

***House Ways and Means Committee, Subcommittee on Select Revenue Measures, “Temporary Policy in the Internal Revenue Code”***

***March 12, 2019***

Executive Summary

Republicans and Democrats continue to view the impacts of the Tax Cuts and Jobs Act (TCJA) from different lenses. Democrats on the committee stated that the TCJA provide little-to-no breaks or incentives for working class Americans, rather giving tax breaks to corporations. Democrats also stressed the notion that short-term and temporary tax policy provides high amounts of uncertainty for families and businesses alike, making the tax code more complicated than it already is. The witnesses largely agreed that uncertainty is a major issue for constructing meaningful tax policies, with several Republicans echoing this sentiment as well. Republicans on the committee largely continue to tout the TCJA as a success and the basis to add provisions/corrections to the tax code moving forward. Whether a tax extenders package will move forward that addresses the 29 federal tax breaks that expired in 2017 and 2018 remains to be seen.

Member Statements

**Subcommittee Chairman Mike Thompson (D-CA)**

Temporary policies exist throughout the Internal Revenue Code and its impacts are felt by individuals, small businesses, and large corporations alike. According to the Joint Committee on Taxation, there are 80 provisions in the code that are set to expire between now and 2027. Today, we’ll examine what some of those temporary tax policies are and why they may have been enacted under a temporary basis. These are questions we need to ask as we determine what to do about these 80 policies that JCT identified and as we consider the legislation that will come before the committee during this Congress. Temporary policy can be used to address a onetime need and has enacted temporary tax policy on an ad-hoc basis to offer individuals and businesses a helping hand when disaster strikes. Temporary tax policy can also be enacted to ensure fiscal responsibility and many policies are routinely extended and often are expected to be extended, including many recently expired provisions aimed at energy and conservation. In fact, there are approximately 29 provisions that expire in either 2017 or 2018, including a number that deal with energy efficient and clean energy. Finally, temporary tax policy can be used to hide the true intentions of new tax policy changes as was the case with the Republican tax bill. Instead of engaging in regular order, the Republicans who ran this committee in the last House chose to use a budget process called reconciliation, without a single Democratic vote. When it came time to decide who they wanted to help with the tax cuts, they decided to do so for corporations rather than the American people. Economists tell us that the greater the uncertainty, the greater cost and this leads to lower consumer confidence moving forward.

**Subcommittee Ranking Member Adrian Smith (R-NE)**

The Tax Cuts and Jobs Act was transformative legislation that provided relief to middle class families, fixed our broken tax code and made us competitive. The real impact on working-class families, along with the actions of this administration, has been real economic growth in an historic job market that’s seen increasing wages, decreasing unemployment and better opportunities for all Americans. I strongly disagree with those calling for stronger redistribution. There is broad agreement that we should work to continue to modernize our tax code and temporary tax policy is not optimal for families, individuals and businesses for facing uncertainty. In terms of tax extenders and, we should credit stakeholders interested in the short line rail credit and biodiesel tax credit for stepping forward and bringing us constructive ideas to bring long-term certainty to those provisions. These short-line rail and biodiesel proposals followed on a previous round of extenders where we attempted to make several provisions permanent and provide long-term solutions to the wind and tax solar credit. As we move forward, I believe we can work in a bipartisan fashion to move these extenders forward and work across the aisle to provide certainty in the short term and long term.

Witness Statements

**Mark Mazur, Ph.D., Robert C. Pozen Director, Urban-Brookings Tax Policy Center**

The history of temporary tax policy in the United States is long, going back at least to the 1960s. Just one example can help illustrate this history. In 1962, an investment tax credit was enacted to help spur business investment. The credit rate was 7 percent, and the credit could be claimed on new tangible personal property; generally, this covered machinery and equipment and was intended to exclude buildings. A limited amount of used property ($100,000) also was eligible. The amount of credit claimed was subtracted from the asset basis subject to depreciation, but this provision was dropped in the Revenue Act of 1964. At that point, the credit provided a flat 7 percent tax subsidy for investment in qualified property. But then Congress and the Johnson administration became concerned about inflation and an overheated economy, so the credit was suspended from October 1966 to March 1967, then reinstated. The investment credit was repealed in the Tax Reform Act of 1969 but reinstated in the Revenue Act of 1971. Then the credit rate was temporarily increased to 10 percent in the Tax Reduction Act of 1975 to further stimulate business investment. And in the Tax Reform Act of 1976, Congress extended the 10 percent investment tax credit through 1980. So, Congress saw fit to modify this one provision several times in a decade and a half. And taxpayers had to adjust to these modifications. During the 1970s, Congress adjusted the standard deduction, personal exemption, and tax brackets to deal with the inflation that had eroded the real value of these tax parameters. That meant Congress temporarily modified provisions that affected large numbers of individual taxpayers. During the 1980s, several explicitly temporary provisions were introduced into the tax code. These included the Research and Experimentation Tax Credit, the Low-Income Housing Tax Credit, the Targeted Jobs Tax Credit (which became the Work Opportunity Tax Credit), and tax exclusions for employer-provided education assistance and group legal services. The list expanded over time to include mortgage revenue bonds, a deduction for health insurance purchased by self-employed people, the orphan drug credit, tax incentives for ethanol production and for production of nonconventional fuels, and various others.

