The Alternative Minimum Tax Relief Act of 2008

June 17, 2008

I. 2008 AMT RELIEF

Extension of AMT relief for 2008. The bill would provide more than 25 million families with tax relief in 2008 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount to $69,950 for joint filers and $46,200 for individuals. *This proposal is estimated to cost $61.52 billion over 10 years.*

II. CLOSING TAX LOOPHOLES

Taxation of carried interest as ordinary income. The bill would prevent investment fund managers from paying taxes at capital gains rates on investment management services income received as carried interest in an investment fund. The bill would require such managers to treat carried interest as ordinary income received in exchange for the performance of services to the extent that carried interest does not reflect a reasonable return on invested capital. The bill would continue to tax carried interest at capital gain tax rates to the extent that carried interest reflects a reasonable return on invested capital. This proposal passed the House as part of H.R. 3996 by a vote of 216 to 193. *This proposal is estimated to raise $30.98 billion over 10 years.*

Denial of section 199 benefits for certain major integrated oil companies (freeze current law section 199 benefits at 6% for oil and natural gas production income of other taxpayers). The bill excludes gross receipts derived from the sale, exchange or other disposition of oil, natural gas, or any primary product thereof from the domestic production deduction for large integrated oil companies. The bill would freeze the domestic production deduction for income of other taxpayers with respect to oil, natural gas or any primary product thereof at 6% (which is current law). This is a scaled-back version of the provision proposing outright repeal of section 199 with respect to all oil, natural gas or any primary product thereof that passed the House as part of H.R. 6 by a vote of 264 to 163 (with 36 House Republicans joining 228 House Democrats in support) and as part of H.R. 2776 by a vote of 221 to 189 (with 9 House Republicans joining 212 House Democrats in support). An identical proposal passed the House as part of H.R. 5351 by a vote of 236 to 182 (with 17 House Republicans joining 219 House Democrats in support). *This proposal is estimated to raise $13.57 billion over 10 years.*

Information returns for merchant payment card reimbursements. The bill would enact a proposal contained in the President's FY 2009 Budget to require institutions that make payments to merchants in settlement of payment card transactions to file an information return with the Internal Revenue Service. According to the Treasury Department, "Payment cards (both credit cards and debit cards) are an increasingly common form of payment to merchants for property and services rendered. Some merchants fail to report accurately their gross income, including income derived from payment card transactions. Generally, compliance increases significantly for amounts that a third party reports to the IRS." The bill would also require information returns for payments in settlement of certain third party network transactions that operate in a manner similar to payment card transactions. *This proposal is estimated to raise $9.80 billion over 10 years.*

Limitation on treaty benefit for certain deductible payments. The bill would prevent foreign multinational corporations incorporated in tax haven countries from avoiding tax on income earned in the United States by routing their income through structures in which a United States subsidiary of the foreign multinational corporation makes a deductible payment to a country with which the United States has a tax treaty before ultimately repatriating these earning in the tax haven country. This is a scaled-back version of a provision approved by the House of Representatives as part of H.R. 2419 by a vote of 231 to 191 (with 19 Republicans joining 212 Democrats in support). This scaled-back version ensures that foreign multinational corporations incorporated in treaty partner countries will not be affected by this provision. *This proposal is estimated to raise $6.94 billion over 10 years.*

Application of continuous levy to property sold or leased to the federal government by vendors. Under current law, the federal government may attach a continuous levy to payments made by the federal government to "vendors of goods or services sold or leased to the Federal Government" if such vendors owe the government taxes.   The proposal would clarify that the federal government may attach a continuous levy to vendors of "property," not just vendors of goods. *This proposal is estimated to raise $301 million over 10 years.*