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Press_Office@finance-rep.senate.gov

Statement of Sen. Chuck Grassley
Hearing, “The Stealth Tax That’s No Longer a Wealth Tax: How to Stop the AMT from Sneaking Up on Unsuspecting Taxpayers”
Wednesday, June 27, 2007

I want to thank Chairman Baucus for holding this hearing and for working with me now and for the past several years to protect middle-class taxpayers from the Alternative Minimum Tax. This hearing is especially important in light of my often-stated view that the Alternative Minimum Tax is generally not getting the attention it deserves in Congress, and especially in the other body. The last increase in exemption amounts that Chairman Baucus and I worked to put in place has expired, and new taxpayers are being caught by the Alternative Minimum Tax right now. Less than two weeks ago, taxpayers who make estimated tax payments made their second quarter payments. Those taxpayers don’t know if they will be protected by an increase in the Alternative Minimum Tax exemption amount, and that uncertainty is going to increase until something is done or the current session of the 110th Congress ends.

The Alternative Minimum Tax has been a complete policy failure that was created with 155 taxpayers in mind, but could consume 23 million taxpayers this year. Moreover, the tax has not decreased the number of people who are able to legally eliminate all of their income tax liability. The only thing the Alternative Minimum Tax does successfully is pull in a vast amount of money for the federal government. This is especially ironic in that the Alternative Minimum Tax was conceived primarily to promote tax fairness, and not to raise revenue. The tax is projected to balloon revenues by so much that the Congressional Budget Office has projected that total federal revenues will push through their 30-year historical average and keep on increasing.

The solution I’ve advocated to the Alternative Minimum Tax is contained in S. 55, the “Individual Alternative Minimum Tax Repeal Act of 2007.” That solution is to permanently repeal the tax without offsetting revenues that would not be collected as a result of repeal. Revenues projected to be collected by the Alternative Minimum Tax are revenues the tax was never meant to collect, and that would only be collected through error. To make offsetting a condition for repeal is to commit to reshape a problem without actually solving it.

However, anyone seeks to approach the Alternative Minimum Tax, time is running out, and has already run out, for millions of taxpayers. Anybody who seriously recognizes the Alternative Minimum Tax as a problem they actually intend to solve will see the need for immediate action. I am going to be introducing legislation that will provide taxpayers a safe harbor from being punished for the fact that Congress has failed to deal with the AMT. Right now millions of Americans don’t know whether they should be paying an estimated tax because Congress hasn’t passed AMT relief. In other words, there are many taxpayers who will be facing a big tax bill if we don’t pass AMT relief. By law, many of these taxpayers should be paying estimated tax right now based on the fact that as the law is today, they are subject to the AMT.

Under my proposal, in computing tax for purposes of the penalties in the tax code dealing with estimated tax, a taxpayer would be permitted to disregard the alternative minimum tax if the individual was not liable for the alternative minimum tax for the preceding tax year. So if you didn't have to pay AMT last year we aren't going to penalize you if you don't file estimated taxes for AMT this year. Just because Congress can't do its job, doesn't mean the taxpayer should be punished.