

Largest California Income Tax Expenditures

Fiscal Year 2008/09

(Dollars in Billions)

Provision	Amount
Mortgage Interest Deduction	\$5.1
Exclusion of Employer Contributions to Pension Plans	4.5
Basis Step-up on Inherited Property	4.2
Exclusion of Capital Gains on the Sale of Principal Residence	3.6
Exclusion of Employer Contributions to Accident and Health Plans	3.5
Charitable Contribution Deduction	2.1
Exclusion of Social Security Benefits	1.8
Real Property Tax Deduction	1.4
Dependent Exemption Credit in Excess of Personal Exemption Credit	1.4
Exclusion of Benefits Provided Under Cafeteria Plans	1.4
Research and Development Expenses Credit	1.3
Exclusion of Proceeds from Life Insurance and Annuity Contracts	1.1
Employee Business and Miscellaneous Expense Deduction	0.9
Head of Household and Qualifying Widower Filing Status	0.7
Water's-Edge Election	0.7
Individual Retirement Accounts	0.7
Depreciation Amounts Beyond Economic Depreciation	0.6
Special Treatment for Economically Depressed Areas	0.5
Self-Employed Retirement Plans	0.4
Medical and Dental Expense Deduction	0.3

Source: California Income Tax Expenditures Compendium of Individual Provisions, Dec. 2008