



AMERICANS FOR TAX REFORM

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NEWS

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The 1993 Senate AMT Hypocrisy Caucus

HR 2264: Omnibus Budget Reconciliation Act of 1993 – 08/06/1993

The last time Democrats controlled the House, Senate, and Presidency, they chose to raise the AMT from **24** percent to a top rate of **28** percent.

They also failed to index for inflation, a major reason the AMT traps so many taxpayers today.

The following 30 members of the Senate voted to raise the AMT from **24** percent to **28** percent.

1. Daniel Akaka (D-HI)
2. Max Baucus (D-MT)
3. Joe Biden (D-DE)
4. Jeff Bingaman (D-NM)
5. Barbara Boxer (D-CA)
6. Robert Byrd (D-WV)
7. Ben Cardin (D-MD)*
8. **Kent Conrad (D-ND)**
9. Christopher Dodd (D-CT)
10. Byron Dorgan (D-ND)
11. Dick Durbin (D-IL)*
12. Russ Feingold (D-WI)
13. Dianne Feinstein (D-CA)
14. Tom Harkin (D-IA)
15. Daniel Inouye (D-HI)
16. Tim Johnson (D-SD)*
17. Ted Kennedy (D-MA)
18. John Kerry (D-MA)
19. Herb Kohl (D-WI)
20. Pat Leahy (D-VT)
21. Carl Levin (D-MI)
22. Joe Lieberman (I-CT)
23. Bob Menendez (D-NJ)*
24. Barbara Mikulski (D-MD)
25. Patty Murray (D-WA)
26. **Harry Reid (D-NV)**
27. Jay Rockefeller (D-WV)
28. Bernie Sanders (I-VT)*
29. Chuck Schumer (D-NY)*
30. Ron Wyden (D-OR)*

*Denotes a Senator who was a member of the House of Representatives during the 103rd Congress.



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They also failed to index for inflation, a major reason the AMT traps so many taxpayers today.

The following 76 members of the House voted to raise the AMT from **24** percent to **28** percent:

1. Neil Abercrombie (D – HI 1)
2. Gary Ackerman (D – NY 5)
3. Xavier Becerra (D – CA 31)
4. Howard Berman (D – CA 28)
5. Sanford Bishop (D – GA 2)
6. Rick Boucher (D – VA 9)
7. Corrine Brown (D – FL 3)
8. William Lacy Clay (D – MO 1)
9. James Clyburn (D – SC 6)
10. John Conyers (D – MI 14)
11. Jim Cooper (D – TN 5)
12. Jerry Costello (D – IL 12)
13. Bud Cramer (D – AL 5)
14. Peter DeFazio (D – OR 4)
15. Rosa DeLauro (D – CT 4)
16. Norm Dicks (D – WA 6)
17. John Dingell (D – MI 15)
18. Eliot L. Engel (D – NY 17)
19. Anna Eshoo (D – CA 14)
20. Sam Farr (D – CA 17)
21. Bob Filner (D – CA 51)
22. Barney Frank (D – MA 4)
23. Bart Gordon (D – TN 6)
24. Gene Green (D – TX 29)
25. Luis Gutierrez (D – IL 4)
26. Jane Harman (D – CA 36)
27. Alcee Hastings (D – FL 23)
28. Maurice Hinchey (D – NY 22)
29. Tom Holden (D – PA 17)
30. Steny Hoyer (D – MD 5)
31. William Jefferson (D – LA 2)
32. E.B. Johnson (D – TX 30)
33. Paul Kanjorski (D – PA 11)
34. Marcia C. Kaptur (D – OH 9)
35. Dale Kildee (D – MI 5)
36. Tom Lantos (D – CA 12)
37. Sander Levin (D – MI 12)
38. John Lewis (D – GA 5)
39. Nita Lowey (D – NY 18)
40. Carolyn B. Maloney (D – NY 14)
41. Edward Markey (D – MA 7)
42. Jim McDermott (D – WA 7)
43. Michael R. McNulty (D – NY 21)
44. George Miller (D – CA 7)
45. Alan Mollohan (D – WV 1)
46. Jim Moran (D – VA 8)
47. John Murtha (D – PA 12)
48. Jerrold Nadler (D – NY 8)
49. Richard Neal (D – MA 2)
50. James Oberstar (D – MN 8)
51. John Olver (D – MA 1)
52. Solomon P. Ortiz (D – TX 27)
53. Ed Pastor (D – AZ 2)
54. Donald M. Payne (D – NJ 10)
55. Nancy Pelosi (D – CA 8)
56. Earl Pomeroy (D – ND AL)
57. David Price (D – NC 4)
58. Nick Rahall (D – WV 3)
59. Charlie Rangel (D – NY 15)
60. Lucille Roybal-Allard (D – CA 34)
61. Bobby Rush (D – IL 1)
62. Bobby Scott (D – VA 3)
63. Jose Serrano (D – NY 16)
64. Ike Skelton (D – MO 4)
65. John Spratt (D – SC 5)
66. Pete Stark (D – CA 13)
67. Bart Stupak (D – MI 1)
68. John S. Tanner (D – TN 8)
69. Bennie Thompson (D – MS 2)
70. Ed Towns (D – NY 10)
71. Peter Visclosky (D – IN 1)
72. Maxine Waters (D – CA 35)
73. Melvin Watt (D – NC 12)
74. Henry Waxman (D – CA 30)
75. Lynn Woolsey (D – CA 6)
76. Albert Wynn (D – MD 4)

