

Proposed Tax Expenditure Repeal

Source: *Tax Expenditure Report 2012-2013*

Tax Expenditure	Dollar Amount	Explanation
Use Credit		
Motor Vehicle Fuel Tax Shrinkage Allowance	Minimal	This credit appears to be largely outdated with new technology, it appears questionable that this credit is still necessary.
Exemptions Based on Specified Use of Property or Service		
Qualified Tangible Personal Property Used in Making Retail Sales	\$36,500,000	Items such as the purchasing of catalogs consumed in retail sales can be considered a legitimate "cost of doing business," as are purchases of items subsequently used by direct-marketing vendors for the production of printed advertising materials. It is questionable that in an Internet era where "print items" are already becoming antiquated, that such a specialized exemption remains necessary.
Copyrighted Motion Picture and Films	\$7,600,000	Given that rentals for private home use are not exempt from taxation, there appears to be a double-standard when it pertains to rentals for "exhibition" purposes."
Tangible Personal Property Used in Electronic Publishing	\$5,300,000	This is a relatively new exemption from 2007. It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.
Sales and Use Tax Exemption		
Remove exemption for subscriptions to general circulation magazines	\$11,700,000 (amount would be less than ODT estimate)	Change would create parity with individual magazine purchases, which are already taxable; exemption for organizational newsletters would remain.

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\$800 Tax Cap on Qualified Fractionally-Owned Aircraft	\$1,000,000	While recognizing the mobility of those in the market for fractionally owned aircraft, it is questionable why there is such a low cap for sales tax on an item geared to those of higher affluence.
Sales of Materials and Services for Maintenance and Repair of Aircraft	\$3,900,000	This is a new exemption from 2008. It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.
Flight Simulators	\$1,600,000	This is a new exemption from 2008. It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.
Agricultural Land Tile and Portable Grain Bins	Minimal	It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.
Purchases of Qualified Tangible Personal Property to Qualified Motor Racing Teams	Minimal	It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.
Sales of Tangible Personal Property and Services for Maintenance and Repair of Qualified Fractionally-Owned Aircraft	Minimal	This exemption corresponds with the above exemptions related to aircraft.
Items used to Storing, Preparing, and Serving Food in a food service operation	\$21,800,000	Applies to establishments that prepare and serve food in individual portions; sales tax can be absorbed as part of the normal costs of business. Sales to charitable organizations would remain exempt.

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Income Tax Deductions		
\$50 Credit for Taxpayers Aged 65 Years or Older	\$33,000,000	Given increasing lifespans, it is questionable that a credit for no other reason than age can achieve a broad public purpose outside of political considerations.
\$20 Personal Credit	\$165,000,000	Income tax rates have been lowered substantially over five years, and income tax brackets and personal exemptions are indexed to inflation. This credit is no longer needed.
Campaign Contributions Credit	\$4,900,000	Outside of political considerations, there appear no other public policy impact for this exemption.
Credit for Alternative Fuel Sold at Retail	\$1,000,000	This is a relatively new credit from 2007 and modified in 2010. It is a narrowly tailored carve-out and could be considered a form of “pork” for a fuel that is not yet viable under normal market circumstances. (ends in 2011)
Deduction for College Savings Account Contributions	\$11,500,000	Nearly 90 percent of the taxpayers claiming the credit have incomes above \$60,000. These taxpayers will take advantage of tax-free savings without a deduction.
Grape Production Credit	Minimal	It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.
Ethanol Plant Investment Credit	Minimal	It appears as a narrowly-tailored carve-out with limited applicability and impact outside of a highly-specialized group.

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Commercial Activity Tax		
Net Operating Loss Credit	\$8,000,000	Net operating loss carry-forward is a tax concept from the former corporate franchise tax transferred to the CAT, which is a gross receipts concept; available only to large companies.