



# LEGISLATIVE ALERT

BY THE COMMITTEE ON THE BUDGET, REPUBLICAN CAUCUS

B-71 Cannon House Office Building  
Washington, DC 20515  
Representative Paul D. Ryan, *Ranking Republican*

Phone: (202)-226-7270  
Fax: (202)-226-7174  
Austin T. Smythe, *Republican Staff Director*

## THE HOUSE DEMOCRATS' AMT PATCH CREATING MORE TAX UNCERTAINTY

25 June 2008

Repeating last year's failed attempt to raise taxes, House Democrats are scheduled, once again, to bring up another alternative minimum tax [AMT] bill that needlessly raises taxes on the U.S. economy under the guise of AMT "relief." Instead of simply adopting a straightforward AMT patch (without offsets), the House Majority will demand the \$61.5-billion *tax increase* that the *unintended expansion* of the AMT would raise. (Absent an AMT patch, millions of Americans would face an unexpected and unintended average tax hike of more than \$2,000.)

The AMT Relief Act of 2008 (H.R. 6275) merely shifts this tax hike to American businesses, to the detriment of the overall economy. Thus the Democrats continue to create tax uncertainty with an approach they tried, and were forced to abandon, last year.

- ***Raises Taxes at Exactly the Wrong Time for the Economy.*** With high gasoline prices, rising grocery bills, a sluggish housing market, and concerns about inflation, the tax increase in this bill is especially misguided.
  - The bill would, for instance, raise taxes on private investment funds (\$31 billion over 10 years) and dramatically increase the tax compliance burdens on small businesses (\$9.8 billion), thereby harming the economy's prospects for continued innovation, business expansion and job creation.
  - In addition, the bill would eliminate common-sense tax incentives for domestic oil production (\$13.6 billion), precisely the wrong move at a time of record high oil and gasoline prices. All told, the tax hike on American businesses would sum to \$61.5 billion over the next 10 years. In short, enacting this temporary AMT "relief" bill would do permanent damage to the American economy.
- ***Claims AMT 'Relief,' but Still Demands the Revenue.*** By instituting a patch, the bill would prevent more than 21 million middle-income families from getting hit with the AMT in 2008. (This is an estimate of the *additional* taxpayers exposed to the AMT under current law. According to the Joint Committee on Taxation, 25.7 million *total* taxpayers would pay the AMT in 2008 under current law. But a portion of this group – roughly 4.0 million – would face AMT tax liability even with a patch.) Nevertheless, the measure *still demands the revenue increase* that this AMT expansion would raise – *even though it was never intended*. In other words, taxpayers still get to pay for Congress's mistake.
- ***Contains a Built-In Plan for Vastly Expanding Government.*** The tax hike in this bill is part of the Majority's artificially inflated revenue path, which also assumes automatic tax

increases from the expiration of 2001 and 2003 relief. Under the overall Democratic plan, tax revenue rises to nearly 24 percent of gross domestic product [GDP] by mid-century – compared with the historical range of about 18.3 percent of GDP, and the peak of 20.9 percent in 2000 (see chart). *Thus, Federal taxes would come to consume an unprecedented one-fourth of all U.S. economic resources.* This is the Majority’s true fiscal plan – of which the AMT bill is a significant part.