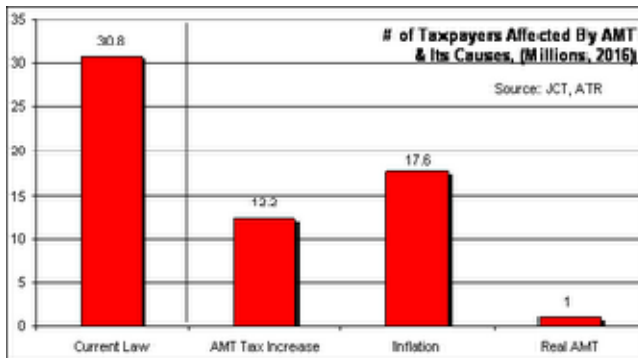


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[HTTP://FRIENDSOFATR.BLOGSPOT.COM/2007/02/CLINTON-PELOSI-REID-AMT-PROBLEM.HTML](http://friendsofatr.blogspot.com/2007/02/clinton-pelosi-reid-AMT-problem.html)

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



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NEWS

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The 1999 Senate AMT Hypocrisy Caucus

106th Congress
HR 2488

[Roll no. 261](#)
August 5, 1999

Link:

http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=106&session=1&vote=00261

HR 2488 addressed the AMT as follows:

Subtitle C--Repeal of Alternative Minimum Tax on Individuals

SEC. 121. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDIVIDUALS.

(a) IN GENERAL- Subsection (a) of section 55 is amended by adding at the end the following new flush sentence:

For purposes of this title, the tentative minimum tax on any taxpayer other than a corporation for any taxable year beginning after December 31, 2007, shall be zero.

The following 37 sitting members of the Senate voted against HR 2488 and the permanent repeal of the AMT by December 31, 2007:

- | | |
|-------------------------------|------------------------------|
| 1. Daniel Akaka (D-HI) | 20. John Kerry (D-MA) |
| 2. Kent Baucus (D-MT) | 21. Herb Kohl (D-WI) |
| 3. Evan Bayh (D-IN) | 22. Mary Landrieu (D-LA) |
| 4. Joseph Biden (D-DE) | 23. Frank Lautenberg (D-NJ) |
| 5. Jeff Bingaman (D-NM) | 24. Patrick Leahy (D-VT) |
| 6. Barbara Boxer (D-CA) | 25. Carl Levin (D-MI) |
| 7. Sherrod Brown (D-OH)* | 26. Joe Lieberman (I-CT) |
| 8. Robert Byrd (D-WV) | 27. Blanche Lincoln (D-AR) |
| 9. Ben Cardin (D-MD)* | 28. Bob Menendez (D-NJ)* |
| 10. Kent Conrad (D-ND) | 29. Barbara Mikulski (D-MD) |
| 11. Christopher Dodd (D-CT) | 30. Patty Murray (D-WA) |
| 12. Byron Dorgan (D-ND) | 31. Jack Reed (D-RI) |
| 13. Dick Durbin (D-IL) | 32. Harry Reid (D-NV) |
| 14. Russ Feingold (D-WI) | 33. Jay Rockefeller (D-WV) |
| 15. Diane Feinstein (D-CA) | 34. Bernie Sanders (I-VT)* |
| 16. Tom Harkin (D-IA) | 35. Chuck Schumer (D-NY) |
| 17. Daniel Inouye (D-HI) | 36. Debbie Stabenow (D-MI)* |
| 18. Tim Johnson (D-SD) | 37. Ron Wyden (D-OR) |
| 19. Ted Kennedy (D-MA) | |

*Denotes a Senator who was a member of the House of Representatives during the 106th Congress.



