Beyond Tax Expenditures

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In this article, the authors identify ''non-tax-expenditure base provisions'' (NTEBPs) as an understudied source of potential revenue which can be generated by broadening the existing income tax base.

A. Summary

The recent announcement by Senate Finance Committee Chair Max Baucus, D-Mont., and ranking minority member Orrin G. Hatch, R-Utah, to begin tax reform with a ''blank slate'' has helped breathe new life into the tax reform discussion and placed a renewed focus on tax expenditures.[1] Under their approach, all tax preferences would first be eliminated and could only be added back at the cost of higher tax rates or other sources of revenue.

In this article we identify one of those other sources of revenue which would come from within the current income tax structure: non-tax-expenditure base provisions (NTEBPs).

NTEBPs, as we define them, are provisions in the tax code that narrow the tax base and allow for a reduced tax burden but are not classified as tax expenditures and not eliminated under a blank slate exercise because they do not represent a clear divergence from a ''clean'' tax code. NTEBPs include deductions for ordinary business expenses, exemptions based on family size, and many other provisions.

This article defines and describes NTEBPs, establishes criteria for evaluating them, and lists and describes several examples of these provisions.

Although most NTEBPs represent sound tax policy and should remain in place, others may warrant reform to the extent that they (1) do not accurately define income in the traditional economic sense, (2) are subject to substantial abuse, (3) have both business and personal components to them, or (4) conflict with other public policy goals.

Ideally, tax reform would generate enough revenue to cut deficit levels and substantially reduce tax rates, but the difficulty of that reform should not be understated, particularly in the context of distributional neutrality. Although we believe the focus of tax reform should be on tax expenditures, NTEBPs represent an important source of revenue that should not be overlooked in the tax reform process.

B. Introduction

Recent tax discussions have rightly focused on tax expenditure reductions — now bolstered by the proposal from Senate Finance Committee Chair Max Baucus, D-Mont., and ranking member Orrin G. Hatch, R-Utah, to pursue a blank-slate approach to tax reform.[2] Modeled after the National Commission on Fiscal Responsibility and Reform's ''zero plan,'' their approach would eliminate all tax expenditures as defined by the Joint Committee on Taxation and lower rates accordingly to maintain current progressivity and meet an unspecified revenue target. Tax expenditures could then be added back, but lawmakers would have to both justify and offset any restorations.

The Baucus-Hatch model is a promising approach to tax reform and is especially useful in highlighting the true costs of so-called tax expenditures. These deductions, exclusions, credits, and other tax preferences are expensive, regressive, and distortionary. Collectively, they will cost the federal

[1] Max Baucus and Orrin G. Hatch, ''Next Steps on Tax Reform'' (June 27, 2013).

[2] *See* ''Next Steps on Tax Reform,'' *supra* note 1.

government approximately $1.3 trillion in forgone revenue in 2013, and roughly two-thirds of that comes from the top 20 percent of earners.[3] Moreover, many tax expenditures distort economic activity, not only by requiring larger tax rates or deficits to finance them but also by driving consumption and investment decisions toward what is tax preferred (for example, borrowing for a house) and away from what is not.

It is largely for these reasons that Baucus and Hatch have joined other policymakers and experts in calling for 1986-style tax reform that eliminates or reduces tax expenditures in order to lower rates and possibly reduce deficit levels. Although Baucus and Hatch have not specified a rate target, others have. House Ways and Means Committee Chair Dave Camp, R-Mich., along with other House Republicans, has called for revenue-neutral tax reform to reduce the top individual and corporate rates to 25 percent. President Obama has called for revenue-neutral business tax reform to reduce the corporate rate to 28 percent. And the bipartisan Simpson-Bowles and Domenici-Rivlin commissions suggested tax reform plans to reduce individual and corporate rates to 28 percent while also reducing deficit levels.

In theory, tax expenditures alone offer sufficient revenue to achieve these goals — according to some estimates, immediately eliminating all tax expenditures could generate enough revenue to reduce the top individual tax rate to 23 percent and top corporate tax rate to 26 or 27 percent (although over the long term, maintaining revenue neutrality would require a somewhat higher rate).[4] Yet, while tax expenditure reductions should be a central component of comprehensive tax reform, the political, economic, and administrative challenges of eliminating them should not be understated. Recently, the Tax Policy Center said, ''It is possible to maintain revenues in the face of large marginal tax rate cuts by paring back tax expenditures, but it would be very difficult. And the task becomes much harder if another objective is to maintain the progressivity of the federal income tax.''[5] A similar story can be told on the corporate side, where many of the largest tax expenditures have broad or powerful constituencies and some are likely conducive to economic growth.

