

ASSET BUILDING PROGRAM

THE ASSETS REPORT 2012

An Assessment of the Federal “Asset-Building” Budget

REID CRAMER, RACHEL BLACK, AND JUSTIN KING

APRIL 2012

While the recovery from the Great Recession appears to be taking hold, economic hardship remains pervasive. Poverty is still on the rise and many families feel that the forces of recession have displaced them from the middle class. As the Presidential election year unfolds, these cyclical and entrenched threats to financial security provide a backdrop to public debates. Expanding opportunities for upward mobility has become a common call. While there is a marked divergence in policy prescriptions, the spotlight remains focused on the American Dream, what it takes to achieve it, and the role of government in that process.

Typically, we think of “success” as being able to raise a family, educate our children, buy a home, start a business, and live securely in our retirement years. While these objectives may change over time and vary by individual, being able to save and accumulate assets is an essential foundation for success. In the near term, even modest amounts of savings can help families remain financially stable when the unexpected occurs. Over time, these resources can be invested productively in ways that promote economic mobility and well-being. It is the mobility and resiliency features of savings and assets that justify the wide range of federal policies and programs intended to promote their accumulation. In our calculations, direct spending programs and policies that are embedded in the tax code together account for \$548 billion in pro-savings and asset building resources for fiscal year 2013.

Given the scale of these commitments and the importance of their objectives, these policies deserve close scrutiny to

insure that these investments are achieving their intended outcomes. Our assessment of prevailing policy, however, reveals several fundamental inequities. The poorest Americans, who have traditionally had the most difficulty saving and for whom appropriate interventions would have the greatest impact, are instead offered less accessible or meaningful ways to accumulate assets compared to middle- and upper-income families. This approach misses the potential of assets to help chart a path out of poverty. If we are to broaden savings and asset ownership successfully—giving everyone a stake in the common-wealth—we must understand how the federal government’s current policy paradigm affects asset building among low- and moderate-income Americans. In that pursuit, we present in this Assets Report 2012 a survey of the current landscape of federal asset-building programs that provide the opportunities for individuals and families to climb the economic ladder.

Contents

Summary Assessment	3
The President's Fiscal Year 2012 Budget Proposals	5
Savings and Investment	6
Retirement Security	7
Homeownership	8
Post-Secondary Education	10
Entrepreneurship	12
Tax Expenditure Programs as Vehicles for Asset Building	13
Additional Proposals to Change the Tax Code	16
Potential Asset Building Resources Delivered Through Tax Refunds	19
Consolidated Tables	21

Summary Assessment

This past February, President Obama released the final budget proposal of his first term. In any year, the budget presents a president with the opportunity to chart his vision for the country and detail a policy agenda that creates the architecture for that vision. As this is an election year, however, the budget can also be seen as a campaign document, highlighting the accomplishments of the Administration's first three years and articulating why President Obama should be elected to serve a second term.

“What’s at stake is whether or not this will be a country where working people can earn enough to raise a family, build modest savings, own a home, and secure their retirement. This is the defining issue of our time.” — President Obama

In making his case for re-election, President Obama has invoked his commitment to creating widespread opportunity for families to climb the economic ladder and become more resilient and secure. He’s argued that it’s unfair to leave individuals and families alone in managing the risks that accompany our dynamic economic. There is a role for government to create opportunity and offer an alternative to what economist Jared Bernstein termed YOYO (you're on your own) economics. Similarly, excessive inequality is unfair because it undermines the opportunity of the majority to realize their potential. Prosperity can't be shared when income and wealth resources are overly concentrated at the very top. There's a connection between falling wages and skyrocketing CEO pay. In his words, “What’s at stake is whether or not this will be a country where working people can earn enough to raise a family, build modest savings, own a home, and secure their retirement. This is the defining issue of our time.”

As much as President Obama has identified a central role for savings and assets in helping families realize the American Dream, his budget makes little headway in creating new opportunities for aspiring families with lower incomes and fewer resources to accumulate these valuable resources. As in past years, the budget continues to allocate a large amount of resources to policies that help families accumulate resources and build wealth. Most of these, however, disproportionately benefit higher-income earners. Missing are proposals that would create new ways to support the upward mobility of those starting on the lower rungs of the ladder. Significant changes to the way that the federal budget directs its subsidies for saving and asset building are still required for his rhetoric to impact reality.

As in past years, the budget continues to allocate a large amount of resources to policies that help families accumulate resources and build wealth. Most of these, however, disproportionately benefit higher-income earners. Missing are proposals that would create new ways to support the upward mobility of those starting on the lower rungs of the ladder.

By our estimates, the Fiscal Year 2013 budget includes a set of policies and proposals that allocate \$548 billion in resources to asset-building activities. By any account, these are substantial sums, but the overwhelming majority of these resources will benefit middle- and upper-income families, who are able to take advantage of tax deductions that promote homeownership and saving in retirement accounts. Far fewer resources are available to those starting on the lower bars of the economic ladder.

Our assessment of the President’s budget finds:

- In Fiscal Year 2013, the President’s budget proposes a total amount of \$548 billion in resources to promote asset-building opportunities. This includes nearly \$40 billion in direct spending and \$508 billion in tax subsidies.
- The federal government will allocate \$199 billion in resources to subsidize homeownership and \$165 billion for retirement security. \$68 billion will be devoted to post-secondary education, \$602 million for entrepreneurship, and \$115 billion to savings and investment activities.
- The total tax subsidies for asset building in Fiscal Year 2013 are worth \$508 billion, which overwhelmingly accrue to middle- and upper-income Americans.
- Tax refunds, which are returned to many households after they file their taxes, represent a significant asset

for many families. The combined value of the Earned Income Tax Credit and the Child Tax Credit is \$96 billion, \$75 billion of which are delivered as tax refunds and \$22 billion are foregone revenues associated with lower tax liabilities. For students pursuing higher educational degrees, an additional \$8 billion dollars will be refunded through the American Opportunity Tax Credit.

If the Obama Administration is to ensure the nation’s prosperity and help individuals achieve the American Dream, additional policies will be required that enable a greater degree of savings by individuals and families at the bottom of the economic ladder. As Congress goes about its work of allocating our public resources and the Obama Administration continues to develop additional proposals, we invite them to consult another of our publications, [The Assets Agenda](#), for ideas on how to implement a more inclusive set of savings and asset-building policies to benefit all Americans, but especially those with lower-incomes and fewer resources.

Table 1

TOTAL RESOURCES TO SUPPORT ASSET BUILDING ACTIVITIES in FY ₂₀₁₃ (in millions of dollars) ¹	Direct Spending	Tax Spending Under Current Policy	Tax Spending Policy Proposals	TOTAL
Savings and Investment	52	115,370	0	115,422
Retirement	0	165,430	0	165,430
Homeownership	1,191	197,750	0	198,941
Post-Secondary Education	38,005	28,930	672	67,607
Entrepreneurship	602	0	0	602
TOTAL	39,850	507,480	672	548,002

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, "Analytical Perspectives."*

¹ We identify three spending classifications, which are defined as the following: “Direct Spending” refers to the requested budget authority of currently authorized programs; “Tax Spending Policy Proposals” refers to the estimated impact on receipts and outlays associated with proposed changes to current tax policy; and “Tax Spending Under Current Policy” refers to the impact on receipts and outlays expected under current tax policy. All figures are in \$ millions.

