



For Immediate Release
June 27, 2007

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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Alternative Minimum Tax**

It's like a bad horror movie. The unsuspecting victim thinks that everything is OK. She's going along, without a care in the world. But a monster lurks around the corner. It's just waiting to pounce.

That monster is the Alternative Minimum Tax, also known as the AMT. It attacks more and more taxpayers, every year. And most of its victims are middle-income Americans.

At the AMT's beginning, Congress tried to stop just 155 taxpayers with incomes above \$200,000 from completely avoiding taxes. It was an attempt to make sure that all taxpayers paid their fair share.

Now, the AMT has morphed into a terrible beast. It ensnares American families who are just trying to get by. It besets families who are working hard and raising children.

The IRS reported that 3.6 million taxpayers paid the AMT in 2005. And the Joint Committee on Taxation estimates that 4.2 million paid it in 2006.

Of these, 25,000 had adjusted gross income of less than \$20,000. That's right — less than \$20,000. Nearly 200,000 AMT taxpayers made between \$75,000 and \$100,000. One-point-three million taxpayers made between \$100,000 and \$200,000. Only 80,000 taxpayers made more than \$1 million.

More people making less than \$100,000 pay the AMT than people making more than \$1 million. That does not make sense to me.

On top of all of that, 2001 IRS numbers show that about 4,500 people with incomes of more than a \$200,000 still did not pay either the regular income tax or the AMT. The AMT has strayed from its original purpose.

And the number of taxpayers attacked by the AMT would have been higher, if Congress had not stepped in with a "patch." This patch keeps the AMT somewhat at bay. It holds constant the number of taxpayers affected.

This patch expired at the end of 2006. Congress has not yet enacted a patch for 2007.

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Without the patch, the number of Americans affected by the AMT for 2007 will explode from about four million to more than 23 million. Come April of next year, millions of taxpayers will get an unpleasant surprise, if Congress does not act.

In Montana, Congress's failure to enact a patch would mean that more than six times as many taxpayers would have that burden.

And millions of those 23 million taxpayers would be middle-income Americans. The Joint Committee on Taxation projects that most of the 23 million taxpayers affected would earn between \$50,000 and \$200,000.

The problem with the AMT goes beyond just those paying the tax. The AMT affects a lot of other taxpayers, too. The AMT forces many taxpayers to have to calculate their tax liability twice, first under the regular tax system, and then again under the AMT.

The IRS guesses that the average taxpayer takes about 30 hours filing out a Form 1040. That's more than one complete day every year out of the lives of each and every one of these taxpayers, lost forever. The AMT only increases that loss.

A tax that was enacted to make sure that upper-income taxpayers could not avoid paying any taxes at all now is swallowing up middle-income families.

We do not need two tax systems. We need just one that works.

Today's hearing will focus on this monster lurking around the corner — the individual AMT. We will try to figure out how to stop this monster from sneaking up on unsuspecting taxpayers. We will try to figure out how we might even kill that monster, once and for all. And who knows — with the time that taxpayers save from not having to calculate the AMT, they might even be able to get out and catch a good movie.

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