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The 1999 House AMT Hypocrisy Caucus

106th Congress

HR 2488

Roll no. 379

August 5, 1999

Link: <http://clerk.house.gov/evs/1999/roll379.xml>

HR 2488 addressed the AMT as follows:

Subtitle C--Repeal of Alternative Minimum Tax on Individuals

SEC. 121. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDIVIDUALS.

(a) IN GENERAL- Subsection (a) of section 55 is amended by adding at the end the following new flush sentence:

For purposes of this title, the tentative minimum tax on any taxpayer other than a corporation for any taxable year beginning after December 31, 2007, shall be zero.

The following 141 sitting members of the House voted against HR 2488 and the permanent repeal of the AMT by December 31, 2007:

- | | |
|------------------------------------|--------------------------------|
| 1. Neil Abercrombie (D-HI 1) | 22. James Clyburn (D-SC 6) |
| 2. Gary Ackerman (D-NY 5) | 23. John Conyers (D-MI 14) |
| 3. Tom Allen (D-ME 1) | 24. Jerry Costello (D-IL 12) |
| 4. Robert Andrews (D- NJ 1) | 25. Bud Cramer (D-AL 5) |
| 5. Brian Baird (D-WA 3) | 26. Joseph Crowley (D-NY 7) |
| 6. Tammy Baldwin (D-WI 2) | 27. Elijah Cummings (D-MD 7) |
| 7. Xavier Becerra (D-CA 31) | 28. Danny Davis (D-IL 7) |
| 8. Shelly Berkley (D-NV 1) | 29. Peter DeFazio (D-OR 4) |
| 9. Howard Berman (D-CA 28) | 30. Diana DeGette (D-CO 1) |
| 10. Marion Berry (D-AR 1) | 31. William Delahunt (D-MA 10) |
| 11. Sanford Bishop (D-GA 2) | 32. Rosa DeLauro (D-CT 3) |
| 12. Earl Blumenauer (D-OR 3) | 33. Norman Dicks (D-WA 6) |
| 13. Rick Boucher (D-VA 9) | 34. John Dingell (D-MI 15) |
| 14. Allen Boyd (D-FL 2) | 35. Lloyd Doggett (D-TX 25) |
| 15. Bob Brady (D-PA 1) | 36. Mike Doyle (D-PA 14) |
| 16. Corrine Brown (D-FL 3) | 37. Chet Edwards (D-TX 17) |
| 17. Lois Capps (D-CA 23) | 38. Eliot Engel (D-NY 17) |
| 18. Michael Capuano (D-MA 8) | 39. Anna Eshoo (D-CA 14) |
| 19. Julia Carson (D-IN 7) | 40. Bob Etheridge (D-NC 2) |
| 20. Michael Castle (R-DE AT LARGE) | 41. Sam Farr (D-CA 17) |
| 21. William Clay (D-MO 1) | 42. Chaka Fattah (D-PA 2) |