Given these challenges, policymakers would be wise to look beyond tax expenditures for revenue — a reality Baucus and Hatch appear to recognize when they write in a letter to their colleagues that ''while we believe that taking a hard look at every income tax expenditure is an essential part of tax reform, we also encourage you to examine other aspects of the tax code.''

One important ''other aspect'' is what we describe as NTEBPs. Like tax expenditures, NTEBPs represent parts of the existing tax code that diminish potential revenue. Unlike tax expenditures, these provisions are not considered a deviation from a clean code but instead are part of one.

NTEBPs do not fit into the traditional definition of tax expenditures outlined in the Congressional Budget and Impoundment Control Act of 1974 as ''Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.''[6] Examples of NTEBPs include the standard deduction and personal exemptions for individual filers, as well as the corporate deductions for interest, advertising, and meals and entertainment expenses.

Table 1. Tax and Nontax Expenditures: 5-Year Revenue Impact From the Tax Reform Act of 1986

	Tax Expenditures	Nontax Expenditures	Share From Nontax-Expenditures
Individual revenue	$117 billion	$60 billion	34%
Corporate revenue	$159 billion	$101 billion	39%
Passthrough revenue	$33 billion	$56 billion	63%
Gross tax increase	**$309 billion**	**$219 billion**	**41%**

Source: Robert Carroll, Morgan Cox, and Tom Neubig, ''Tax Reform Lessons: Composition of Tax Changes in the Tax Reform Act of 1986,'' *Tax Insights* (Ernst & Young LLP), Feb. 2011.

[3]JCT, ''Estimates of Federal Tax Expenditures For Fiscal Years 2012-2017,'' JCS-1-13 (Feb. 1, 2013).

[4]*See, e.g.*, Committee for a Responsible Federal Budget, ''Tax Reform: Reducing Tax Rates and the Deficit'' (Oct. 15, 2012); and Jane G. Gravelle and Thomas L. Hungerford, ''The Challenge of Individual Income Tax Reform: An Economic Analysis of Tax Base Broadening,'' Congressional Research Service R42435 (Jan. 11, 2013). *See also* President's Advisory Panel on Federal Tax Reform, ''Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System'' (Nov. 1, 2005); National Commission on Fiscal Responsibility and Reform, ''The Moment of Truth'' (Dec. 1, 2010); and Committee for a Responsible Federal Budget, ''Corporate Tax Reform Calculator,'' *available at* http://crfb.org/corporate/.

[5]Hang Nguyen et al., ''How Hard Is It to Cut Tax Preferences to Pay for Lower Tax Rates?'' Urban Institute and Urban-Brookings Tax Policy Center (July 10, 2012).

[6]Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), section 3(3).

Table 2. Major Nontax Expenditure Base Provisions in the Tax Reform Act of 1986

Provision	Revenue (1987-1991, in billions)
Capitalization of inventory, construction, and development costs	$34.7
Passive loss limitation	$23.4
Miscellaneous itemized deduction floor[a]	$19.4
Meals, travel, and entertainment deduction limitations	$11.5

Source: Joint Committee on Taxation, "General Explanation of the Tax Reform Act of 1986" (1987); Robert Carroll, Morgan Cox, and Tom Neubig, "Tax Reform Lessons: Composition of Tax Changes in the Tax Reform Act of 1986," *Tax Insights* (Feb. 2011).
[a]This provision would impose a 2 percent floor on all miscellaneous itemized deductions, most but not all of which are NTPEBPs.

Interestingly, while heralded as a major success in reducing the size and number of tax expenditures, the last major tax reform in 1986 focused to a substantial degree on these NTEBPs. According to a study by Robert Carroll, Morgan Cox, and Tom Neubig of Ernst & Young, 34 percent of the individual revenue and 45 percent of the corporate revenue in the 1986 reform came from non-tax expenditures; a large portion of that being NTEBPs.[7] Among the largest NTEBP changes were limitations on passive investment losses (which generated $23 billion over five years), changes to the capitalization of inventory and construction and development costs ($35 billion over five years), and a reduction in the deductibility of meals, travel, and entertainment ($12 billion over five years).