The President's Fiscal Year 2013 Budget Proposals

The President's budget includes funding requests for existing programs as well as a description of new proposals. Since the budget is designed to reflect the overall picture of the nation's balance sheet, it presents both the funding obligations and revenue projections of the government. New proposals may entail funding for a new program or tax reductions associated with a particular activity or targeted group of people. In this section, we describe the new proposals and funding requests for existing programs by category. Our analysis classifies policies and programs into five broad categories: savings and investment, retirement security, homeownership, post-secondary education, and entrepreneurship. The programs we identify as asset building explicitly help Americans acquire and preserve long-term, productive assets for one or more of these purposes. These programs serve individuals and affect broad sectors of the population. We exclude programs meant exclusively for military veterans or a limited portion of the population.

Proposed changes to spending and tax policy impact the budget, but do so in different ways. The accompanying tables distinguish between spending (proposed funding) and government revenue (effect on receipts) that reflect the ultimate shape of the asset building budget. Since tax policy constitutes the majority of resources devoted to asset-building objectives, it must be considered to give a complete picture of how, for what, and to whom these resources are allocated. These policies often can be expected to have budget impacts over an extended time horizon, so ten-year budget estimates are included when applicable. A fuller analysis of tax expenditures which impact asset-building opportunities is presented in the following section.

We classify programs into 5 broad categories:

- Savings and Investment;
- Retirement Security;
- Homeownership;
- Post-Secondary Education; and
- Entrepreneurship

Federal policies and programs are included if they:

- Promote development of human capital through post-secondary education; or
- Encourage saving and asset formation;
- Directly benefit individuals; and
- Affect broad sectors of the population

Savings and Investment

Assets for Independence Act. The Assets for Independence (AFI) Program provides grants to community-based non-profits and government agencies to implement Individual Development Account (IDA) programs. This program is designed to determine (1) the socio-economic effects of providing people with limited means an incentive to save and accumulate assets; (2) the extent to which these accounts that can promote asset purchases that support economic self-sufficiency; and (3) the extent to which individual development accounts stabilize and improve families.

Deposits made by IDA accountholders are matched with AFI funding and help low-income families save for homeownership, start a business, and enroll in post-secondary education or training. President Obama requests funding for the AFI program at \$20 million for Fiscal Year 2013.

In FY 2010, the Administration for Children and Families (ACF) launched a new agency-wide ASSET initiative to encourage more service providers to provide financial education, IDAs and other asset building tools to the families they serve. This approach is bringing AFI services to more families and forging closer working relationships between AFI grantees and other providers across the nation, including a Head Start and AFI grantee partnership to incorporate IDAs into Home Visiting Services. ACF continues to use AFI as a platform for bringing IDAs, financial literacy education, credit and debt counseling,

access to federal tax credits, and other asset-building strategies to working families throughout the nation.

A fundamental performance measure for the program is the amount of earned income participants withdraw from their accounts to purchase specific assets, such as homes, small business capitalization, or post-secondary education. In FY 2010, the level reached \$5.5 million (by 3,961 participants), up from the FY 2005 baseline of \$3.8 million. The Administration has committed to working with Congress on legislative changes to reauthorize and modify the program to advance knowledge development, promote flexibility and simplify program administration.

Volunteer Income Tax Assistance (VITA). The VITA Program offers free tax preparation services to low- and moderate-income people. Certified volunteers receive training to prepare basic tax returns in communities across the country. The Administration requests \$12 million for the VITA Program for Fiscal Year 2013, a 50% increase over last year's request.

Bank On USA Initiative. Funded under Treasury's CDFI Fund, the Administration proposes a new \$20 million initiative to help increase access to affordable and high-quality financial services for unbanked and under-banked households by seeding local initiatives. Designed to work in partnership with Treasury's Office of Financial Education and Financial Access, the effort is partially modeled on the successful BankOn San Francisco program, which has been replicated by many cities across the country and recently at the state level in California. Last year's request was for \$41 million but did not receive Congressional support.

Table 2

Savings and Investment: Direct Spending (in millions of dollars)	Actual 2011	Estimated 2012	Requested 2013
Assets for Independence Act	24	20	20
Volunteer Income Tax Assistance (VITA)	12	12	12
Bank On USA Initiative	--	--	20
TOTAL	36	32	52

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013*, Appendix.
Note: figures reflect budget authority.

Retirement Security

Provide Automatic Enrollment in IRAs. The Administration has committed to dramatically expanding access to long-term savings plans through its proposal to create “AutoIRAs.” If enacted, the policy would require employers who do not currently offer a retirement plan to offer automatic enrollment in an IRA to all their employees, effective for taxable years beginning after December 31, 2013. This change would benefit the half of the workforce (over 70 million families) whose employers do not offer such savings plans. Small employers (with less than 10 employees) would be exempt. An employee would be automatically enrolled in an IRA at a default rate of 3 percent of the employee’s compensation unless the employee opts out. Employers that offer an automatic IRA would be eligible to receive a temporary business tax credit of \$25 per participating employee up to a total of \$250 per year for six years.

Contributions by employees to automatic payroll-deposit IRAs would qualify for the saver’s credit (to the extent the contributor and the contributions otherwise qualified). Under current law, small employers (those with no more than 100 employees) that adopt a new qualified retirement or SIMPLE plan are entitled to a temporary business tax credit equal to 50 percent of the employer’s expenses of establishing or administering the plan including expenses of retirement-related employee education with respect to the plan. The credit is limited to a maximum of \$500 per year for three years. In conjunction with the automatic IRA proposal, to encourage employers not currently sponsoring a qualified retirement plan or SIMPLE to do so, the Administration proposes to double this tax credit to a maximum of \$1,000 per year for three years, effective for taxable years beginning after December 31, 2013. {One year cost estimate: \$0; 10-year cost estimate: \$15.0 billion.}

Table 3

Retirement:		
Tax Spending Policy Proposals (in millions of dollars)	FY 2013	FY 2013-FY 2022
Auto IRA	0	15,000
TOTAL	0	15,000

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government Fiscal Year 2013*. “Analytical Perspectives.”

Homeownership

HOME Investment Partnerships Program. HOME provides flexible annual formula grant assistance to state and local governments to increase the supply of affordable housing and expand homeownership for low- to very-low income persons. Sixty percent of the formula grant funds are awarded to local governments and 40 percent to states. Grantees use funds (often in partnership with local non-profit organizations) to build, purchase, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to people. The Administration is requesting \$1.0 billion for the HOME Program.