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43. Bob Filner (D-CA 51)
44. Barney Frank (D-MA 4)
45. Charlie Gonzalez (D-TX 20)
46. Bart Gordon (D-TN 6)
47. Gene Green (D-TX 29)
48. Alcee Hastings (D-FL 23)
49. Baron Hill (D-IN 9)
50. Maurice Hinchey (D-NY 22)
51. Ruben Hinojosa (D-TX 15)
52. Tim Holden (D-PA 17)
53. Rush Holt (D-NJ 12)
54. Darlene Hooley (D-OR 5)
55. Steny Hoyer (D-MD 5)
56. Jay Inslee (D-WA 1)
57. Jesse Jackson (D-IL 2)
58. Sheila Jackson Lee (D-TX 18)
59. William Jefferson (D-LA 2)
60. E.B. Johnson (D-TX 30)
61. Stephanie Tubbs Jones (D-OH 11)
62. Paul E. Kanjorski (D-PA 11)
63. Marcy Kaptur (D-OH 9)
64. Patrick Kennedy (D-RI 1)
65. Dale Kildee (D-MI 5)
66. Carolyn Kilpatrick (D-MI 13)
67. Ron Kind (D-WI 3)
68. Dennis Kucinich (D-OH 10)
69. Nick Lampson (D-TX 22)
70. John Larson (D-CT 1)
71. Barbara Lee (D-CA 9)
72. Sandy Levin (D-MI 12)
73. John Lewis (D-GA 5)
74. Daniel Lipinski (D-IL 3)
75. Zoe Lofgren (D-CA 16)
76. Nita Lowey (D-NY 18)
77. Carolyn Maloney (D-NY 14)
78. Ed Markey (D-MA 7)
79. Carolyn McCarthy (D-NY 4)
80. James McGovern (D-MA 3)
81. Mike McIntyre (D-NC 7)
82. Michael McNulty (D-NY 21)
83. Martin Meehan (D-MA 5)
84. Gregory Meeks (D-NY 6)
85. Juanita Millender-McDonald (D-CA 37)
86. George Miller (D-CA 7)
87. Dennis Moore (D-KS 3)
88. Jim Moran (D-VA 8)
89. John Murtha (D-PA 12)
90. Jerrold Nadler (D-NY 8)
91. Grace Napolitano (D-CA 38)
92. Richard Neal (D-MA 2)
93. James Oberstar (D-MN 8)
94. David Obey (D-WI 7)
95. John Olver (D-MA 1)
96. Solomon Ortiz (D-TX 27)
97. Frank Pallone (D-NJ 6)
98. Bill Pascrell (D-NJ 8)
99. Ed Pastor (D-AZ 2)
100. Donald Payne (D-NJ 10)
101. Nancy Pelosi (D-CA 8)
102. Collin Peterson (D-MN 7)
103. Earl Pomeroy (D-ND AT LARGE)
104. David Price (D-NC 4)
105. Nick Rahall (D-WV 3)
106. Charlie Rangel (D-NY 15)
107. Ciro Rodriguez (D-TX 23)
108. Steven Rotham (D-NJ 9)
109. Lucille Roybal-Allard (D-CA 34)
110. Bobby Rush (D-IL 1)
111. Loretta Sanchez (D-CA 47)
112. Jan Schakowsky (D-IL 9)
113. Bobby Scott (D-VA 3)
114. Jose Serrano (D-NY 16)
115. Brad Sherman (D-CA 27)
116. Ike Skelton (D-MO 4)
117. Louise Slaughter (D-NY 28)
118. Adam Smith (D-WA 9)
119. Vic Snyder (D-AR 2)
120. John Spratt (D-SC 5)
121. Pete Stark (D-CA 13)
122. Bart Stupak (D-MI 1)
123. John Tanner (D-TN 8)
124. Ellen Tauscher (D-CA 10)
125. Gene Taylor (D-MS 4)
126. Bennie Thompson (D-MS 2)
127. Mike Thompson (D-CA 1)
128. John Tierney (D-MA 6)
129. Edolphus Towns (D-NY 10)
130. Mark Udall (D-CO 2)
131. Tom Udall (D-NM 3)
132. Nydia Velazquez (D-NY 12)
133. Peter Visclosky (D-IN 1)
134. Maxine Waters (D-CA 35)
135. Melvin Watt (D-NC 12)
136. Henry Waxman (D-CA 30)
137. Anthony Weiner (D-NY 9)
138. Robert Wexler (D-FL 19)
139. Lynn Woolsey (D-CA 6)
140. David Wu (D-OR 1)
141. Albert Wynn (D-MD 4)



AMERICANS FOR TAX REFORM

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In 1999, the Republican-controlled House and Senate sent President Clinton legislation that repealed the Alternative Minimum Tax (AMT) permanently by December 31, 2007

**Rep. Nancy Pelosi and Rep. Charlie Rangel voted against AMT repeal
Sen. Harry Reid and Sen. Kent Conrad voted against AMT repeal**
(See the full list at www.atr.org)

HR 2488, also known as the *Taxpayer Refund and Relief Act of 1999*, addressed the AMT as follows:

Subtitle C--Repeal of Alternative Minimum Tax on Individuals

SEC. 121. REPEAL OF ALTERNATIVE MINIMUM TAX ON INDIVIDUALS.