Despite these changes, today's tax code still includes several NTEBPs which could be modified in the context of comprehensive tax reform. Identifying many of these NTEBPs will require a careful review of the tax code, going line-by-line to identify potential changes. While this article highlights several of these provisions that are particularly ripe for change, more work and research will be necessary.

Policymakers are right to put the focus on tax expenditures in a comprehensive reform plan. However, as Congress proceeds with the tax reform process, lawmakers should not lose sight of the role that NTEBPs can play in the effort to reduce rates and deficits.

[7]Robert Carroll, Morgan Cox, and Tom Neubig, "Tax Reform Lessons: Composition of tax changes in the Tax Reform Act of 1986," *Tax Insights,* Ernst & Young (Feb. 2011).

C. Defining Tax Expenditures vs. NTEBPs

The Congressional Budget and Impoundment Control Act of 1974 defines tax expenditures as "revenue losses due to a special exclusion, exemption, or deduction from gross income; or a special credit, preferential rate of tax, or a deferral of tax liability." In other words, tax expenditures are provisions that reduce tax liability by somehow diverging from a normal income tax, which would tax all income (broadly defined) through a given rate schedule, without exception or exemption.

Of course, there is not universal agreement on what constitutes a "normal income tax" base. Those definitions are in part a matter of judgment, and indeed different estimating agencies come to different conclusions. For example, while the Joint Committee on Taxation counts the exclusion of Medicare benefits in excess of payroll taxes and premiums as a tax expenditure, the Office of Management and Budget does not. Also, while the OMB counts the exclusion of net imputed rental income as a tax expenditure, the JCT does not.

Although the JCT and OMB have some minor disagreements over what is included in the normal income tax, they agree on the general structure. As the JCT writes:

> The normal structure of the individual income tax includes the following major components: one personal exemption for each taxpayer and one for each dependent, the standard deduction, the existing tax rate schedule, and deductions for investment and employee business expenses.

For business taxation, the same basic principle applies — with an emphasis on taxing net income and therefore allowing the deduction of normal business expenses used for the generation of income. In general, a normal income tax measures revenues and expenses on an accrual basis and allows expenses to be deducted over a period consistent with their usefulness.[8]

Tax provisions that reduce tax liability by deviating from that framework are generally considered tax expenditures (unless the JCT deems them to be administratively infeasible to enforce).

By contrast, NTEBPs are provisions that also reduce tax liability but do not represent a deviation

[8]The JCT uses the alternative depreciation system (ADS) as its baseline for a normal tax code. The ADS is a depreciation schedule that comes close to mirroring the useful life of an asset. However, the ADS is still different from true economic depreciation, which may be difficult to measure with complete accuracy.

from the normal income tax. These include the reductions in tax liability specifically named by the JCT such as the personal exemption, the deductibility of normal business expenses (and immediate deductibility of some expenses that could be depreciated), and deviations from a theoretical normal income tax that may not be considered as such because of administrative concerns.

In some cases, the line between an NTEBP and a tax expenditure is a blurry one (for our purposes, we classify provisions as NTEBPs only if neither the JCT nor OMB defines them as a tax expenditure). In other cases, NTEBPs are clearly consistent with normal income taxation practices. In all cases, these NTEBPs reduce tax liability relative to what it would be if they did not exist.

D. Criteria for Evaluating Nontax Expenditures

Repealing all NTEBPs would likely raise trillions of dollars over a decade, but doing so would also tax many forms of income twice, heavily distort behavior, and lead to undesirable income distribution outcomes. For traditional tax expenditures, there is a strong case for adopting the Baucus-Hatch proposal to begin with a blank slate and then justify each restoration one at a time.[9] However, with NTEBPs, we believe it is necessary to review each on a case-by-case basis to justify changes and eliminations.

We recommend reviewing and evaluating NTEBPs by assessing whether they fall into any of the following categories:

1. *Improperly defined income.* Some expenses may be immediately deductible as a normal expense when an argument can be made that they should either not count against income at all or not count against current-year income alone. Principles of taxation dictate that expenses used to produce income over several years should be deducted over that same period (the useful life of that expense). While the current code attempts to depreciate those income-generating assets when appropriate, there may be times when it fails in that goal.

