



Committee On Finance

Max Baucus, Chairman

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BAUCUS PRESSES TREASURY SECRETARY TO COLLECT UNPAID TAXES, PLAN TO PROTECT FAMILIES FROM ALTERNATIVE MINIMUM TAX *Finance Committee holds hearing on White House budget for Fiscal Year 2008*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today criticized the President’s Fiscal Year 2008 budget for failing to stand up for American taxpayers. In a Committee hearing with Treasury Secretary Henry Paulson, Baucus said the budget doesn’t include a promise to collect taxes that are going unpaid, and leaves honest taxpayers footing the bill instead. It also leaves out the costs of protecting American families from the alternative minimum tax (AMT). Baucus has proposed permanent protection for American taxpayers from the AMT – which hits many families with a higher tax that they shouldn’t have to pay – but the White House budget only plans for one year of AMT relief. Actual protection from the AMT costs tens of billions of dollars every year.

“There isn’t anyone in this room who thinks that Congress and the White House are going to agree on just one year of AMT relief. You know, because you’re the Treasury Secretary, that this will be expensive,” said Baucus. **“If we’re going to work together to find solutions, it seems to me that the budget should reflect reality, and that’s not in the budget.”**

The AMT was created four decades ago to keep very wealthy taxpayers from avoiding taxes altogether, but its rules have not kept up with inflation. It now threatens millions more taxpayers each year unless Congress adjusts the law. Secretary Paulson acknowledged that the administration does not intend to allow the AMT to suddenly hit millions more American taxpayers after 2008, saying that it would be a “cruel and unintended tax on the middle class,” and even a “surprise tax” for many.

Baucus said that he was “very, very disappointed” by sixteen proposals in the budget intended to make sure that taxes owed are actually collected. Currently, as much as \$345 billion in legally owed taxes are unpaid every year – creating what’s called a “tax gap.” The IRS is able to recover about \$55 billion each year. The White House budget proposal would collect only \$2.9 billion dollars each year of the remaining amount. Baucus has pressed the Treasury Department to come up with a credible plan to bring in these funds to pay for vital priorities such as health care and tax relief.

“I’ve been saying to all of you for almost a year, give us benchmarks on how to reasonably address this gap, and we will work with you. This is totally unacceptable,” said Baucus. **“We’re not asking for the moon. We’re asking for more than one cent on the dollar.”**

Secretary Paulson has pledged to testify at an upcoming Committee hearing solely about taxes that go unreported and unpaid every year. Baucus said today that he expects sound proposals from the Treasury Department at that time.

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