Housing Counseling Assistance. The Housing Counseling Assistance program provides housing counseling services to eligible homeowners and tenants through grants to non-profit intermediaries, state governments, and other agencies to work with local and national organizations. Eligible counseling activities include pre- and post-purchase education, personal financial management, reverse mortgage product education, foreclosure prevention and mitigation, and rental counseling. The objective of the program is to expand homeownership opportunities, improve access to affordable housing, prevent foreclosure, increase financial literacy, and aid in bridging the minority homeownership gap. The budget requests \$55 million for the Housing Counseling Assistance Program at HUD.

Additionally, the budget requests \$86 million to support foreclosure prevention counseling by NeighborWorks America (Neighborhood Reinvestment Corporation), which was established by Congress in 1978 as a community/public/private partnership providing financial support, technical assistance, and training for affordable housing and community-based revitalization efforts nationwide. Since 2008, their National Foreclosure Mitigation Counseling program has assisted over a million households.

Family Self-Sufficiency—Voucher Program. The Family Self-Sufficiency (FSS) program is a potentially powerful asset-building vehicle that allows participating families in assisted housing to set aside, in an escrow account, money that would otherwise go to rent increases. Account holders receive their accrued FSS escrow funds plus interest upon successful fulfillment of their individualized self-sufficiency plan. A national HUD evaluation of FSS found that, compared to non-participants, FSS participants had larger increases in income and less dependency on public assistance. Funds that are appropriated under this program support the provision of program coordinators, who provide the essential case management that is required by program rules and links residents with employment assistance, training, child care services, and other supportive services.

This year the Administration is requesting \$60 million to fund the service coordinators and is proposing to consolidate the program for public housing and project-based housing families as well as housing voucher recipients. In addition, the budget proposes to allow housing authorities the flexibility to combine and use a portion of their funds from the Public Housing Operating and Capital Funds, and Tenant-Based Rental Assistance administrative fees towards additional service coordination that could complement the FSS program.

Federal Housing Administration. The Federal Housing Administration supports homeownership for many households, including low- and middle-income families, by providing mortgage insurance to encourage lenders to make loans available to borrowers for whom the conventional market would otherwise not serve. FHA is distinct from other policy efforts to support homeownership in that it generates revenue for the government in the fees it collects; its annual outlays vary depending on the performance of the loans and the larger housing market. In Fiscal Year 2013, the Administration projects that the FHA will insure \$149 billion in mortgage borrowing, supporting new home purchases and re-financed mortgages that significantly reduce borrower

payments. FHA's loss mitigation program can also minimize the risk of foreclosure.

Anti-Foreclosure Efforts. In 2009, the Administration began responding to the foreclosure crisis through a variety of strategies, including the creation of the Home Affordable Modification Program (HAMP). With access to funds appropriated in the Troubled Asset Relief Program (TARP), modifications would be offered to responsible homeowners at risk of losing their homes to foreclosure. The goal was to impact 3 to 4 million homeowners, but to date 1.75 million borrowers have been offered trial modifications under MHA, and nearly 910,000 homeowners have had their mortgage payments permanently reduced by over \$500 per month. Additionally, state Housing Finance Agencies in states hit hard by the housing crisis have been allocated a

total of \$7.6 billion with funds provided by the Emergency Economic Stabilization Act of 2008. These funds can be used to support mortgage payment assistance for unemployed borrowers and principal reduction for overleveraged loans.

Rural Housing Service. The Department of Agriculture has a number of programs in its Rural Housing Service that promote homeownership through the provision of loans and grants. Initially targeted at farmers, over time the USDA has expanded its reach to offer assistance to rural residents in general. The housing programs are generally referred to by the section number under which they are originally authorized in the Housing Act of 1949, such as 502 single family loans and 515 new construction loans and grants.

Table 4

Homeownership: Direct Spending (in millions of dollars)	Actual 2011	Estimated 2012	Requested 2013
HOME Investment Partnerships Program (HOME)	1,607	1,000	1,000
Housing Counseling Assistance	--	55	45
Family Self-Sufficiency - Consolidated Program	--	--	60
NeighborWorks - Foreclosure Mitigation Counseling	--	--	86
TOTAL	1,607	1,055	1,191

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013*. Appendix.

Note: figures reflect budget authority.

Post-Secondary Education

Provide American Opportunity Tax Credit. The American Opportunity Tax Credit was created by the ARRA for taxable years 2009 and 2010 to replace the Hope Scholarship Credit and extended through 2012 in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The AOTC is a partially refundable tax credit worth up to \$2,500 per student per year. The AOTC helps more than 9 million taxpayers afford the cost of college. The value of the AOTC is \$13.7 billion in FY2013 as foregone revenue and an additional \$7.8 billion in direct outlays. The Administration proposes to make the AOTC permanent and index the benefit levels and phase-out limits to inflation, effective for taxable years beginning in 2013. If this proposal was passed, over the next ten years, the value of the AOTC would be a combined \$199.7 billion, \$62.3 billion in outlays and \$137.4 billion in foregone revenue as a tax expenditure.

Pell Grants. The Administration proposes to increase the maximum Pell Grant award to \$5,635 and to protect the long-term financing of the program. The budget would fund a maximum Pell Grant of \$5,635 for the 2013-14 school year. That is an \$85 increase over the prior year and the first increase since 2010. The President's request includes a level request of \$22.8 billion in discretionary Pell Grant funding, an additional \$7.6 billion was allocated to the program by the Budget Control Act of 2011. The existing entitlement formula for Pell will provide an additional \$5.7 billion in FY 2013, for a total request of \$36.1 billion. The Administration also proposes a series of reforms that would be used to offset future growth in the program. These reforms include eliminating the interest subsidy for borrowers who remain-in school beyond 150% of their program length and two technical changes to guaranty agencies' compensation for rehabilitating defaulted loans.

GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) and TRIO. The request for 2013 would level fund these college preparation and student

support programs. TRIO provides funding for approximately 2,814 projects serving middle school, high school, and college students and adults. The Administration requests \$839.9 million for 2013. This amount mirrors the FY 2012 appropriation which was a significant reduction from the \$883.5 awarded in FY 2011. The primary driver of this reduction in funding was the expiration of a mandatory supplemental appropriation for the Upward Bound program. GEAR UP provides funds to States and partnerships for early college preparation and awareness activities to help low-income elementary and secondary school students prepare for and pursue postsecondary education. Several states have created partnerships between their state 529 College Savings Plans and GEAR UP to provide information and resources to low-income students. The Administration requests \$302.2 million, which maintains 2011 funding levels and would serve approximately 725,000 middle and high school students in fiscal year 2013.

Adult Basic and Literacy Education State Grants. These grants assist adults without a high school diploma or equivalent to become literate and obtain the knowledge and skills necessary for postsecondary education, employment and self-sufficiency. The request for 2013 would deliver the same appropriation as the 2012 level, \$595 million. Though the funding requests are level, they are significantly reduced from the President's FY 2012 request for \$635 million. In addition to requesting the funds, the proposal calls for a reauthorization of the program that would streamline service delivery, require rigorous content standards and aligned assessments, ensure that workforce and adult education providers engage with employers, strengthen accountability requirements, promote innovative programs, and increase support for adults in correctional settings. The request includes a \$15 million set-aside to support a Workforce Innovation Fund (WIF) that would make competitive grants that encourage innovation and identify and validate effective strategies for improving the delivery of services and outcomes for all beneficiaries under the programs authorized by the Workforce

Investment Act (WIA), as well as \$75 million for the English Literacy/Civics Education set-aside to help States and communities provide adults learning English with expanded access to high-quality English literacy programs linked to civics education.