During the 1980s and 1990s, the list of provisions expiring in any one year grew to 30 items or more. Congress generally extended these provisions, though it allowed some to lapse. And with concerns about the federal budget deficit paramount, Congress began offsetting the revenue cost associated with these extensions. Under the pay-as-you-go budget rules, Members or Committees interested in extending various temporary tax provisions were required to identify offsets to cover the projected forgone revenue caused by the extensions. This set up a healthy tension over the social desirability of these provisions. The political and economic costs of raising taxes on some parties had to be weighed against the political and economic benefits of extending favorable tax treatment to other parties. In the 2000s, this healthy tension dissipated along with serious concern about budget deficits. Congress enacted two large tax cuts that were scheduled to expire in 2010. And Congress routinely extended the numerous expiring provisions, generally without revenue offsets. The tendency during this period was to enact and extend more and ever-larger temporary tax provisions. The Protecting Americans from Tax Hikes (PATH) Act of 2015 did make some temporary tax provisions permanent, though without offsetting revenue increases. However, it also temporarily extended some other provisions. The Tax Cuts and Jobs Act, enacted in 2017, continued this trend. Many provisions have scheduled expiration dates: the lower adjusted gross income (AGI) threshold for deductible medical expenses (7.5 percent of AGI instead of 10 percent) expired at the end of 2018, the lower excise taxes on alcoholic beverages expire at the end of 2019, the new tax credit for employers providing paid family and medical leave also expires at the end of 2019, and most new individual income tax provisions and the increased exemption amounts for estate and gift taxes expire at the end of 2025. Other provisions spring up, such as the amortization of research expenditures, which starts in 2022. And some tax rates changes; for instance, the rates for the Global Intangible Low-Taxed Income (GILTI) and the Base Erosion and Anti-Abuse Tax (BEAT) are both scheduled to increase in 2026. So, many new temporary tax provisions were added by the Tax Cuts and Jobs Act. Another, parallel trend also occurred over recent decades as Congress became more tolerant of failing to extend various temporary tax provisions before the tax year began. Congress even began to accept regular retroactive extensions of some provisions. These delays reduce the effectiveness of the tax incentives contained in the provisions, especially those that affect investment behavior. A simple illustration may help explain how this works. For a tax incentive to be effective, taxpayers need to incorporate it into their planning for investment or other economic activity. Otherwise, the incentive effect becomes blunted. If the extension is retroactive, the tax incentive becomes, in effect, a financial reward for doing what the taxpayer would have done even in the absence of the incentive. This is essentially the definition of an ineffective subsidy. Now, reality is a bit more complex than that simple illustration because taxpayers operate in a world of uncertainty and so presumably would assign a probability to their ability to claim the tax incentive. But the point is clear: a tax incentive that can be claimed with certainty will have a larger effect on economic behavior than one that only might be available to subsidize the behavior. I focus on two aspects of desirable tax policy: ensuring adequate revenue to fund the federal government and providing certainty to taxpayers. Recent experience with temporary tax policy indicates that Congress is falling short on both dimensions. That is not to say that all temporary tax provisions constitute undesirable tax policy.