(a) IN GENERAL- Subsection (a) of section 55 is amended by adding at the end the following new flush sentence:

For purposes of this title, **the tentative minimum tax on any taxpayer other than a corporation for any taxable year beginning after December 31, 2007, shall be zero.**

Government Printing Office Link: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H7031&position=all

The legislation was introduced in the House on July 13, 1999. During debate on July 21, Rep. Charles Rangel (D-NY), speaking on the House floor, said the following:

“Thank God we have a President that is going to veto this foolishness, and thank God we have a Congress that is not going to override that veto.”

Government Printing Office Link: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H6092&position=all

During debate on August 2, 1999, **Rep. Ben Cardin** (D-MD), speaking on the House floor, said the following:

“This is an irresponsible and reckless proposal.”

“Fortunately, this bill will not become law. That is the good news.”

Government Printing Office Link: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H6802&position=all

On August 5, speaking on the House floor, **Rep. Rangel** said the following:

“Mr. Speaker, I have been in this House and privileged to serve for a long time. I have seen a lot of political things, but I have never seen a sham like the one that we are trying to pull on the American people today.”

Government Printing Office Link: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H7254&position=all

On September 15, the legislation was sent to **President Bill Clinton**.

On September 23, the legislation was vetoed by President Clinton.

In his veto statement to the House of Representatives, **President Clinton** said:

“I am returning herewith without my approval HR 2488, the ‘Taxpayer Refund and Relief Act of 1999,’ because it ignores the principles that have led us to the sound economy we enjoy today and emphasizes tax reduction for those who need it the least.”

--

“The prudent course in the face of these uncertainties is to avoid making financial commitments—such as massive tax cuts—that will be very difficult to reverse.”

--

“As I have repeatedly stressed, I want to find common ground with the Congress on a fiscal plan that will best serve the American people. I have profound differences, however, with the extreme approach that the Republican majority has adopted.”

Government Printing Office Links: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?position=all&page=H8613&dbname=1999_record

http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H8614&position=all

On September 23, the same day **President Clinton's** veto message was delivered to the House, **Rep. Rangel** said the following:

“Mr. Speaker, the President of the United States has the right and obligation to veto any bill that an abusive Congress sends to his desk if he or she believes that the bill, the legislation, is not in the interest of the American people.”

The President of the United States has reviewed this piece of Republican legislation and has vetoed the bill.”

Government Printing Office Link: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H8615&position=all

On September 23, **Rep. Cardin** said the following:

“Mr. Speaker, let me thank the President for vetoing this reckless tax bill.”

“The President made the right choice for the American people. I agree with the President.”

Government Printing Office Link: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=1999_record&page=H8616&position=all



AMERICANS FOR TAX REFORM

GROVER G. NORQUIST

PRESIDENT

Grover Norquist, President of Americans for Tax Reform.

Testimony before the House Ways and Means Subcommittee on Select Revenue Measures

Chairman Neal, Ranking Member English and other members of this subcommittee, I thank you for the opportunity to submit testimony on the Alternative Minimum Tax.

My name is Grover Norquist, and I am president of Americans for Tax Reform. I submit my comments to you today with serious concerns about the effectiveness of the Alternative Minimum Tax and the possible remedies being proposed by Congress.

More specifically, the AMT is worst case example of everything wrong with tax policy in this country. As we all know this tax 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 individual AMT was thus intended to act as a failsafe mechanism to ensure that a small number of upper income individuals had to pay income tax.

But as with just about every other tax, the AMT has gone way beyond hitting only a wealthy few and now we are faced with the possibility of 30 million taxpayers facing this onerous burden. And as our members remind us every year around tax filing season the burden is not just the additional taxes being paid but also the time to comply with the additional paperwork. The important point from the AMT lesson is that over time taxes do not hit just the wealthy as the middle-class always creep into these higher taxes.

Just ask any household with a telephone which has been forced to pay an excise tax for over 100 years when Congress intended the tax to be a tax on the “rich” to pay for the Spanish-American War. The last time I checked America won that war but American taxpayers of all incomes continued to pay the tax. This is also the direction we are headed with the AMT and to a lesser extent the estate tax.

Identifying the Problem

For policymakers to identify the correct remedy of the AMT explosion it is important to understand the true reason this occurred. As we show below, the surge is not the result of the 2001 and 2003 tax cuts but the AMT tax increases of 1990 and 1993 and the failure to index income exemptions to inflation. By our count, 97 percent of AMT payers expected to be paying the AMT in 2016, 30 of the 31 million taxpayers, are paying because of the higher rates enacted in 1993 and the failure to index to inflation at the same time.