College Access Challenge Grant (CACG) program. This program fosters partnerships among federal, state, and local governments and philanthropic organizations through matching challenge grants that are aimed at increasing the

number of low-income students who are prepared to enter and complete postsecondary education. Eligible activities include providing information to students and families regarding postsecondary education and career preparation, promoting financial literacy and debt management, and assisting students in completing the Free Application for Federal Student Financial Aid (FAFSA) among others. The Administration proposes \$150 million in mandatory funding for 2013.

Table 5

Post-Secondary Education: Direct Spending (in millions of dollars)	FY 2011	FY 2012	Requested 2013
Pell Grants	42,016	41,572	36,118
TRIO Program	884	840	840
GEAR UP Program	303	302	302
Adult Basic and Literacy Education Grants	596	595	595
College Access Challenge Grant Program	150	150	150
TOTAL	43,949	43,459	38,005

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, Appendix.*

Table 6

Post-Secondary Education: Tax Spending Policy Proposals (in millions of dollars)	FY 2013	FY 2013-FY 2022
American Opportunity Tax Credit	672	137,370
TOTAL	672	137,370

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, "Analytical Perspectives."* Table 15-3.

Entrepreneurship

CDFI Fund. The CDFI Fund, located in the Treasury Department, provides equity investment, grants, loans, and technical assistance to community banks, credit unions, and other loan providers in order to expand the availability of retail banking services and affordable credit in distressed communities. Since its creation in 1994, the CDFI Fund has awarded more than \$1.4 billion to CDFIs, community development organizations, and FDIC-insured depository institutions. The Administration requests \$221 million for the CDFI Fund for Fiscal Year 2013, much of which will go toward increasing access to credit. This includes \$20 million for the BankOn USA proposal designed to increase access to affordable and appropriate financial services for unbanked and under-banked households.

Microloan Program. The Microloan Program at the Small Business Administration (SBA) provides small loans to start-up, newly established, and growing small businesses. The Small Business Administration makes funds available to non-profit, community-based lenders who act as intermediaries and make loans to borrowers. The Administration's Fiscal Year 2013 funding request for the Microloan program is to support \$18 million in direct

Microloans. The credit subsidy to support this level of loans is \$4 million. Additionally, \$19.8 million is requested to support technical assistance under the 7(m) Microloan Program.

Small Business Lending. The primary lending programs supported by the SBA are the 7(a) and 504 guaranteed loan program. These programs provide access to credit for a wide range of firms. The budget proposes \$332 million in subsidy costs to support \$19.5 billion in 7(a) loan guarantees that can help small businesses operate and expand.

Additionally, the Treasury is implementing the Small Business Lending Fund, which was created as part of the Small Business Jobs Act of 2010. The fund is a dedicated investment fund that encourages lending to small businesses by providing capital to qualified community banks and community development loan funds (CDLFs) with assets of less than \$10 billion. In 2011, the Fund provided \$4.03 billion to 332 qualifying financial institutions. With administrative costs of \$26 million requested for FY 2013, the Fund is expected to generate much greater levels of economic activity.

Table 7

Entrepreneurship: Direct Spending (in millions of dollars)	Actual 2011	Estimated 2012	Requested 2013
CDFI Fund	232	223	221*
Microloan Program – Subsidy Level	5	4	3**
Mircoloan Program – Technical Assistance	--	20	20
Small Business Lending – 7(a) and 504 guaranteed loans	60	208	332***
Small Business Lending Program	334	26	26
TOTAL	631	481	602

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, Appendix.*

Note: figures reflect budget authority unless noted.

*The total requested funding amount is \$221 million including \$20 million for the Bank On USA Initiative.

** These allocated resources can support a loan volume level of up to \$18 million in 2013.

***These allocated resources can support a loan volume level of up to \$19.5 billion in 2013.

Tax Expenditure Programs as Vehicles for Asset Building

There are three primary ways that the federal government can allocate resources. It can spend money directly, establish laws to regulate specific activity, or grant special tax treatment associated with specific behavior. Tax expenditures take the form of deductions, credits, preferential rates, deferrals, or income exclusions. By amending the baseline tax system, these provisions function as spending programs administered through the tax code.

Collectively, tax expenditures subsidize a broad range of activities, including investments related to asset building objectives such as homeownership, savings for retirement and post-secondary education, and business development.

As calculated by the government, the aggregate value of these asset-building tax expenditures is approximately \$507 billion for Fiscal Year 2013 alone. Given their size and the demands on the public pursue, they deserve scrutiny.

There are several methodological challenges with estimating the value of tax expenditures. For example, eliminating a tax provision may change behavior, and it is difficult to estimate the impact of enacting multiple changes simultaneously. The government commonly measures tax expenditures in terms of the revenue losses attributed to provisions in the tax code, estimating the money that would otherwise come into the Treasury without changes to the tax law. Some provisions also trigger additional cash outlays that are delivered to specific individuals and tax entities. When tax policies lead to refunds that flow to individuals and families, we call these refundable tax credits, such as the Earned Income Tax Credit and the Child Tax Credit. Describing the ultimate magnitude of these provisions requires a consideration of their value as tax expenditures (revenue foregone) and outlays (money delivered).

While tax expenditure programs may subsidize worthy activities and generate sizeable social and economic returns, there are large unknowns about their effectiveness as a means of achieving specific policy goals. Since they work through the tax code, they may be a relatively effective means to achieve certain objectives, especially when those goals are related to income and are intended to be widely available. Although direct expenditure programs have been subject to increased performance assessment in recent years, tax expenditures have been largely ignored despite their large scale and impact on the federal budget.

Previously, the Obama administration presented a framework for evaluating the effectiveness of a wide range of tax expenditures. The framework distinguishes between the tax expenditure outputs (which include changes in the provision of goods and services, income and investment) and outcomes (which include changes in the economy, society, and environment). Evaluation of tax expenditures should include a focus of their impact on both outputs and outcomes as well as assess whether they can be more effectively achieved through policy alternatives. The Administration's framework identifies a series of obstacles that must be addressed in the course of evaluation, such as data availability, measurement issues, and analytical capacity.

In this year's budget, the administration affirmed its goal of assessing whether specific tax expenditures are "achieving intended policy results in an efficient manner, with minimal burden on individual taxpayers, consumers, and firm; and an examination of possible unintended effects and their consequences."² The Administration should plan to make progress on this goal by selecting specific tax expenditures to assess rigorously and use this analysis to inform future conversations about tax reform and its impact on the federal budget.

Perhaps more troubling is that they are not accessible to a large number of citizens who would potentially receive the

² Analytical Perspectives FY 2013, Chapter 17 Tax Expenditures, page 283.

greatest benefit from them. Many low-income households do not have large enough tax liabilities to take advantage of these tax expenditure programs.³

expenditures for Fiscal Year 2011 and Fiscal Year 2012 for comparison.

