



<http://finance.senate.gov>
Press_Office@finance-rep.senate.gov

For Immediate Release
Tuesday, Oct. 16, 2007

Grassley, McCrery Seek Treasury Response on Taxpayer Impact of Delayed AMT Relief

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, and Rep. Jim McCrery, ranking member of the Committee on Ways and Means, today asked the Treasury secretary for a detailed analysis of the impact on taxpayers of the Democratic-led Congress' failure to extend Alternative Minimum Tax (AMT) relief so far this year.

Grassley and McCrery, the two senior-most Republicans on the House and Senate committees with jurisdiction over taxes, are concerned that the delay will cause hardship and confusion for millions of families that already are forced to perform AMT calculations for their households, a headache in itself. They also fear that the delay will cause overpayment of taxes, underpayment of taxes, filing errors, and wasted tax dollars on revised IRS forms and guidance.

“At this time last year, Congress was stalled on extending some tax provisions, like the college tuition deduction and teachers' deduction of classroom expenses,” Grassley said. “That caused problems for taxpayers. This time, many more taxpayers are involved. Last year's problems will look puny in comparison. The Democratic leaders need to get off the dime and enact AMT relief sooner rather than later.”

McCrery said, ““I believe that the problems created by the AMT are so large that they must be addressed as a part of a comprehensive reform of our tax laws. It seems less and less likely that sort of comprehensive reform will happen this year. Given that, the responsible course of action is to extend the AMT ‘patch’ -- as Republicans have done for years -- so that 19 million taxpayers are protected from the increased bite of the AMT. Failing to ‘patch’ the AMT in a timely manner will have serious consequences. Lawmakers and taxpayers should be aware of them.”

As chairman of the Committee on Finance from January 2001 to May 2001 and again from January 2003 through January 2007, Grassley shepherded through legislation to greatly limit the number of new taxpayers who fell into the AMT.

The text of the Grassley-McCrery letter to Treasury Secretary Henry Paulson follows here.

October 16, 2007

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Secretary:

We are writing to inquire about the ability of the Internal Revenue Service (IRS) to change its tax forms, instructions, and computer programming to accommodate legislation that may be enacted later this year that would affect individuals' 2007 income tax liability.

Specifically, we are concerned Congress may enact AMT relief so late in the year that it will raise substantial administrative challenges for the IRS. In 2006, an AMT "patch" was passed much earlier in the year that provided taxpayers with AMT relief and the IRS with sufficient time to update computer programs and tax forms.

It is our understanding that forms and instructions are finalized by the end of October and sent to print in early November. We are concerned that even if this Congress extends relief, it could occur after the printing date. As such, the IRS may have to print and distribute supplementary instructions. This could lead to confusion and perhaps over \$50 billion in additional taxes paid, but not owed, by a portion of the 23 million families that would be subject to the AMT if the patch is not extended.

In connection with this situation, please provide answers to the following questions.

1. On what date will the forms, instructions, and publications be sent to the printers?
2. If AMT relief is not extended, millions of additional taxpayers may be subject to interest and penalties. Given how late we are in the year, would there be an opportunity for the IRS, through a public service campaign, to inform taxpayers that they should send in estimated payments to cover the tax increase and avoid penalties, and would there be value in such a campaign? What would be the estimated cost of such a campaign?
3. How many taxpayers may not be withholding enough to pay their taxes if AMT relief is not extended?
4. How many of these taxpayers do not have sufficient withholdings to meet safe harbor requirements and, as such, could potentially be subject to penalties?
5. If taxpayers do not have sufficient withholdings to meet safe harbor requirements, what interest and penalties could possibly be charged to them?
6. How much additional tax, on average, will be owed by taxpayers subject to the AMT if AMT relief is not extended?
7. How would the IRS inform taxpayers of a change in the calculation of AMT liability if an extension of the AMT patch is enacted after the tax forms have been printed?
8. What additional costs would the IRS incur to notify taxpayers of the change, including the

- printing of new forms?
9. What additional costs would the IRS incur to reprogram their computer systems? How long would that process take?
 10. How would continued delay (November 15, December 1, December 15, December 22?) in passing AMT relief impact the ability of the IRS to process returns filed during the season, especially during the early part of the filing season? If so, how many taxpayers could potentially be affected? How large of an interest free loan to the government, in terms of total dollars associated with these filers refunds, would this create?
 11. How would continued delay in passing AMT relief impact the ability of the IRS to program its Electronic Fraud Detection System for the 2008 filing season? Could the delay lead to more fraud going undetected? How would continued delay (November 15, December 1, December 15, December 22?) impact IRS efforts to address the tax gap and implement the Secretary's proposals in this regard?
 12. If AMT relief is enacted late this year, and if taxpayers mistakenly pay too much tax because they did not incorporate information advising them of AMT relief, what mechanisms exist for the IRS to catch these mistakes and refund the overpayment?
 13. In what other ways could a delay in AMT relief affect taxpayers' abilities to file their tax returns, receive their refunds, and comply with their obligations?

We look forward to your answers to these questions within ten working days. Given the time sensitive nature of this issue to millions of families, we look forward to your quick and thorough response.

Cordially yours,

Jim McCrery
Ranking Member
Ways and Means Committee

Charles Grassley
Ranking Member
Finance Committee