There are certainly pros and cons to enacting tax provisions on a temporary basis. Some arguments in favor of temporarily enacting tax provisions are the following: A temporary tax provision can help Congress understand if the provision would be a desirable permanent change to the tax code. For example, whether and how much a tax incentive will increase the level of a targeted activity is usually not precisely known in advance. Key to generating this improved level of understanding is a rigorous evaluation of the tax incentive, ideally performed by an objective evaluation team. A temporary tax provision can more easily accommodate fine-tuning or tinkering with the details of the provision. The short-term nature provides natural time points where desirable improvements can be made to the statute. A temporary tax provision can allow Congress to see whether the constituency for continuation is broad or narrow. Broader support may indicate more widely perceived social benefit. There are arguments in the other direction, as well. Some arguments in opposition to temporary tax provisions include the following: Temporary tax provisions add uncertainty to the tax code. Taxpayers making important decisions should be able to predict the tax consequences of their actions. This is especially important for investment projects that have long lead times, where the statutory life of a temporary provision may not be long enough to guarantee that a taxpayer will be able to reap the favorable tax consequences (for example, by placing property in service before the scheduled expiration date). Routine extensions of temporary tax provisions without a rigorous evaluation of their effectiveness means that these temporary tax provisions may not be effectively promoting the stated desired outcomes. Temporary tax provisions with short effective periods put pressure on Congress to legislate regularly (at times annually), and continual demands for legislation is often incompatible with thorough debate over the efficacy of the provisions. Short-term extensions of temporary tax provisions create a culture of dependency among specific groups of taxpayers who mobilize regularly to seek legislation that pushes out the expiration date a little further into the future. When temporary tax provisions can lapse, taxpayers are put into an awkward and, at times, untenable position. For instance, taxpayers filing returns this spring must deal with provisions that lapsed for all of 2018, even if these taxpayers have hopes for a retroactive extension. Such taxpayers need to choose between filing a tax return by the due date or requesting an extension to see if the uncertainly in their 2018 tax situation gets resolved. Based on the history of temporary tax policy and the recent trends, it appears that Congress is not adhering to all the principles of good tax policy. But Congress can take steps that would be clear moves in the right direction.

Three suggestions in this regard are as follows: (1) Enact fewer temporary provisions. And Congress should make legislated provisions temporary as a conscious choice, clearly understanding how and when the decision will be made to make the provision permanent or allow it to expire. (2) Pair each temporary tax provision with a serious evaluation of its effectiveness. Congress can ask the analysts at the Government Accountability Office to undertake this work. Or Congress can appropriate funds to support evaluations by entities such as the National Academies of Sciences. (3) Do not extend temporary tax provisions retroactively. If a provision is important enough to be in the tax code, it should be important enough to have in law so it can be relied upon by taxpayers making investment, spending, and other decisions during the tax year. Providing certainty in this manner will increase the effectiveness of the tax provisions. These three steps would nudge the tax code in a positive direction, where the tax system can provide appropriate market signals to taxpayers to encourage desirable economic activity.

**Pam Olson, U.S. Deputy Tax Leader and Washington National Tax Services Leader, PricewaterhouseCoopers**

Temporary provisions can afford Congress a built-in mechanism to evaluate the efficacy of the provisions before extending or making them permanent. There are many examples of such temporary tax provisions enacted by Congress over the years. It is oftentimes the case that provisions enacted on a temporary basis are subsequently extended, in some cases repeatedly, which can lead to taxpayer expectations that the provisions will be extended again. If temporary provisions are enacted to incentivize behavior, the provisions are more likely to have the intended effect if enacted with prospective, as opposed to retroactive, effect, though expectations of extension of expired provisions may compensate. In discussing temporary tax provisions, it should be acknowledged that all tax law is temporary in the sense that each provision is subject to subsequent revision or repeal by Congress, regardless of whether it has a specified expiration date. The broader implications of temporary tax provisions and federal tax policy in general are especially important to keep in mind considering our country’s overall fiscal condition, which gives rise to questions regarding the sustainability of current revenue and spending policies. It has been noted that the House Ways and Means Committee has jurisdiction over 100 percent of federal tax revenues and over 50 percent of federal spending flowing from its responsibility for critical federal programs such as Social Security and Medicare. The Committee has begun this year to explore ways to promote retirement income security, an issue which encompasses both Social Security and incentives for workplace savings. The Committee also held a hearing last week on infrastructure. Infrastructure investment plays an especially important role in the overall productivity of the US economy. Whatever decisions are made, it is critical to ensure that federal tax policies and federal spending policies are mutually sustainable. A key test for any tax provision, temporary or permanent, is whether it promotes economic growth, jobs, and rising wages, efficiently and effectively serves the interests of American individuals and families and leads to more broadly-shared prosperity.