In FY 2013, the homeowner's interest deduction is estimated to be worth approximately \$100 billion and the Joint Committee on Taxation recently estimated that over 78 percent of these benefits will accrue to families with incomes above \$100,000 a year.⁴ This goes up to 89 percent for those with incomes over \$75,000. Similarly, for the tax expenditures linked to retirement savings, 80 percent of the benefits go to the top 20 percent of households.⁵ The Congressional Research Center confirms that over 77 percent of the almost \$20 billion IRA tax preference benefits families earning over \$75,000.⁶

All told, the federal government will allocate \$197.8 billion in Fiscal Year 2013 in support of homeownership, over \$165.4 billion to subsidize retirement savings, \$28.9 billion to subsidize post-secondary education, and over \$115.4 billion in support of private investment, such as the reduced tax rate on capital gains compared to income tax. The large majority of these benefits will flow to those with higher incomes and greater resources.

The accompanying table identifies the tax expenditures related to asset building included in the federal budget. Some are familiar and easy to understand, while others are obscure and more complicated. For the purpose of this paper, tax advantages that can be claimed by businesses are not included, even if they help subsidize employee training. The accompanying table details the projected tax expenditures for Fiscal Year 2013 and includes estimated

³ Cramer, Reid, Rourke O'Brien, Daniel Cooper, and Maria Luengo-Prado (2009). "A Penny Saved is Mobility Earned: Advancing Economic Mobility Through Savings." Washington, D.C.: Economic Mobility Project, The Pew Charitable Trusts.

⁴ Joint Committee on Taxation (2012). Estimates of Federal Tax Expenditures for Fiscal Years 2011-2015.

⁵ Toder, Eric, Benjamin Harris, and Katherine Lim (2009). "Distributional Effects of Tax Expenditures: Washington, D.C.: Tax Policy Center.

⁶ Congressional Research Service (2010). Tax Expenditures: Compendium of Background Material on Individual Provisions.

Table 8

Tax Spending Under Current Policy (in millions of dollars)	FY 2011	FY 2012	FY 2013
SAVINGS AND INVESTMENT			
Capital Gains	47,390	66,210	63,040
Step-Up Basis of Capital Gains at Death	3,940	19,940	23,860
Carryover Basis of Capital Gains on Gifts	1,930	1,860	2,070
Exclusion of Interest on Life Insurance Savings	22,060	23,570	25,150
Deferral of Interest on U.S. Savings Bonds	1,190	1,200	1,250
<i>Subtotal Savings and Investment</i>	76,510	112,780	115,370
RETIREMENT			
Net Exclusion of Pension Contributions: Employer Plans	36,390	44,490	52,330
Net Exclusion of Pension Contributions: 401(k) Plans	53,360	60,090	72,740
Net Exclusion of Pension Contributions: IRAs	12,840	15,410	19,650
Net Exclusion of Pension Contributions: Saver's Credit	1,070	1,040	1,130
Net Exclusion of Pension Contributions: Self-employed Plans	15,030	17,070	19,580
<i>Subtotal Retirement</i>	118,690	138,100	165,430
HOMEOWNERSHIP			
Deductibility of Mortgage Interest on Owner-Occupied Housing	72,240	86,910	100,910
Deductibility of Property Tax	23,210	16,150	22,320
Capital Gains Exclusion on Home Sales	15,060	16,040	23,440
Exclusion of Imputed Rent for Owner-Occupied Housing	49,950	50,640	51,080
<i>Subtotal Homeownership</i>	160,460	169,740	197,750
POST-SECONDARY EDUCATION			
HOPE Tax Credit	0	0	580
Lifetime Learning Credit	2,800	3,250	3,920
American Opportunity Tax Credit*	18,830	20,940	21,560
Education IRA	70	80	80
Deductibility of Student Loan Interest	1,400	850	900
Deductibility of Higher Education Expenses	690	470	0
Qualified Tuition Plans (529 College Savings Plans)	1,610	1,780	1,890
<i>Subtotal Education</i>	25,400	27,370	28,930
TOTAL	381,060	447,990	507,480

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, "Analytical Perspectives."* Table 17-1.

* This figure includes both expenditures and outlays: in millions for 2011, 13,060 in expenditures and 5,770 in outlays; for 2012, 14,290 in expenditures and 6,650 in outlays; for 2013, 13,710 in expenditures and 7,850 in outlays. The American Opportunity Tax Credit has a total value of \$21.2 billion in FY 2013, including an estimated outlay of \$7.5 billion in addition to its foregone revenue (tax expenditure) cost of \$13.7 billion.

Additional Proposals to Change the Tax Code

The Budget includes a series of proposals that change specific provisions of the tax code. One set focuses on upper-income households and another set effect the amount of resources which potentially flow to middle- and lower-income households. While not asset-building proposals per se, we are describing them here in order to provide a sense of how the Obama Administration is addressing some of the equity issues surrounding the distribution of resources. One-year and ten-year cost estimates are provided for each proposal.

Expand the Earned Income Tax Credit (EITC) for Large Families. In recent years the EITC was expanded to offer larger families with three or children additional benefits. This benefit is scheduled to expire at the end of 2012 and the Administration proposes to make this change permanent. {One year cost estimate: \$73 million; 10-year cost estimate: \$14,009 million.}

Expand Child and Dependent Care Tax Credit. Taxpayers with child or dependent care expenses who are working or looking for work are eligible for a nonrefundable tax credit to partially offset these expenses. To qualify for this benefit, the child and dependent care expenses must be for either a child under age 13 when the care was provided or a disabled dependent of any age with the same place of abode as the taxpayer. Eligible taxpayers may claim the credit for up to 35% of up to \$3,000 in expenses for one child and \$6,000 in expenses for two or more children. The value of the credit currently phases down (but not out) for incomes

between \$15,000 and \$43,000. The Administration proposes raising the beginning of the phasedown to \$75,000 and the end of the phasedown range to \$103,000. {One year cost estimate: \$310 million; 10-year cost estimate: \$10,217 million.}

Simplify the Rules for Claiming the EITC for Workers without Qualifying Children. Eligibility for the EITC is primarily based on the number of qualifying children in the worker's household, filing status, and the adjusted gross income. The EITC for workers without qualifying children is much smaller and phases out at a lower income level than does the EITC for workers with qualifying children. In current law, if a person eligible for the EITC resides with a qualifying child whom they does not claim they taxpayer is not eligible for any EITC. This situation arises when the child is claimed by another in the household, however, these rules are confusing and difficult to enforce. The proposal would allow otherwise eligible people residing with qualifying children whom they do not claim to claim the EITC for workers without qualifying children. {One year cost estimate: \$41 million; 10-year cost estimate: \$5,355 million.}

Impose a Financial Crisis Responsibility Fee. The Administration proposes to impose a fee on U.S.-based financial institutions with assets in excess of \$50 billion to offset the cost of responding to the financial crisis. The fee would raise approximately \$60 billion over ten years. {One year cost estimate: \$0; 10-year cost estimate: \$61,342 million.}

Table 9

Projected Effect on Receipts for Select Tax Policy Proposals (in millions of dollars)	FY 2013	FY 2013-FY 2022
Expand the Earned Income Tax Credit for Large Families	73	14,009
Expand Child and Dependent Care Tax Credit	310	10,217
Simplify the Rules for Claiming the EITC for Workers without Qualifying Children	41	5,355
Impose a Financial Responsibility Fee	0	61,342
TOTAL	424	90,923

Includes foregone tax receipts and outlays.

