

**Statement by Senator Kyl**  
**Chairman, Senate Finance Subcommittee on Taxation and IRS Oversight**  
**Hearing on the Individual AMT**  
**May 23, 2005**

Tax reform is one of the President's top priorities. He began the effort earlier this year when he appointed a tax reform panel led by two former members of the Finance Committee. It is widely anticipated that in its July 31 report to the Treasury Secretary, in addition to other proposals, the panel will make recommendations on how to address the Alternative Minimum Tax (AMT).

With that July 31 deadline fast approaching, the Finance Committee begins laying the groundwork for tax reform in the Senate by holding today's hearing on the individual AMT.

Our goal for tax reform and simplification must be to create a tax system that supports continued economic growth and prosperity by encouraging work, savings and investment, and that does not waste taxpayers' time and effort with needless complexity. To achieve these goals, Congress must make the individual rates, the dividend and capital gains rates, and repeal of the death tax permanent, and we must repeal the AMT.

The individual AMT was intended to make sure very wealthy taxpayers could not zero-out their tax liability by claiming otherwise legitimate deductions and exemptions.

What started out as a misguided attempt to tax the "rich" has become a significant added tax burden on millions of middle-income Americans.

While the primary reason the AMT has begun invading the middle-class is the fact that its parameters—the exemptions, rate brackets, and phase-out levels—were not indexed for inflation, we should not fool ourselves that making these few adjustments would solve the AMT problem. The real problem of the AMT is that it tries to impose a special tax only on the "wealthy." And such attempts almost always end up discouraging work and hurting economic growth.

This hearing is not intended to resolve the debate about whether to reform the AMT or repeal it; whether to "offset" the cost of reform or repeal with tax increases or spending cuts; or whether the costs need not be offset at all.

Rather, this hearing begins the process of educating Senators and the public about the mind-boggling complexity of the AMT and about how the AMT amounts to a "stealth" tax that traps many unsuspecting taxpayers.

Today we will learn the exact nature of the problem, including the numbers and types of taxpayers who most often fall into the AMT.

We will learn what taxpayer situations most often trigger the AMT, including the extent to which the AMT imposes a “marriage penalty” and hits families with children particularly hard.

We will hear how the AMT affects otherwise similarly situated taxpayers, who happen to live in different states, very differently.

We will learn how much it might cost the Treasury, in static terms, to reform or repeal the AMT.

And—most important—we will learn how costly the AMT is currently to the economy in terms of taking productive resources out of the private sector, in terms of reducing incentives to work and save, and in terms of administrative complexity imposed on taxpayers by the AMT.