2. *Dual-purpose provisions.* A pure income tax allows for the deduction of normal business expenses in order to calculate net income for the purpose of taxation. However, some expenses may simultaneously have a business purpose for generating income *and* an individual benefit promoting personal welfare. In that case, policymakers may want to consider modifications such as a partial deduction.

3. *Abused provisions.* Some NTEBPs may be justifiable adjustments to income in theory but in practice be heavily abused. This is especially true for dual-purpose provisions, where the line between personal and business expenses is blurred. To reduce the incentive for abuse, policymakers could tighten eligibility for, restructure, or eliminate some of these provisions.

4. *Provisions in conflict with public policy goals.* Some provisions in the code may actually work against important policy goals by encouraging undesirable behavior and creating undesired income distribution outcomes, in addition to lowering potential tax revenue. Policymakers could alter specific NTEBPs that they believe conflict with other public policy goals.

5. *Tax expenditure proxy provisions.* Some tax expenditures may be difficult to eliminate directly but possible to address indirectly. For example, some forms of compensation are both excludable for individuals and deductible for employers. Technically, the exclusion is the tax expenditure and the deduction is a normal feature of the tax code (as a normal business expense). However, it may prove politically or administratively difficult to address the exclusion or other tax expenditure itself, in which case the parallel NTEBP could be modified as a proxy. Although this article does not address tax expenditure proxy provisions, more research should be conducted in this area.

In addition to the five criteria above, there are many issues related to international taxation of foreign-source income, but those are not covered in this article and would likely be better addressed in the context of reforming the international tax system.

E. Examples of NTEBPs

Based on the criteria above, we identified 13 NTEBPs that policymakers could consider reducing, repealing, or modifying. Our list is by no means comprehensive and does not fully analyze the feasibility of imposing each option, but it represents an illustrative starting point for discussion on reform.

1. Individual NTEBPs.

a. Moving expense deduction. Full-time employees who move for employment reasons, and whose commutes to work are at least 50 miles

[9]For example, the National Commission on Fiscal Responsibility and Reform's "zero plan" eliminated all tax expenditures and lowered individual income tax rates to 8, 14, and 23 percent. To add back tax expenditures, the rate would have to be raised accordingly. *See* National Commission on Fiscal Responsibility and Reform, *supra* note 4.

greater than they were from their old homes, may deduct specified ''reasonable'' moving expenses from their adjusted gross incomes. This deduction is granted on the basis that moving for work represents a business expense and should therefore be subtracted from net income. However, in reality many individuals move for both professional and personal reasons and reap both professional and personal benefits. Options for changing the deduction include eliminating it altogether, disallowing a portion of the deduction, increasing the distance threshold beyond 50 miles, changing the definition of reasonable expense, or disallowing the deduction for some types of moves (for example, to foreign countries).

b. Employee expense deductions. Employees can deduct some expenses such as the cost of professional journals and publications, uniforms worn at work, dues paid to professional organizations, and job searches under the premise that these are business expenses to be counted against net income. However, it could be argued that some of these expenses are not exclusively work-related costs and also provide a personal benefit. Further, some of these deductions may raise fairness questions — for example, why a uniform is tax deductible but a suit or other outfit purchased primarily to wear at work is not. To address those concerns, policymakers could tighten definitions within some of these deductions, or alternatively could allow partial or no deductibility for some of these purchases.

c. Gambling loss deduction. Gambling losses are deductible up to the amount of any winnings. There is an argument that allowing a deduction for gambling losses accurately reflects the taxpayer's ability to pay. However, it could also be argued that the taxpayer has chosen to engage in these activities and therefore should not be able to deduct losses. Options include disallowing deductibility or subjecting it to a 2 percent floor, similarly to many other itemized deductions.

d. Business use of home. A taxpayer may deduct expenses related to his home if it is a principal place of doing business. The tax code specifically disallows deductions if there is a personal and business benefit for a given area of the house. However, it may be difficult to determine whether this is true in practice, and this provision is heavily abused. The deduction is already subject to a floor of 2 percent of AGI, but that floor could be increased, the deduction could be partially disallowed, enforcement could be improved, or the deduction could be repealed altogether.