Source: Office of Management and Budget. *Budget of the U.S. Government, Fiscal Year 2013*, "Analytical Perspectives." Tables 15-3.

Upper-Income Tax Provision. Most of the tax reductions for middle-income taxpayers enacted in 2001 and 2003 were recently extended for two years and are now scheduled to expire on December 31, 2012. The Administration proposes a permanent extension of all of these expiring provisions for middle-income taxpayers. The Administration proposes a number of changes that would impact upper income households.

Reinstate the limitation on itemized deductions for upper-income taxpayers. Prior to 2001, the deductions for otherwise allowable itemized deductions was reduced by three percent of adjusted gross income in excess of certain thresholds, but not by more than 80 percent of the otherwise allowable amount. The Administration proposes to reinstate the limitations on itemized deductions for married taxpayers filing joint returns with income over \$250,000 (at 2009 levels) and for single taxpayers with income over \$200,000 (at 2009 levels), effective for taxable years beginning after December 31, 2012. {One year cost estimate: \$4,374; 10-year cost estimate: \$122,985 million.}

Reinstate the personal exemption phaseout for upper-income taxpayers. Prior to 2001, the deduction for personal exemptions was phased out for taxpayers with AGI in excess of certain thresholds. In 2001 this was repealed and the repeal was extended through 2012. The Administration proposes to reinstate the phaseout of personal exemptions for married taxpayers filing joint returns with income over \$250,000 (at 2009 levels) and for single taxpayers with income over \$200,000 (at 2009 levels), effective for taxable years beginning after December 31, 2012. {One year cost estimate: \$1,510; 10-year cost estimate: \$41,942 million.}

Reinstate the 36-percent and 39.6-percent rates for upper-income taxpayers. In 2001, the tax brackets

were changed so that the top two brackets of 36 percent and 39.6 percent were lowered to 33 percent and 35 percent. These rates have been extended throughout 2012. The Administration's adjusted baseline assumes that these tax rate changes are made permanent. The Administration proposes to replace part of the 33 percent tax rate bracket, and the entire 35 percent tax rate bracket, with the prior law tax rate brackets of 36 and 39.6 percent. These rate increases would apply to married taxpayers filing a joint return with income over \$250,000 (at 2009 levels) and to single taxpayers with income over \$200,000 (at 2009 levels). {One year cost estimate: \$23,101 million; 10-year cost estimate: \$441,554 million.}

Tax qualified dividends as ordinary income for upper-income taxpayers. In 2003, the maximum tax rate on qualified dividends received by an individual shareholder was temporarily reduced to 15 percent for taxpayers in individual income tax rate brackets above 15 percent and to 5 percent (zero beginning in 2008) for lower-income taxpayers. Under prior law, dividends were taxed as ordinary income at rates of 15 percent to 39.6 percent. These reduced rates are extended throughout 2012. The Administration proposes to tax qualified dividends at ordinary income tax rates for married taxpayers filing a joint return with income over \$250,000 (at 2009 levels) and for single taxpayers with income over \$200,000 (at 2009 levels). All other taxpayers would be taxed at the rates in effect in 2012. The proposal would be effective for dividends received after December 31, 2012. {One year cost estimate: \$21,537 million; 10-year cost estimate: \$206,415 million.}

Tax net long-term capital gains at a 20-percent rate for upper-income taxpayers. In 2003, the maximum tax rate on net capital gains received by an individual shareholder was temporarily reduced to 15 percent

for taxpayers in individual income tax rate brackets above 15 percent and to 5 percent (zero beginning in 2008) for lower-income taxpayers. Previously, it was 20 percent. The reduced rates have been extended throughout 2012. The Administration proposes to tax net capital gains at a 20-percent rate for married taxpayers filing a joint return with income over \$250,000 (at 2009 levels) and for single taxpayers with income over \$200,000 (at 2009 levels). All other taxpayers would be taxed at the rates in effect in 2012. The proposal would be effective for capital gains realized after December 31, 2012. {One year cost estimate: \$5,811 million; 10-year cost estimate: \$35,966 million.}

Reduce the value of certain tax expenditures. The Administration proposes to limit the tax rate at which high-income taxpayers can take itemized deductions to a maximum of 28 percent, affecting only married taxpayers filing a joint return with income over \$250,000 (at 2009 levels) and single taxpayers with income over \$200,000. The

proposed limitation would be effective for taxable years beginning after December 31, 2012. The limit would apply to all itemized deductions, tax-exempt interest, and deduction for employee retirement contributions. {One year cost estimate: 27,096 million; 10-year cost estimate: \$584,197 million.}

Extend estate, gift, and generation-skipping transfer taxes at 2009 parameters. The Administration's adjusted baseline reflects permanent extension of estate, gift, and generation-skipping transfer taxes at parameters in effect for calendar year 2009, effective for decedents dying after December 31, 2012. Under those parameters, the estates and generation-skipping transfers of a decedent dying after December 31, 2012, are taxed at a maximum tax rate of 45 percent and provided a life-time exclusion of \$3.5 million. Gifts made after December 31, 2012, are taxed at a maximum rate of 45 percent and provided a life-time exclusion of \$1 million. {One year cost estimate: \$150 million; 10-year cost estimate: \$118,797 million.}

Table 10

Projected Effect on Receipts for Upper-Income Asset Building Policy Proposals (in millions of dollars)	FY 2013	FY 2013-FY 2022
Reinstate the Limitation on Itemized Deductions for Upper-Income Taxpayers	4,374	122,985
Reinstate the Personal Exemption Phaseout for Upper-Income Taxpayers	1,510	41,942
Reinstate the 36-percent and 39.6-percent Rates for Upper-Income Taxpayers	23,101	441,554
Tax Qualified Dividends as Ordinary Income for Upper-Income Taxpayers	21,537	206,415
Tax Net Long-Term Capital Gains at a 20-percent Rate for Upper-Income Taxpayers	5,811	35,966
Reduced Value of Certain Tax Expenditures	27,096	584,197
Extend Estate, Gift, and Generation-Skipping Transfer Taxes at 2009 Parameters	150	118,797
TOTAL	83,579	1,551,856

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013*, "Analytical Perspectives." Table 15-3.

Potential Asset Building Resources Delivered through Tax Refunds

While not explicitly an asset building program, the tax filing process is an opportunity for many families that receive sizeable refunds to begin saving. Through payroll withholding and refundable tax credits, the average refund for all tax filers was \$2,902 in tax year 2008. Even for those families claiming the Earned Income Tax Credit, refunds exceeded \$2,000. For many households, their tax refund may be the largest lump sum of cash they receive all year; this is especially true for families with lower incomes.

