

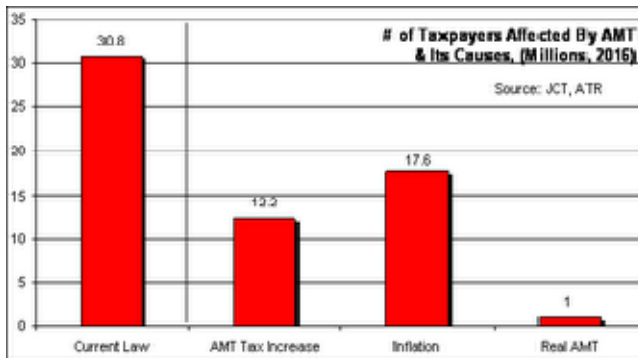


AMERICANS FOR TAX REFORM

[HTTP://FRIENDSOFATR.BLOGSPOT.COM/2007/02/CLINTON-PELOSI-REID-AMT-PROBLEM.HTML](http://friendsofatr.blogspot.com/2007/02/clinton-pelosi-reid-AMT-problem.html)

The Clinton, Pelosi, Reid AMT Problem

97% of AMT Problem Is From 1993 Tax Increase and Inflation



Democrats love to talk about how bad the AMT is for middle-class families. Well, we have new data which shows the AMT "problem" is a result of their 1993 tax increase. This comes in two forms - higher AMT tax rates and the failure to index for inflation which is pushing people onto the AMT rolls.

To understand first we need a little bit of history. The Alternative Minimum Tax (AMT) was established to prevent certain Americans and corporations from using otherwise available deductions to reduce (and in some cases eliminate) their income tax liability. The very existence of the individual AMT and its corporate version makes the already complicated tax code all the more inexplicable and frustrates every effort to comprehensively improve our system of taxation.

As such, the individual AMT was intended to act as a fail safe mechanism to ensure that a small number of upper income individuals had to pay income tax. However, the tax is now hitting the middle class - and hitting them hard. From 1992-2002, the number of filers paying AMT increased tenfold to 1.3 million people. The next eight years will witness even more pronounced and explosive growth. Indeed, nearly one out of three tax filers will be subject to the AMT by 2010.

This onerous tax will be slapped on average American families largely because the AMT is not indexed for inflation - consequently, taxes will be pushed upward through bracket creep. Moreover, each time income taxes were increased the AMT rates were increased correspondingly. But when income taxes were cut in 2001 and 2003, AMT rates were not changed.

So between inflation and higher AMT rates (relative to the regular income tax system) we have a tax system which will lead 30 million American taxpayers paying the Alternative Minimum Tax.

Our New Data

We recently got our hands on an analysis by the Joint Committee on Taxation (JCT) which allows us to discern just how bad the 1993 tax increase was for the AMT. At the same time we can see how the inflation protections signed into law in 2001, 2003, 2004, and 2006 are working.

The 1993 tax increase ended the 24 percent rate and created a two tier AMT rate of 26 percent for taxpayers under \$175,000 and 28 percent for taxpayers over that amount. By 2016, this higher tax rate added 12.2 million American taxpayers to the AMT rolls. **As such, 40 percent of all AMT filers are paying the AMT because of the higher tax rates that Pelosi, Reid, Schumer and Co. put into effect.**

The next step in our analysis was to determine the second part of the AMT problem - the fact that rates and income are not subject to inflation protections as is the regular income tax. If the AMT was indexed for inflation in 1993 most of the people paying would be off the rolls. The Bush Administration insisted on inflation protections since 2001 which increased the income maximum of people affected. This has worked to keep 17.6 million people off the AMT rolls.

So when adding the two numbers 29.8 million of the 30.8 million that will be forced to pay the AMT are only paying because of the Clinton tax increase and the failure to index to inflation. That would leave only 1 million people are actually paying because of high incomes and lots of deductions.

It is an outrage that people who created this mess are trying to say they are for ending the mess. Yet due to Pay As You Go Rules, to fix the AMT problem which cost in the range of \$800 billion, taxes are going up on just about every type of productive economic behavior.

POSTED BY DANIEL CLIFTON