS

Aenean Within Mazur and Pozen’s (2019) testimony to the Select Revenue Measures Subcommittee, they highlighted the old-fashioned practice of providing revenue offsets to maintain costs as a means to rein in rising costs of tax provisions. In the early 1980s and 1990s, such revenue offsets were practiced routinely. Any legislator bringing tax legislation for review had to identify where revenue would be gained in order to zero-out the projected foregone revenue. In the 2000s, this practice became defunct, and Congress has continued to pass tax extensions and new tax provisions without offsetting costs, increasing the federal deficit. Legislators working on reforming the U.S. tax code should consider returning to this cost-effective method. Additionally, tax creation should follow the principles of good tax policy that guide the GAO and the JCT. These principles—equity, efficiency, and simplicity—guide the recommendations that follow.

Although temporary tax provisions can be beneficial in order to rigorously evaluate such measures and make changes to such measures, if applicable, they usually remain unassessed and unchecked. Evaluations can be costly and time consuming. Revoking tax provisions can also be detrimental towards a political career as many legislators use tax expenditures to appease special interest groups (Burman & Phaup, 2015). Additionally, policymakers use tax expenditures to hide the true spending costs of a particular program as tax expenditures reduce overall tax revenues. Each fiscal year, the federal budget does not include the foregone revenue loss from tax programs (Burman & Phaup, 2015).

Taxpayers often interpret the revocation of a tax provision as a tax increase, a measure most associated with voter discontent. If many taxpayers claim a tax provision or if there are no duplicative tax provisions, the likelihood that legislators will revoke the provision is minimal. Fortunately, for legislators who wish to eliminate the tuition and fee deduction, this measure is narrow, affecting a small portion of the American population, and is relatively duplicative of education tax credits. There are 12 other education tax incentives currently available to various income levels, and they are permanently added to the tax code. While the tuition and fee deduction was suspended for Tax Years 2018 and 2019, total foregone revenue for education tax expenditures decreased slightly from $30.8 billion to $27.4 billion. Table 2 provides a list of these 12 tax expenditures for Fiscal Years 2017 and 2019 to indicate the potential savings of non-renewal. Assuredly, a few taxpayers may take advantage of the retroactive reinstatement and file for Tax Year 2018, which will alter total tax expenditure data. However, the potential savings (if the tuition and fee deduction were completely removed) are indisputable.

Table 2: Education Tax Provisions and Expenditures in FY 2017 and FY 2019[a] in Billions

	Fiscal Year 2017	Fiscal Year 2019
American Opportunity and Lifetime Learning Tax Credits	19.4	18.3
Above-the-line deduction for tuition and fees	0.4	--
Exclusion of scholarship and fellowship income	2.8	3.5
Exclusion of employer-provided tuition reduction benefits	0.3	0.3
Exclusion of employer-provided education assistance benefits	1.0	1.3
Parental personal exemption for students aged 19-23	3.3	--
Deduction for interest on student loans	2.3	2.2
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain State educational loan repayments	0.2	0.2
Exclusion of earnings of Coverdell education savings accounts	0.1	0.1

Exclusion of interest on State and local government qualified private activity bonds for student loans	0.4	0.2
Exclusion of tax on earnings of qualified tuition programs: Prepaid Tuition Programs	--	0.1
Exclusion of tax on earnings of qualified tuition programs: Savings account programs	0.6	1.2
Totals	30.8	27.4

Note. Adapted from "Estimates of Federal Tax Expenditures for Fiscal Years 2017-2021" by the Joint Committee on Taxation, 2018. Retrieved from https://www.jct.gov/publications.html?func=startdown&id=5095 and "Estimates of Federal Tax Expenditures for Fiscal Years 2019-2023" by the Joint Committee on Taxation, 2019. Retrieved from https://www.jct.gov/publications.html?func=startdown&id=5238

[a]The 10% additional tax paid on early withdrawals from IRAs is not included in this list as the foregone revenue is less than $50 million over five fiscal years.

Recommendation One

In an effort to lower the federal budget deficit and curtail excess federal spending, legislators should perform cost-benefit analyses on all forthcoming tax provisions. As performed in the past, this method entails offsetting costs with potential revenue.

Recommendation Two

As higher education is a public good, and thus suffers from market failures, government action can be beneficial in alleviating the effects of such market failures. Temporary tax provisions may be useful in promoting enrollment in postsecondary education. Therefore, if legislators wish to test a specific tax provision, they should do so in a temporary and rigorously assessed manner. If after a two- or three-year period the tax provision produces negligible results, it should be discontinued.

Recommendation Three

Retroactively extending a tax provision for the prior tax year should never be an option. Relatively few taxpayers amend their tax documents after the fact, and this prevents individual long-term investment and capital building.

Recommendation Four

Legislators should refrain from creating regressive tax policies such as the tuition and fee deduction. Good tax policy is one that is not only guided by horizontal equity—where everyone in the same income class benefits from the same savings—but also vertical equity, where higher incomes provide a greater share of wealth to the rest of the income classes. Granting lower-income families less of a deduction than higher-income counterparts to help alleviate the costs of a postsecondary credential needed to afford a middle- to upper-income lifestyle is not equitable or efficient policy. Taxpayers from the lowest income bracket should not receive less of a deduction than those in the top income bracket.

Recommendation Five

Tax provisions should be as simple as possible for the average taxpayer, who may or may not be able to afford professional tax preparation. Simplicity offers taxpayers less chances of inputting false or incorrect information, which leads to greater auditing costs for the IRS. Simplification of the tax code also leads to more taxpayers claiming a tax provision that could be beneficial to themselves and promotes greater national economic prosperity. Duplicative tax provisions also prevent taxpayers from claiming the most tax savings. Choosing between the AOTC, the LLTC, or the tuition and fee deduction is based on several complex factors including, but not limited to, qualified expenses, time spent in college, Pell Grant receipts, and full- or part-time status (Davis, 2002).

