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For Immediate Release
Wednesday, Oct. 31, 2007

Grassley, Majority of Finance Republicans Urge AMT Relief,
Tax Extenders Without Tax Increases

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, and almost all committee Republicans, have urged the chairman to put forth legislation on Alternative Minimum Tax (AMT) relief and extensions of expiring tax provisions without tax increases. The text of the senators’ letter follows here.

October 30, 2007

The Honorable Max Baucus
Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

We are writing to express the opinion of a majority of the Senate Finance Committee Republican members regarding end of the year issues, such as the individual Alternative Minimum Tax (AMT), various expiring tax provisions, and Medicare.

We believe that the Finance Committee has a responsibility to publicly consider and act on end of the year issues. We urge that the Committee uphold its responsibility and consider Medicare and tax issues through the regular order of a Committee markup followed by floor consideration. We recognize that it is late in the year and that processing these issues through regular order will take valuable time. However, if the Committee can take the time to mark up the recently-passed debt limit bill, which had not been considered at the committee level in over a decade, then we should be able to find the time to mark up these important pieces of legislation. We pledge to work with you to conclude timely consideration of these important issues by the Committee. However, we request that you protect the Committee’s jurisdiction by insisting that these issues not be brought

to the floor without committee consideration or included in a continuing resolution or a year-end appropriations measure unless there is broad bipartisan consensus on the underlying policies. This practice would be consistent with the disposition of these matters in past Congressional sessions.

We firmly believe that addressing the AMT is essential and is long overdue. We are united in our opposition to allowing millions of our constituents to face an unexpected and painful tax increase that will occur as a result of this broken tax if Congress fails to act. In fact, on five separate occasions this year, we have asked the full Senate to vote on amendments that proposed to either repeal the AMT outright or to reform the tax. We are disappointed that each of those amendments was rejected, primarily along party lines. Let there be no misunderstanding – Republicans have taken every opportunity possible this year to attempt to fix the AMT permanently. We ask you now to bring a bill before the Finance Committee that includes AMT relief. Our strong preference is that it be a permanent or long-term response to the AMT, but at a minimum, a one-year patch must get done quickly to avoid massive complications for the upcoming tax return filing season.

We also believe that it is inappropriate to suggest that Congress must raise taxes to keep current tax rates and exemptions exactly where they are. Many of us have noted that the AMT revenue projections are unrealistic because Congress would never allow the AMT to affect the number of taxpayers it is projected to impact. As a result, Congress should not need to “offset” any AMT relief. We are willing to work with you to pass tax relief, including relief for the AMT, that does not include tax increases.

In our most recent bipartisan Finance Committee members’ meeting, several of us advocated treating most of the expiring tax rates similarly – that is, in addition to addressing the AMT, we also should prevent tax increases on millions more taxpayers by either extending or making permanent the various tax rates that will automatically increase at the end of 2010. We made this proposal because these tax rates have benefited millions of American families, have boosted the economy, and should be extended or made permanent without requiring a tax increase just to maintain the status quo for these rates. Just as none of us want the AMT to hit 20 million additional taxpayers this year because the patch has not been extended, it would be similarly unconscionable to allow a massive tax increase on 90 million filers when the income tax rates increase after 2010 or on the nearly 30 million filers reporting capital gains or dividends. We note that the cost of maintaining all of these tax rates, or making them permanent, is less than the cost of permanently repealing the AMT.

We do not believe it was ever Congress’s intent to have to offset the cost of addressing the AMT in a permanent way, and there is no reason for different treatment of other tax rates. Importantly, the federal government is collecting federal taxes at a level that is currently above the 40-year historic average. We can work together to prevent any of these devastating tax increases from taking effect in a way that keeps the federal tax revenues at around their 40-year historic average.

One final point on taxes: most of these same concepts should also apply to the various “tax extenders,” such as the research and experimentation tax credit, the various depreciation provisions, the teacher and college tuition deductions, and the deduction for state and local sales taxes that are

set to expire at the end of the year. It is too late in the year for a comprehensive review of these provisions, so these provisions should be extended for at least another year. Most of us believe it is inappropriate to raise taxes in a permanent way to “offset” the cost of extending these expiring provisions for a short period of time. We will, of course, work with you to pass an extension of the expiring provisions without increasing taxes.

Sincerely,

Chuck Grassley
Orrin Hatch
Trent Lott
Jon Kyl
Gordon Smith
Jim Bunning
Mike Crapo
Pat Roberts
John Ensign