

# United States Senate

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## **FINANCE COMMITTEE SENATORS SEEK TO REPEAL ALTERNATIVE MINIMUM TAX**

**Grassley, Baucus, Wyden, Kyl will introduce bipartisan legislation to end  
“number one problem” for millions of middle-class American taxpayers**

*Washington, DC* – A bipartisan coalition of U.S. Senate Finance Committee members, including Chairman Charles Grassley (R-Iowa), Ranking Member Max Baucus (D-Mont.), Ron Wyden (D-Ore.) and Jon Kyl (R-Ariz), today introduced legislation to repeal the Federal individual alternative minimum tax (AMT). The AMT requires taxpayers to figure their tax bills both with and without certain deductions, then to pay the higher amount. It was originally enacted in 1969 to ensure that America’s wealthiest taxpayers could not use deductions and loopholes to avoid paying taxes they owed. However, the AMT has not been indexed for inflation and now saddles millions of middle-class, middle-income Americans with higher tax bills. The Internal Revenue Service’s own National Taxpayer Advocate has called it the most serious problem facing individual taxpayers today.

**“The Alternative Minimum Tax isn’t so alternative anymore. It’s become pretty common,”** said Grassley. **“We have two parallel tax systems that make taxpayers do two sets of calculations and if they get an AMT hit, pay more. If we do nothing, the situation will get worse. It’s a mess, and we need to clean it up for good.”**

**“This weekend, millions of Americans watched in suspense as Anakin Skywalker was lured to the Dark side and became Darth Vader,”** said Baucus. **“What millions of those same Americans may not be aware of is another Darth Vader lurking in our tax code; that is the AMT. Both Skywalker and the AMT started off with good intentions, but eventually they went astray. Now, the Darth Vader of the Tax Code is bearing down on millions of unsuspecting families. Repealing the AMT will protect millions of American families from this unfair and unexpected tax. It’s time to put the AMT in a galaxy far, far away and erase it from the tax code.”**

**“If the IRS calls the alternative minimum tax the number-one problem for individual American taxpayers, then the AMT should be Congress’ number-one priority for tax reform,”** said Wyden. **“Middle-class Americans who are paying their fair share of taxes shouldn’t be subject to higher burdens because the Federal government has failed to update the law.”**

**“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 repeal the AMT,”** said Kyl.

The Finance Subcommittee on Taxation and IRS Oversight, chaired by Senator Kyl, today held a hearing entitled “Blowing the Cover on the Stealth Tax: Exposing the Individual AMT.” For Americans over a certain income range, the AMT eliminates certain tax benefits such as personal exemptions, itemized deductions for state and local taxes, and deductions for children; those normally deducted amounts are counted as income and subject to Federal tax. The current temporary “patch” or increase in AMT exemptions, a mechanism often used to keep the tax from affecting even more Americans, is set to expire at the end of 2005. According to the Congressional Research Service, the end of those exemptions would increase the number of taxpayers paying the AMT to more than 19 million next year – up from 2.3 million in 2003.

The AMT was never intended to tax such a broad segment of the population or to be relied upon as a revenue base. The bipartisan “Individual Alternative Minimum Tax Repeal Act of 2005” would amend the Internal Revenue Code of 1986 to end the AMT beginning in the 2006 tax year. The Senators have indicated that they intend to work together to consider all possible meaningful solutions to the problems posed for middle-class taxpayers by the AMT.

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