

April 15, 2015

The Honorable John Thune  
Co-Chair, Business Income Tax  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Benjamin Cardin  
Co-Chair, Business Income Tax  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senators Thune and Cardin:

The Corporate Alternative Minimum Tax Coalition (AMT Coalition) - whose members cover a broad spectrum of U.S. companies including those in the airline, automotive, manufacturing, mining, telecommunications, and utility industries – writes to encourage that any tax reform legislation include the repeal of the corporate AMT and transition rules to allow companies to quickly recover their AMT prepayments.

**CORPORATE AMT:**

The Corporate Alternative Minimum Tax is often referred to as the “Anti-Manufacturing Tax” because of the disproportionate negative effect it has had on U.S. manufacturers. In fact, shortly after it was enacted the US Treasury determined that more than half of US manufacturers paid the corporate AMT.

The corporate AMT was enacted in 1987 in response to press reports that some corporations were not paying Federal income tax because of deductions allowable under the code. Rather than repeal the deductions, Congress opted to create an additional (second) tax system known as the corporate AMT. Companies are now required to compute their tax liability twice: first under the “regular” tax system and second under the corporate AMT, which requires companies to compute their tax bill without the full benefit of certain deductions including depreciation. Companies must pay the higher of the “regular” tax or the corporate AMT. As the corporate AMT amounts to an acceleration of future tax liability, the payment of corporate AMT gives rise to an AMT credit. The AMT credit never expires and is used to offset (dollar for dollar) a company’s future regular tax liability – that is why it is referred to as a prepayment of tax.

The single biggest reason that taxpayers were subject to corporate AMT was that taxpayers had to slow down or reduce their depreciation deductions when computing corporate AMT. As you can imagine, reducing depreciation deductions hit capital intensive industries, such as domestic manufacturing, the hardest. Congress has since largely conformed the depreciation rules for regular tax and AMT purposes, so fewer domestic manufacturers are forced to pay tax under the corporate AMT rules today. Many companies, including most in the AMT Coalition, paid corporate AMT 15, 20 or more years ago. These companies are still carrying millions in old

AMT credits/tax prepayments on their books that they are unable to invest in their companies, their plants, and in their workers. The issue for these companies and other US manufacturers with AMT credits remains when will they be able to utilize their AMT credits (tax prepayments that are basically an interest free loan to the federal government) to invest in the United States.

#### **AMT IN LIEU OF BONUS DEPRECIATION:**

In recent years, Congress has enacted (and extended four times) a provision to allow taxpayers making capital investments to receive a portion of their AMT credits back in lieu of electing bonus depreciation. While we are very grateful for the relief and the ability to get back some of our AMT tax prepayments, the provision contains an arbitrary 6% limit on the amount of credits we can get back, which has artificially limited our ability to make investments. In 2014, the House passed AMT in lieu of bonus depreciation provisions allowing companies to get up to 50% of their AMT credits per year within H.R. 4718, a bill to make bonus depreciation permanent. If this provision would have been enacted it would have resulted in several billion dollars of additional investment in U.S. plant and equipment.

#### **TAX REFORM PROPOSAL:**

There is strong bipartisan support that the corporate AMT should be repealed as it is now widely seen as an outdated, complex, inefficient and duplicative tax system. We strongly urge Congress to repeal the corporate AMT in tax reform.

Secondly, and even more importantly for the dozens of companies that have made significant AMT prepayments to the IRS, we propose that companies be allowed to utilize their AMT tax credits (prepayments) as quickly as possible after any repeal of the corporate AMT.

We thank the Finance Committee and the Business Income Working Group for the opportunity to provide input on this important issue to U.S. manufacturers. Please don't hesitate to call on us for any assistance during the tax reform process.