



## It's That Annual Congressional Ritual: Tax Credit Roulette

Jim Probasco

January 02, 2014

Almost every year Congress allows a large number of tax credits and breaks to expire according to [NPR](#). Then, following intense lobbying by various constituencies, some or all of them are restored. Whether your favorite tax credit or break is restored – that's the roulette part.

This year at midnight on December 31, a rum tax rebate program favoring Puerto Rico and the Virgin Islands expired. As did one that allowed teachers who buy classroom supplies with their own [money](#) to write the cost off on their federal taxes.

Also expiring, a break that let residents of states that don't collect individual income taxes write off state sales tax payments on their IRS forms.

Some expired tax breaks and credits represent significant money. These include breaks for research and development, capital expenditures, and even overseas [financial service](#) profits. Those items totaled slightly less than \$50 billion in 2013.

As soon as Congress returns in January, lobbyists will begin the time-honored tradition of attempting to get many of these tax breaks and credits restored. The bait? Campaign contributions according to Chris Edwards, director of tax policy studies at the Cato Institute, who told NPR, "A number of these are used essentially as fundraising tools for members of Congress who serve on tax-writing committees."

Since the vast majority of expired tax credits and breaks are eventually restored – often retroactively causing no loss to taxpayers or businesses that claim them - the whole thing seems to be no big deal. That is, aside from the time wasted and the questionable alleged practice of using the credits as fundraisers by members of Congress.

Trade groups and tax experts, however, said the practice also makes it impossible for businesses or individual taxpayers to plan. There is no guarantee that a given tax break will be renewed and if it isn't, the credit you counted on may not be there. This could also have an adverse effect on a business trying to plan expenses for the upcoming year.

Rachelle Bernstein, vice president and tax counsel for the National Retail Federation, told [The Associated Press](#), "It's a totally ridiculous way to run our tax system. It's impossible to plan when every year this happens, but yet business has gotten used to that."

Some members of Congress agree. According to Rep. John Lewis of Georgia, who is a senior Democratic member of the tax-writing House Ways and Means Committee, "It's not fair, it's very hard, it's very difficult for a business person, a company, to plan, not just for the short term but to do **long-term planning**." Lewis added, "It's shameful."

Meanwhile, when it comes to that planning, principle tax research analyst at The Tax Institute at H&R Block, Jackie Perlman said, "The best thing I would say is budget accordingly. As the saying goes, hope for the best but plan for the worst."