To be sustainable, tax and spending policies should (1) make the United States an environment that attracts and retains business investment leading to an economy that grows and creates jobs and (2) be fair in the eyes of the public. I want to add that, on the business side, there is perhaps more uncertainty today than in recent years because of governmental activities outside of the United States affecting the taxation of US companies’ global revenues or profits. Several foreign governments have enacted unilateral tax provisions that appear aimed at US-based companies. While the OECD has undertaken a project aimed at staving off such unilateral actions, the project itself involves a broad look at jurisdiction to tax. The direction and outcome of the OECD project are hard to predict, which adds further uncertainty. Other considerations the experience with temporary tax provisions aimed at encouraging investments in experimental technology for renewable or clean forms of energy has provided a few observations the Subcommittee may wish to consider. First is that if Congress determines to support an investment through a temporary provision, it is important to ensure that the provision remains in effect for a sufficient period to allow completion of the project. For example, experimental technology often takes longer to develop, operationalize, and install than is anticipated with the result that the temporary provision may expire before the taxpayer completes the project and obtains the intended tax benefit, leading to abandonment of the project. 2 Second is that delivering the governmental investment through a temporary (or permanent) tax benefit may not be the most efficient way to do so.

To be able to use a tax benefit, the taxpayer must have enough taxable income to offset the expense treatment or enough tax liability to offset the credit. If the taxpayer does not, then the tax benefit has value only if an investor can be found willing to absorb the risk of the project as well as the tax risk. The risk premium attached to the tax benefit likely means that the cost to the government exceeds that of direct governmental support for the project. Third is that it can be hard to assess the efficacy of governmental investment when the benefit is delivered via the tax code. On the other hand, delivering an investment through the tax code brings valuable market information to help direct investment. Temporary tax policy is not new Temporary tax provisions have long been part of our nation’s tax code. They are such a well-established feature of the code that their existence is marked each year by the release of the Joint Committee on Taxation’s (JCT) report on expiring tax provisions. Expired or expiring tax provisions even have their own special branding, as they are known collectively as ‘tax extenders.’ The JCT on January 18 released the most recent listing of expiring federal tax provisions covering the years 2017 through 2027. The report lists more than 20 provisions that expired at the end of 2017, including incentives for renewable and alternative energy sources, incentives for investment in designated empowerment zones, targeted tax depreciation provisions, and a deduction for qualified tuition and related expenses. (A special pamphlet was prepared by the JCT for this hearing.) Provisions that expired at the end of 2018 include a temporary reduction in the adjusted gross income (AGI) floor for itemized medical expense deductions from 10% to 7.5% and a temporary increase in a Black Lung Disability Trust Fund excise tax on coal. Several significant tax provisions are set to expire at the end of 2019, including the Subpart F rule for look-through payments between related foreign controlled corporations, the work opportunity tax credit (WOTC), and the new markets tax credit. The JCT report also lists temporary provisions that were enacted as part of the 2017 tax reform act, including individual tax reform provisions set to expire at the end of 2025. Significant temporary business tax provisions from the 2017 Act that JCT identifies as expiring provisions include the expiration at the end of 2021 of the current method of computing the limitation on business interest deductions without regard to any deduction for depreciation, amortization, or depletion, and the expiration at the end of 2026 of additional first-year ‘bonus’ depreciation for certain qualified property. The JCT report states that provisions with a suspended or deferred effective date are not considered to be expiring tax provisions by the staff of the Joint Committee on Taxation, and notes as an example the scheduled shift to five-year amortization of research expenditures after 2021. Because the House and Senate were unable to reach an agreement last year to extend retroactively provisions that had expired by the end of 2017, those expired provisions remain expired today. As a result, Senate Finance Committee Chairman Charles Grassley (R-IA) and Ranking Member Ron Wyden (D-OR) introduced legislation (S. 617) on March 4, 2019, that proposes to extend retroactively several provisions that expired at the end of 2017 and 2018. The R&D credit as a case study in temporary tax policy. The research credit is perhaps the best known example of a temporary tax policy that long ago outgrew its temporary status. The R&D tax credit was enacted as a temporary provision in 1981 and was repeatedly extended over more than three decades until it was made permanent in 2015.

Often, and for every extension since 1992, the R&D credit was renewed for short periods of time on a retroactive basis, notwithstanding the fact that this provision enjoyed broad bipartisan support in both the House and Senate. Administrations of both parties also would regularly propose a permanent extension of the R&D credit in annual budgets. The R&D credit was initiated to promote increased levels of domestic research activities at a time when the information technology revolution still was in a relatively early stage of development. The success of American companies in developing high tech innovations in a broad range of products and services has contributed greatly to the strength of the US economy and job opportunities for many Americans. It is well understood that there are large spillover benefits to the economy from robust research programs in the United States. Other countries also recognize the broader benefits to their economies from research activity and followed the United States to implement their own R&D credits, enhanced deductions for research expenditures, and later began to provide ‘patent box’ incentives.