CONCLUSION

Tax provisions for individual taxpayers should affect economic growth by increasing the amount of money in circulation (Association of International Certified Professional Accountants, 2017). If tax expenditures are not offset by tax revenue, then tax provisions can lead to budget deficits. Temporary tax policy usually leads to deficits over time as taxpayers may refrain from using such aid to invest in ventures that require long-term commitments that may eventually lead to economic growth. Narrow-focused tax policy may also prevent economic growth as the savings only influence a select few, those who may participate in an activity regardless of the subsidy given. These unexpected gains to taxpayers do not increase economic growth.

Furthermore, the act of excluding tax expenditures from the federal budget, in itself, can theoretically cause an increase in overall taxation, government spending and size, and tax expenditure programs (Burman & Phaup, 2015). In Fiscal Year 2018, total tax expenditures reduced income tax revenue by $1.5 trillion, while discretionary spending (spending authorized by an appropriations bill like national defense, education, transportation, and foreign aid) reduced the budget by $1.3 trillion (CBO, 2018). To lessen or eliminate the deficit, the federal government may necessitate increased taxation. Incidentally, as there is little transparency in the approval process and the financing of tax expenditures, legislators will continue to use this platform to further their campaigns, creating additional tax benefit programs for voter satisfaction. A cyclical nature of taxpayer kickbacks and federal budgetary deficits will ensue, coinciding with the expansion of bureaucratic staff and regulations to manage the plurality of tax expenditure programs.

Congress has recently approved the temporary extension of 34 tax benefit programs, most utilized by industry-based services, with the recent federal spending bill. As the education tax credits, AOTC and LLTC, encompass much of the tax savings that can be claimed by most taxpayers, the deduction is just too duplicative to even warrant another renewal for Tax Year 2021. It is not equitable, is not cost effective, and adds too much complication for most taxpayers to discern the most beneficial savings. Congress would be wise to begin taking control of the federal budget deficit by first eliminating unfruitful and costly tax provisions that are not permanently written in the Internal Revenue Code. If the 34 tax extenders expired, approximately $39.2 billion could be saved or used for more effectual policies such as the Pell Grant or to decrease the federal deficit, which now stands at $1.10 trillion (Congressional Budget Office, 2020). Do we continue to provide tax savings in exchange for nothing, stagnating economic growth, or do we invest in proven policies that increase enrollment in activities such as higher education that spur economic growth? The choice seems easy.

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U.S. Const. art. 1, § 7, cl. 1.

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APPENDIX

Table A1: Thirty-four Tax Provisions Renewed with the Consolidated Appropriations Act of 2020 and Projected Costs (in millions)

	Projected One-Year Costs Fiscal Year 2020	Projected Ten-Year Costs
Extension of exclusion from gross income of discharge of indebtedness on qualified principal residence	1,617	2,283
Extension of mortgage insurance premiums treated as qualified residence interest	828	1,253
Extension of medical expense deduction for expenses in excess of 7.5 percent of adjusted gross income	2,191	3,629
Extension of above-the-line deduction for qualified tuition and related expenses	489	664
Extension of Black Lung Disability Trust Fund - increase in amount of excise tax on coal	+121	+162
Extension of Indian employment tax credit	141	199
Extension of railroad track maintenance credit	536	1,065
Extension of mine rescue team training credit	3	7
Extension of classification of certain race horses as 3-year property	--	--
Extension of 7-year recovery period for motorsports entertainment complexes	70	187
Extension of accelerated depreciation for business property on Indian reservations	58	159
Extension of special expensing rules for certain film, television, and live theatrical productions	1,686	18
Extension of empowerment zone tax incentives	590	830
Extension of American Samoa economic development credit	21	25
Biodiesel and renewable diesel incentives - extend present-law income tax credits, excise tax credit, and outlay payments	8,121	15,183

Extension of second generation biofuel producer credit	36	43
Extension of credit for section 25C nonbusiness energy property	375	846
Extension of alternative motor vehicle credit for qualified fuel cell motor vehicles	12	14
Extension of credit for alternative fuel vehicle refueling property	200	331
Extension of credit for two-wheeled plug-in electric vehicles	2	3
Extension of credit for electricity produced from certain renewable resources	102	2,060
Extension of production credit for Indian coal facilities	59	113
Extension of credit for construction of energy-efficient new homes	414	788
Extension of special depreciation allowance for second generation biofuel plant property	--	--
Extension of energy-efficient commercial buildings deduction	222	223
Extension of special rule for sales or dispositions to implement Federal Energy Regulatory Commission ("FERC") or State electric restructuring policy for qualified electric utilities	423	--
Extension and clarification of excise tax credits relating to alternative fuels	1,795	1,978
Extension of Oil Spill Liability Trust Fund financing rate	--	--
Extension of new markets tax credit	--	1,468
Extension of employer credit for paid family and medical leave	767	2,237
Extension of work opportunity tax credit	571	2,042
Extension of certain provisions related to beer, wine, and distilled spirits	665	951
Extension of look-through treatment of payments between related CFCs under foreign personal holding company income rules	471	673

Extension of credit for health insurance costs of eligible individuals (health coverage tax credit)	28	43
Totals	22,372	39,153

Note. Adapted from “Estimated Budget Effects Of The Revenue Provisions Contained In The House Amendment To The Senate Amendment To H.R. 1865, The Further Consolidated Appropriations Act, 2020” by the Joint Committee on Taxation (JCT), 2019b. Retrieved from https://www.jct.gov/publications.html?func=startdown&id=5237