

Tax Subsidies/Exclusions for Corporations vs. Individuals

Craig J. Cantoni

According to the Cantoni Rule, 90% of what you hear and read is false. It's either an outright lie, propaganda, misinformation, disinformation, distortion, marketing hype, or partisan half-truths.

You've probably heard the popular and populist line that corporations get most of the tax breaks. Actually, they get 13% of them, or \$148 billion worth, and individuals get 87%, or \$1.036 trillion. (See the pie chart below, where, in government parlance, the breaks are called expenditures.)

Two of the largest breaks for individuals are also two of the top market distortions—distortions that are so massive that they have essentially killed a free market for the respective goods and services.

The first is the exclusion from income and FICA taxes for the part of pay that is given to employees in the form of medical insurance. First allowed more than 70 years ago, this has resulted in the tying of medical insurance to employment and the demise of a true private insurance market, which in turn has resulted in the Affordable Care Act ("ObamaCare") and other forms of socialized medical care.

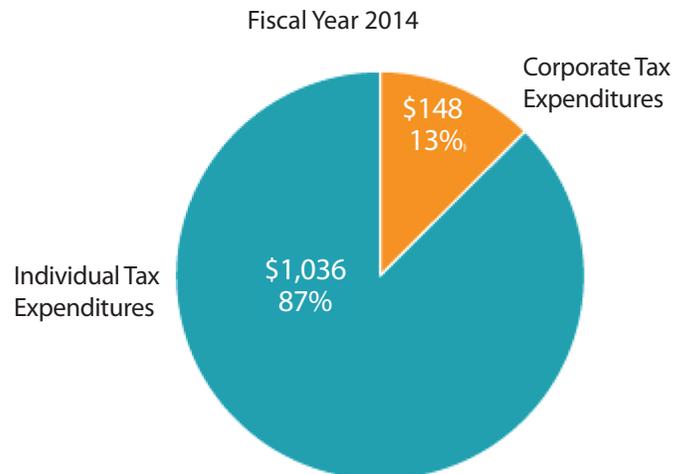
The second is the tax deduction for mortgage interest, a deduction that benefits those with expensive homes more than those with inexpensive homes. It encourages the building of larger homes, which is at odds with government policies and public sentiment regarding energy conservation, sustainability, fossil fuels, global warming, and various environmental nostrums and notions. It results in the gross hypocrisy and smug self-righteousness of drivers of Priuses, Leafs, and Teslas pulling into the seven-car garage of their 10,000-sq ft homes,

which are heated and cooled with multiple furnaces and air-conditioners, and which contain refrigerators, stoves, and TVs the size of Smartcars. It also results in capital going into homes instead of productive assets.

We cannot solve problems related to the economic distortions of the tax code by demonizing the recipients of only 13% of the "expenditures."

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Chart 1. Tax Expenditures in Billions of Dollars



Source: Office of Management and Budget

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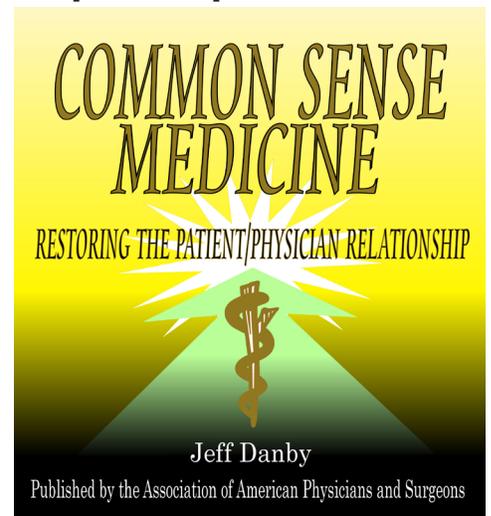
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