As a result, over time, the R&D credit came to play an important role in the location of research activities. The example of the R&D credit highlights a key point of debate over temporary tax policy. It should be noted that faith in seamless extensions of the R&D credit proved to be misplaced on one occasion, when Congress allowed a gap in the credit to occur from July 1, 1995, to June 30, 1996. Notwithstanding that rare experience of a gap in the R&D credit, it is fair to say that most business taxpayers remained confident that Congress would renew the R&D credit. In fact, the need to renew the R&D credit, along with the temporary individual alternative minimum tax (AMT) exemption level ‘patch,’ often would serve as an ‘engine’ pulling tax extender legislation and other unrelated legislation through the House and Senate. 4 It is an open question whether taxpayers currently have as strong a level of confidence that Congress will renew temporary tax provisions that have expired recently or are scheduled to expire at the end of this year. The question being asked increasingly is what will be the engine or vehicle for action in 2019 on expired or expiring tax provisions? Today, renewable energy tax incentives may be serving a purpose comparable to the role played by the R&D credit back in the early 1980s. Early stage development of solar, wind, and biofuel technologies have been promoted by a variety of tax incentives. There is an ongoing debate over whether current renewable tax incentives should be retained in their current form, phased out, or replaced with new ‘technology-neutral’ incentives. The potential positive role of renewable energy incentives nonetheless has been recognized by many economists. For example, the JCT staff in 2016 noted the economic rationale for certain energy tax expenditures in cases where purely market-based pricing signals have led to a lower level of investment in energy conservation or renewable energy production than is considered optimal for society in general. In such cases, JCT staff noted that tax preferences can encourage investment that benefits the American people in general and can address issues such as pollution where the costs are borne by society rather than by polluters themselves. This type of analysis seems applicable in the current discussion over how tax policy can potentially play a role in addressing the issue of climate change.

The 2015 PATH Act may offer a model to address expired or expiring tax provisions on a bipartisan basis because it included priorities of import to both parties, making some provisions permanent and extending other provisions for fixed periods.

**Chye-Ching Huang, Director of Federal Fiscal Policy, Center on Budget and Policy Priorities**

The 2017 tax law left in its wake a series of policy failures that create uncertainty and instability, through missed opportunities, temporary tax policy, and choices to prioritize the well-off and profitable corporations over struggling workers and families. Examples are:

29 federal tax breaks, mainly for corporations, expired at the end of 2017 or 2018. Most are known as “tax extenders” because policymakers have routinely extended them for a year or two at a time, at least in part because temporary extensions hide their significant long-term cost. In a December 2015 tax and budget deal, which many lawmakers said would put an end to extenders, lawmakers made several them permanent while giving others only temporary extensions. The 2017 tax law, in large part, was silent on these extenders. Retroactively extending these remaining provisions through 2019 would cost some $18 billion over ten years. Key lawmakers who negotiated the 2017 tax law said they valued certainty. Yet the 2017 tax law did not make permanent various provisions that some of those same lawmakers now propose to extend, without paying for them. Keeping them off the tab in 2017 had the effect of hiding their cost, thus allowing for more new tax cuts in the 2017 tax law but meant less eventual certainty. Enacting extenders retroactively for 2018 would confer wasteful tax breaks for activity that has already occurred. The cost of any further extensions should be paid for.