e. Deferral of capital gains income. Currently, long-term capital gains are taxed at a lower rate than ordinary income — a preference that *is* considered a tax expenditure. Not on the tax expenditure list, however, is the economic preference offered by deferring taxation of capital gains until an asset is sold. Most income is taxed when accrued (or within that year). In other words, capital gains income is not taxed until realized — providing a tax benefit equal to the time value of money. This provision is generally not considered a tax expenditure because of the potential administrative burden of taxing unrealized gains. Importantly, many argue that this benefit is largely offset by the fact that capital gains taxes apply to nominal gains rather than being adjusted for inflation. Policymakers could address this NTEBP by annually requiring real or nominal capital gains and losses to be counted as (or against) income. They could also apply this rule more narrowly to large investors or large companies or to only specific types of assets. Taxing capital gains as they accrue would have the disadvantage of increasing capital taxation but the advantage of reducing the lock-in effect associated with taxing gains only when realized.[10]

f. Standard deduction. Taxpayers who do not itemize deductions for mortgage interest, charitable giving, state and local taxes, or other purposes can instead opt for a standard deduction. For 2013 this deduction equals $6,100 for single filers and $12,200 for married couples filing jointly. Both the JCT and OMB consider this to be part of the normal tax code, more akin to a zero bracket than a tax preference. However, this deduction is quite costly and eliminating or reducing it would raise revenue while doing little to change incentives to work or invest. Moreover, it is in part a substitute for other deductions that are tax expenditures. The standard deduction could be modified in any number of ways. It could be repealed, capped, phased out for higher incomes, replaced with a credit, or combined with various other work and family provisions.

g. Personal and dependent exemptions. Before calculating their taxable incomes, most taxpayers are able to exempt a specified amount of income depending on family size — $3,900 per person in 2013. Both the JCT and OMB consider this to be a part of the normal tax code, more akin to a zero bracket than a tax preference (although different from the standard deduction in that it is available to everyone, even those who itemize). However, these exemptions are not only expensive but may be redundant with other provisions such as child tax

[10]In turn, this change would likely close much of the large gap between static and microdynamic revenue gain from increasing capital gains rates and push the revenue-maximizing rate well above the current level, believed to be about 28 percent.

credits. Under current law, these exemptions phase out for individuals with income between $250,000 and $375,000 (between $300,000 and $425,000 for married couples). Policymakers could reduce this NTEBP by beginning the phaseout sooner, capping the value with income, combining the personal exemption with the standard deduction (thus making it unavailable to itemizers), turning the personal and/or dependent exemptions into credits, or combining the personal exemption with other family benefits like the child tax credit.

2. Business NTEBPs.

a. Deductibility of advertising costs. For businesses, many expenses that produce sales or other benefits in future years are required to be written off over several years so that expenses line up with the revenue they produce. As an example, most physical machinery must be depreciated over many years. Advertising costs, on the other hand, may be deducted immediately as if they produce only current-year benefits — when in fact some advertising builds brand recognition and has other value that stretches into future years. Although it would be difficult to truly assess which advertising has long-term benefits and which does not, one option to change its tax treatment could be to partially capitalize advertising costs so that a portion of those costs (for example, 25 percent) would be written off over a 15-year period (similar to the treatment of goodwill expenses), while the rest is expensed immediately.

b. Deductibility of employee training costs. Like advertising costs, employee training costs may be expensed immediately, even though employee training often benefits a business in future years by enhancing employees' productivity over the duration of their employment. The tax code could be changed to require businesses to write off a portion of employee training costs over several years.

c. Business state and local tax deductions. Under current law, state and local income taxes are deductible for income subject to federal tax. At the individual level, this deduction is considered a tax expenditure; however, at the corporate level, it is considered a normal business expense. If this deduction were to be reformed under the individual tax code, it might make sense to reform it on the business side as well to maintain even treatment.

d. Deductibility of interest expenses. Under current law, businesses may deduct the cost of interest on loans, which is a normal business expense included in calculation of net profit. Many economists, however, have expressed concern that allowing companies to deduct interest but not allowing them to deduct dividend payments creates a bias toward borrowing instead of issuing stock. According to several studies, the effective marginal tax rate on equity-financed investment is close to the statutory corporate rate (35 percent), while the effective marginal tax rate on debt-financed investment is below zero.[11] As a result, many companies may be overleveraged.