In the 2011 tax filing season, around 26 million households filed to claim the EITC, a credit that boosts the value of work for low-wage earners by offering an additional subsidy for every dollar in earned income. In 2010, the average value of the EITC was \$2,216 per household but with a potential maximum of \$5,666. Households with children could also be eligible to receive an additional \$1,000 per child through the Child Tax Credit. As part of the American Recovery and Reinvestment Act passed in 2009, both the EITC and Child Tax Credit were made more generous for families claiming those benefits. A parent working full-time at the minimum wage with two children, for example, would see a boost of around \$1,500 in her tax refund. Although the expansions in these programs were temporary, they have been extended through 2012.

In FY 2013, it is estimated that the EITC will generate \$52.5 billion in tax refunds while the Child Tax Credit will provide \$22.4 billion. Including the foregone revenue associated with the tax expenditure portion of these policies, the EITC and CTC allocate over \$96.4 billion dollars to qualifying families.

When delivered as tax refunds, these resources can potentially be saved and used for personal investment and asset development. In fact, 2005 and 2006 data from Michigan shows more than 50 percent of low- and moderate-income individuals who received a refund saved all (9 percent) or part (42 percent) of their refund. Among

all individuals in the study, 14 percent used their refunds to pay for their own or their children's education. The accompanying Table provides an indication of the scale of these resources; the column on outlays refers to the money refunded to taxpayers, and the column on foregone tax revenue reflects money that results from lowering individuals' tax liabilities.

As part of the 2009 ARRA, the Making Work Pay Tax Credit offered a new refundable tax credit of up to \$400 for working individuals and up to \$800 for married taxpayers filing jointly. It was offered until 2010. To replace the expiring Making Work Pay Tax Credit, Congress and the White House negotiated a one-year payroll tax holiday, which was eventually extended into 2012. Previously, both employees and employers contributed 6.2 percent, but the policy reduced the employee contribution to 4.2 percent for workers, while the employer contribution remains the same. The Social Security Trust Fund will be credited with full contributions so long-term financing issues won't be altered, but it does lower the taxes collected from almost every single paycheck.

Unlike, the MWPTC which was a flat credit, the payroll tax holiday is based on a percentage of income. This means the holiday is still quite valuable for a higher earner (A married couple making \$30,000 a year and filing jointly would save \$600 under the new scheme, while a household with income of \$100,000 saves \$2,000 off their taxes. This provision does not impact the amount of tax refunds associated with tax credits but it does increase tax-home pay, and, therefore, the amount of resources that could potentially be dedicated to asset-building purposes.

Additionally, the American Opportunity Tax Credit is a partially refundable, meaning some of its benefits will be delivered as direct outlays. In FY 2013, in addition to the \$13.7 billion value of the AOTC as foregone revenue, it is estimated that an additional \$7.8 billion will flow back to eligible students as tax refunds.

Table 11

Funding Levels for the Earned Income and Child Tax Credits FY 2013 (in millions of dollars)	Outlays	Foregone Revenue	Total
Child Tax Credit	22,390	18,390	40,780
Earned Income Tax Credit	52,500	3,155	55,655
TOTAL	74,890	21,545	96,435

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013* "Analytical Perspectives." Table 17-1.

Consolidated Tables

Table A.1

Resources to Support Asset Building Activities: DIRECT SPENDING (in millions of dollars)	FY 2013
SAVINGS AND INVESTMENT	
Assets for Independence Act	20
Volunteer Income Tax Assistance (VITA)	12
Bank On USA Initiative	20
<i>Subtotal Savings and Investment</i>	52
HOMEOWNERSHIP	
HOME Investment Partnerships Program (HOME)	1,000
Housing Counseling Assistance	45
Family Self-Sufficiency Program – Consolidated Program	60
NeighborWorks – Foreclosure Mitigation Counseling	86
<i>Subtotal Homeownership</i>	1,191
POST-SECONDARY EDUCATION	
Pell Grants	36,118
TRIO Program	840
GEAR UP Program	302
Adult Basic and Literacy Education State Grants	595
College Access Challenge Grant Program	150
<i>Subtotal Education</i>	38,005
ENTREPRENEURSHIP	
CDFI Fund	221*
Microloan Program – Subsidy Level	3**
Microloan Program – Technical Assistance	20
Small Business Lending – 7(a) and 504 guaranteed loans	332***
Small Business Lending Program	26
<i>Subtotal Entrepreneurship</i>	602
TOTAL	

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, Appendix.*

Note: figures reflect budget authority unless noted.

*The total requested funding amount is \$221 million including \$20 million for the Bank On USA Initiative.

** These allocated resources can support a loan volume level of up to \$18 million in 2013.

***These allocated resources can support a loan volume level of up to \$19.5 billion in 2013.

Table A.2

Resources to Support Asset Building Activities:	
TAX SPENDING POLICY PROPOSALS (in millions of dollars)	FY 2013
RETIREMENT	
Auto IRA	0
<i>Subtotal Retirement</i>	0
POST-SECONDARY EDUCATION	
American Opportunity Tax Credit	672
<i>Subtotal Education</i>	672
TOTAL	672

Source: Office of Management and Budget, Executive Office of the President. Budget of the U.S. Government, Fiscal Year 2013 "Analytical Perspectives."

Note: Proposals would not have budgetary impact until the following fiscal year.

Table A.3

Tax Spending Under Current Policy (in millions of dollars)	FY 2011	FY 2012	FY 2013
SAVINGS AND INVESTMENT			
Capital Gains	47,390	66,210	63,040
Step-Up Basis of Capital Gains at Death	3,940	19,940	23,860
Carryover Basis of Capital Gains on Gifts	1,930	1,860	2,070
Exclusion of Interest on Life Insurance Savings	22,060	23,570	25,150
Deferral of Interest on U.S. Savings Bonds	1,190	1,200	1,250
<i>Subtotal Savings and Investment</i>	76,510	112,780	115,370
RETIREMENT			
Net Exclusion of Pension Contributions: Employer Plans	36,390	44,490	52,330
Net Exclusion of Pension Contributions: 401(k) Plans	53,360	60,090	72,740
Net Exclusion of Pension Contributions: IRAs	12,840	15,410	19,650
Net Exclusion of Pension Contributions: Saver's Credit	1,070	1,040	1,130
Net Exclusion of Pension Contributions: Self-employed Plans	15,030	17,070	19,580
<i>Subtotal Retirement</i>	118,690	138,100	165,430
HOMEOWNERSHIP			
Deductibility of Mortgage Interest on Owner-Occupied Housing	72,240	86,910	100,910
Deductibility of Property Tax	23,210	16,150	22,320
Capital Gains Exclusion on Home Sales	15,060	16,040	23,440
Exclusion of Imputed Rent for Owner-Occupied Housing	49,950	50,640	51,080
<i>Subtotal Homeownership</i>	160,460	169,740	197,750
POST-SECONDARY EDUCATION			
HOPE Tax Credit	0	0	580
Lifetime Learning Credit	2,800	3,250	3,920
American Opportunity Tax Credit*	18,830	20,940	21,560
Education IRA	70	80	80
Deductibility of Student Loan Interest	1,400	850	900
Deductibility of Higher Education Expenses	690	470	0
Qualified Tuition Plans (529 College Savings Plans)	1,610	1,780	1,890
<i>Subtotal Education</i>	25,400	27,370	28,930
TOTAL	381,060	447,990	507,480

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, "Analytical Perspectives."* Table 17-1.