The 2017 tax law prioritized deep, permanent corporate rate cuts above other concerns, and so most of its individual tax provisions expire after 2025.4 But far from correcting the 2017 tax law’s mistakes, extending the individual tax cuts, as some lawmakers favor, would compound the law’s flaws, it would add to deficits. Making the individual provisions permanent would cost $245 billion more in 2027 alone. 6 That would further swell the cost of the 2017 tax law that already costs $1.9 trillion over ten years, leaving the nation less prepared to address the retirement and health needs arising from the retirement of the baby boomers, as well as other national needs. It would promote and prolong tax gaming. The 2017 law created a 20 percent deduction for certain pass-through income — income that the owners of businesses report on their individual tax returns, which previously was taxed at the same individual tax rates as business owners’ other ordinary income. Making the pass-through deduction permanent would be heavily tilted to the wealthy: more than two-thirds of the tax cut from it flows to the highest income 1 percent, and it also makes it easier for wealthy people to game the tax system. The deduction creates so many opportunities for wealthy filers to reclassify their salaries as pass-through profits that NYU Law School Professor David Kamin has called it “one of the worst provisions that’s been added into the tax code in the last several decades.” One financial advisor told his colleagues at a conference: “This is, without a doubt, one of the biggest areas of planning that we can have under the new law. Therefore, in large part, they should have just renamed the [2017 tax law] the tax professional, lawyer and financial advisor job security act of 2017. The [pass-through] deduction leaves a gaping hole in the tax code, and the goal by the end of the presentation today is to make you guys the bus drivers, or the truck drivers, to drive right through that hole with your clients.” It would most benefit those in the top 1 percent, again largely leaving workers and their families behind. Making the 2017 tax law’s individual tax provisions permanent would raise after-tax incomes by about twice as much (in percentage terms) for the top 1 percent of households as the bottom 60 percent, the Tax Policy Center estimates.

**Kyle Pomerleau, Chief Economist and Vice President of Economic Analysis, Tax Foundation**

For more than a decade, a collection of temporary, narrowly targeted tax provisions for individuals and businesses have routinely expired and then been temporarily reauthorized, earning the nickname of “tax extenders.” Extending these provisions, especially retroactively, would not contribute to economic growth and would simply be a windfall to taxpayers. The best course of action for most of these narrow, temporary tax policies would be for Congress to allow them to expire permanently. Besides extenders, there are major portions of the Internal Revenue Code that are set to change or expire over the next decade. This is due to the temporary nature of much of the Tax Cuts and Jobs Act. These temporary provisions frontload some of the anticipated economic growth, but because they expire, they do not contribute to the long-run economy. While it was not ideal to make significant portions of the TCJA temporary, there is now an opportunity for lawmakers to evaluate different aspects of the TCJA and make those that improve the tax code permanent. Permanently dealing with all provisions of the TCJA will increase taxpayer certainty and can contribute positively to the economy. However, making all or part of the TCJA permanent will require lawmakers to address important trade-offs due to the fiscal costs.

In general, temporary tax policies should not be expected to have a permanent impact on the economy. Some temporary tax policies may reduce incentives for business to invest. Other policies may simply encourage taxpayers to shift activity from one year to another. Retroactive tax policy, in which a policy increases or decreases tax liability on a past activity, shouldn’t have any impact on economic activity. Temporary and retroactive tax policies can cause uncertainty for businesses and individuals, which reduces the effectiveness of such policies to work as incentives. Compared to permanent changes in tax policy, temporary tax policy has limited economic effects, especially temporary cuts for businesses. This is because investment is a forward-looking behavior. The possibility of a tax increase in the future makes productive activity under a lower rate less enticing, especially for activities where the payoff comes years later. Take, for example, a temporary cut in the business tax rate. Under this policy, businesses would be reluctant to invest in long-lived assets like structures that generate revenue years or decades after the investment is put in place. If the revenue is not going to come until after the tax cuts expire, the tax cuts are of no use to the investor and do not positively impact the decision to invest. In 2016, we estimated and compared the economic effects of a permanent and temporary corporate tax cut to 15 percent.3 Both a permanent and temporary corporate rate cut would result in increased economic growth for a while. However, a temporary corporate tax cut would produce less growth. A permanent reduction would raise growth by 0.39 percentage points in the first year. A temporary corporate tax cut would raise it by 0.28 percentage points. The economic growth effects of a permanent corporate rate cut would continue through the entire decade. The growth from a temporary tax cut, however, would not. By the middle of the decade, we estimated that growth would start declining and eventually be nearly half a percentage point below what it otherwise would have been if the tax were not cut at all. This is because companies would start to anticipate the expiration of the rate cut and begin cutting back on investment.4 Other temporary tax policies may shift the timing of some investments. A good example of this is a one-year policy of expensing. Companies know that they would only be able to qualify for expensing for a single year. As a result, they would have an incentive to shift investments that they may have otherwise put in service the following year into the current year. This makes investment seem higher the year in which expensing is in effect. However, much of that gain is taken back once expensing expires and investment in year two is lower than it otherwise would have been.

**Beyer:** Fossil fuels remain heavily subsidized part of our tax code and according to the tax policy center, the federal government will lose $11.6 billion between 2017 and 2021 in just tax incentives for fossil fuel energy production.