Options to reform the tax treatment of interest include making interest expenses only partially deductible or allowing the deduction of only interest expenses that are above the level of inflation. In modifying the interest deduction, policymakers must decide whether to focus on gross interest or net interest, how to treat current loans, and whether to have different rules for the financial sector, among other considerations.[12]

e. Deductibility of meals and entertainment expenses. Before the 1986 tax reform effort, 100 percent of meals and entertainment expenses incurred in the course of doing business were deductible as a normal business expense, with some exceptions for extravagant expenditures. The Tax Reform Act of 1986 reduced the deductibility to 80 percent, and it was reduced again to 50 percent in 1993. Given the blurry line between business and personal expenses and the potential for fraud, there may be a case for further reducing or even eliminating the deductibility of meal expenses, entertainment expenses, or both.

f. Acquired intangible assets. The value of intangible assets (such as patents and trademarks) acquired during an acquisition of another company is typically amortized over a 15-year period, even though they tend to have value far beyond that. Policymakers could lengthen the amortization periods for these assets (for example, to 30 years) or even set them based on the period of legal protection (for example, most patents are protected for 20 years, while copyrights can last well over a century).

F. Conclusion

Policymakers have not significantly reformed the tax code in more than 25 years. There are clearly many elements in the design of the code that warrant review and could provide policymakers additional resources to finance rate and or deficit reduction.

While recent focus has been largely on so-called tax expenditures, NTEBPs are an important part of

[11]*See, e.g.*, Robert C. Pozen and Lucas W. Goodman, "Capping the Deductibility of Corporate Interest Expense," *Tax Notes*, Dec. 10, 2012, p. 1207. *See also* Gravelle and Hungerford, "Corporate Tax Reform: Issues for Congress," CRS (Dec. 26, 2012).

[12]For example, Pozen and Goodman, *supra* note 11, have proposed disallowing the deductibility of 35 percent of gross interest, including current loans, for nonfinancial corporations, and 21 percent of gross interest for financial corporations.

Table 3. Non-Tax-Expenditure Base Provisions	
Provision	Annual Revenue Impact
Individual income tax	
Moving expense deductions	$1 billion
Employee expense deductions	$7 billion
Gambling loss deduction	$3 billion
Business use of home deduction	$1 billion
Deferral of capital gains	Unknown
Standard deduction	$60 billion
Personal exemption	$135 billion
Dependent exemption	$50 billion
Corporate/business income tax	
Expensing of advertising costs[a]	$20 billion
Expensing of employee training costs[a]	$35 billion
Corporate state and local income tax deduction	$25 billion
Net interest deduction[b]	$1 billion/ percent
Gross interest deduction[b]	$2.5 billion/ percent
Deduction for meals and entertainment	$14 billion
15-year amortization period for acquired intangibles[c]	$3 billion

Note: Numbers represent *very rough* and generally static estimates of revenue loss based on data from a variety of sources including the JCT, OMB, Tax Policy Center, IRS, President's Economic Recovery Board, and Bob Pozen and Lucas Goodman. A large number of the calculations and estimates were undertaken by Jane G. Gravelle, who also suggested a number of the provisions to consider. These contributions do not represent the views of the Congressional Research Service.
[a]Revenue impact compared to 75 percent expensing with the remaining 25 percent amortized over 15 years.
[b]Measures the effect of reducing the interest deduction by 1 percent.
[c]Revenue impact compared to 20-year amortization.

the code that deserve careful review and far more attention than they have received to date.

The options we have proposed are far from comprehensive and should be viewed only as a starting point for discussion and further research. However, these provisions alone demonstrate that significant revenue can also be found by including these less-highlighted elements of the code in base-broadening discussions.

Tax reform is by no means an easy process, but it is, in our view, a worthwhile endeavor to improve fairness, promote economic growth, and generate new revenue in conjunction with serious entitlement reform. Among other goals, tax reform should help to ensure that income is being measured accurately and that opportunities to curb abuses or better allocate limited resources are not missed. That objective requires reviewing tax expenditures and NTEBPs alike.