* This figure includes both expenditures and outlays: in millions for 2011, 13,060 in expenditures and 5,770 in outlays; for 2012, 14,290 in expenditures and 6,650 in outlays; for 2013, 13,710 in expenditures and 7,850 in outlays. The American Opportunity Tax Credit has a total value of \$21.2 billion in FY 2013, including an estimated outlay of \$7.5 billion in addition to its foregone revenue (tax expenditure) cost of \$13.7 billion.

Table B.1

Resources to Support Asset Building Activities (in millions of dollars)		FY 2013
SAVINGS AND INVESTMENT		
DIRECT SPENDING		
Assets for Independence Act		20
Volunteer Income Tax Assistance (VITA)		12
Bank On USA Initiative		20
<i>Subtotal Savings and Investment</i>		52
TAX SPENDING UNDER CURRENT POLICY		
Capital Gains		63,040
Step-Up Basis of Capital Gains at Death		23,860
Carryover Basis of Capital Gains on Gifts		2,070
Exclusion of Interest on Life Insurance Savings		25,150
Deferral of Interest on U.S. Savings Bonds		1,250
<i>Subtotal Savings and Investment</i>		115,370
TOTAL		115,422

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013*. Appendix.

Table B.2

Resources to Support Asset Building Activities (in millions of dollars)		FY 2013
RETIREMENT		
TAX SPENDING POLICY PROPOSALS		
Auto IRA		0
<i>Subtotal Savings and Investment</i>		0
TAX SPENDING UNDER CURRENT POLICY		
Net Exclusion of Pension Contributions: Employer Plans		52,330
Net Exclusion of Pension Contributions: 401(k) Plans		72,740
Net Exclusion of Pension Contributions: IRAs		19,650
Net Exclusion of Pension Contributions: Saver's Credit		1,130
Net Exclusion of Pension Contributions: Self-employed Plans		19,580
<i>Subtotal Retirement</i>		165,430
TOTAL		165,430

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013*, "Analytical Perspectives."

Table B.3

Resources to Support Asset Building Activities (in millions of dollars)	
HOMEOWNERSHIP	FY 2013
DIRECT SPENDING	
HOME Investment Partnerships Program (HOME)	1,000
Housing Counseling Assistance	45
Family Self-Sufficiency - Consolidated Program	60
NeighborWorks - Foreclosure Mitigation Counseling	86
<i>Subtotal Savings and Investment</i>	1,191
TAX SPENDING UNDER CURRENT POLICY	
Deductibility of Mortgage Interest on Owner-Occupied Housing	100,910
Deductibility of Property Tax	22,320
Capital Gains Exclusion on Home Sales	23,440
Exclusion of Imputed Rent for Owner-Occupied Housing	51,080
<i>Subtotal Homeownership</i>	197,750
TOTAL	198,941

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013*. Appendix.

Table B.4

Resources to Support Asset Building Activities (in millions of dollars)		FY 2013
POST-SECONDARY EDUCATION		
DIRECT SPENDING		
Pell Grants		36,118
TRIO Program		840
GEAR UP Program		302
Adult Basic and Literacy Education State Grants		595
College Access Challenge Grant Program		150
<i>Subtotal Direct Spending</i>		38,005
TAX SPENDING POLICY PROPOSALS		
American Opportunity Tax Credit		672
<i>Subtotal Tax Spending Policy Proposals</i>		672
TAX SPENDING UNDER CURRENT POLICY		
HOPE Scholarship (American Opportunity) Credit		580
Lifetime Learning Credit		3,920
American Opportunity Tax Credit*		21,560
Education IRA		80
Deductibility of Student Loan Interest		900
Deductibility of Higher Education Expenses		0
Qualified Tuition Plans (529 College Savings Plans)		1,890
<i>Subtotal Tax Spending Under Current Policy</i>		28,930
TOTAL		67,607

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, "Analytical Perspectives" and Appendix.*

* This figure includes both expenditures and outlays: in millions for 2011, 13,060 in expenditures and 5,770 in outlays; for 2012, 14,290 in expenditures and 6,650 in outlays; for 2013, 13,710 in expenditures and 7,850 in outlays. The American Opportunity Tax Credit has a total value of \$21.2 billion in FY 2013, including an estimated outlay of \$7.5 billion in addition to its foregone revenue (tax expenditure) cost of \$13.7 billion.

Table B.5

Resources to Support Asset Building Activities (in millions of dollars)		FY 2013
ENTREPRENEURSHIP		
DIRECT SPENDING		
CDFI Fund		221*
Microloan Program – Subsidy Level		3**
Microloan Program – Technical Assistance		20
Small Business Lending – 7(a) and 504 guaranteed loans		332***
Small Business Lending Program		26
TOTAL		602

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013, Appendix.*

*The total requested funding amount is \$221 million including \$20 million for the Bank On USA Initiative.

** These allocated resources can support a loan volume level of up to \$18 million in 2013.

***These allocated resources can support a loan volume level of up to \$19.5 billion in 2013.

Table C.1

TOTAL RESOURCES TO SUPPORT ASSET BUILDING ACTIVITIES in FY2013 (in millions of dollars)	Direct Spending	Tax Spending Under Current Policy	Tax Spending Policy Proposals	TOTAL
Savings and Investment	52	115,370	0	115,422
Retirement	0	165,430	0	165,430
Homeownership	1,191	197,750	0	198,941
Post-Secondary Education	38,005	28,930	672	67,607
Entrepreneurship	602	0	0	602
TOTAL	39,850	507,480	672	548,002

Source: Office of Management and Budget, Executive Office of the President. *Budget of the U.S. Government, Fiscal Year 2013. "Analytical Perspectives."*



© 2012 New America Foundation

This report carries a Creative Commons license, which permits re-use of New America content when proper attribution is provided. This means you are free to copy, display and distribute New America’s work, or include our content in derivative works, under the following conditions:

Attribution. You must clearly attribute the work to the New America Foundation, and provide a link back to www.Newamerica.net.

Noncommercial. You may not use this work for commercial purposes without explicit prior permission from New America.

Share Alike. If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.

For the full legal code of this Creative Commons license, please visit www.creativecommons.org. If you have any questions about citing or reusing New America content, please contact us.

		 NEW AMERICA FOUNDATION WWW.NEWAMERICA.NET
MAIN OFFICE 1899 L Street, NW Suite 400 Washington, DC 20036 Phone 202 986 2700 Fax 202 986 3696	CALIFORNIA OFFICE 921 11 th Street Suite 901 Sacramento, CA 95814 Phone 916 448 5189	