In talking about the Alternative Minimum Tax (AMT) a lot of blame has recently been targeted at the tax cuts enacted in 2001 and 2003. The idea behind this is that reducing taxpayers’ regular income tax liability pushed their Alternative Minimum Tax liability higher thus creating this

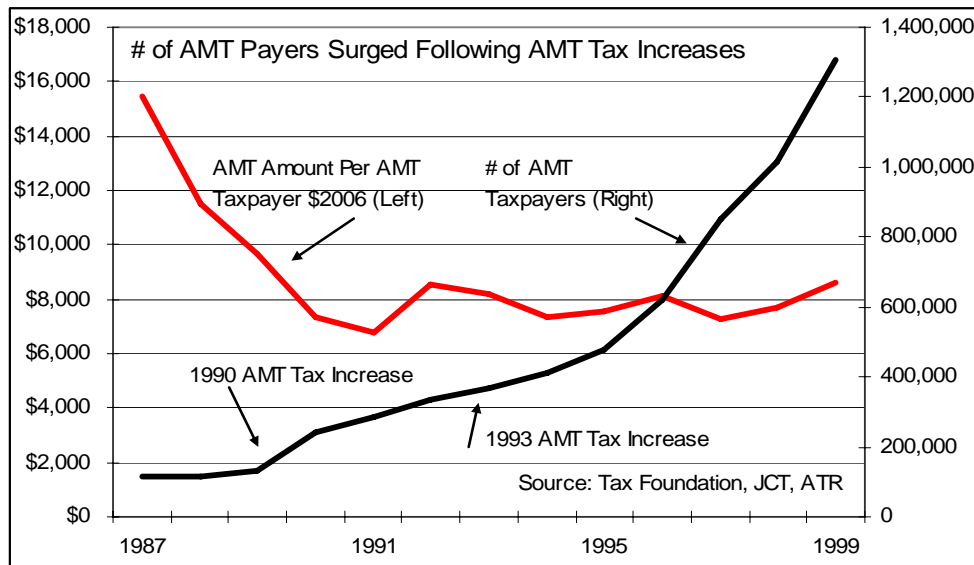
rapid growth of AMT payers. As such, some members of Congress are proposing to eliminate the tax cuts of 2001 and 2003 to fix the AMT problem.

This is simply a race to the bottom whereby Congress' is raising taxes on American middle class families to eliminate a different tax. A more common sense approach would be to just get rid of the AMT in the first place because the tax is not achieving its objectives.

Moreover, the idea that the recent tax cuts have something to do with the recent surge is suspect. On October 29, 1999, the Senate hurriedly inserted a provision in an \$8.5 billion tax package to allow families to use certain tax breaks so that they could avoid paying the dreaded – but surprisingly little-known at the time – AMT. Senate Finance Committee Chairman William Roth (R-DE) and ranking member Sen. Daniel Patrick Moynihan (D-NY) issued a joint statement earlier in the week, declaring “If we fail to extend the AMT relief, millions of middle-income taxpayers will face an unintended and unexpected tax increase.”¹

So this surge of AMT payers was already occurring before the 2001 and 2003 tax cuts. In fact, the surge in the 1990's was dramatic. According to data compiled by the Tax Foundation and analyzed by Americans for Tax Reform, 117,500 taxpayers paid the AMT in 1989 with an average tax burden of \$11,500 per taxpayer (in 2006 dollars). By the time the Sens. Roth and Moynihan issued their press release in 1999 that number had increased more than ten-fold to over 1 million taxpayers. The average AMT liability was \$7,700 (again in 2006 dollars) in 1999 which demonstrates the AMT was slowly creeping into the middle-class. More people were paying but as the incomes of the taxpayers affected were smaller these taxpayers were also paying smaller amounts.

AMT Bracket Creep Was Already Occurring Before 2001 & 2003 Tax Cuts



Sensing this growing problem both the House of Representatives and the Senate voted on August 5, 1999 to repeal the Alternative Minimum Tax as part of the Taxpayer Relief Act of 1999. At

¹ Godfrey, John. “Senate votes to keep tax breaks.” *The Washington Times*. October 30, 1999.

the time the “cost” of repeal was just \$105 billion. Most of the members today complaining about the AMT problem voted against this legislation. Despite their opposition the legislation passed both Houses of Congress only to be vetoed by President Clinton with the common mantra that the legislation was a “tax cut for the rich.” We would not have this “problem” today if that legislation was signed into law by President Clinton.

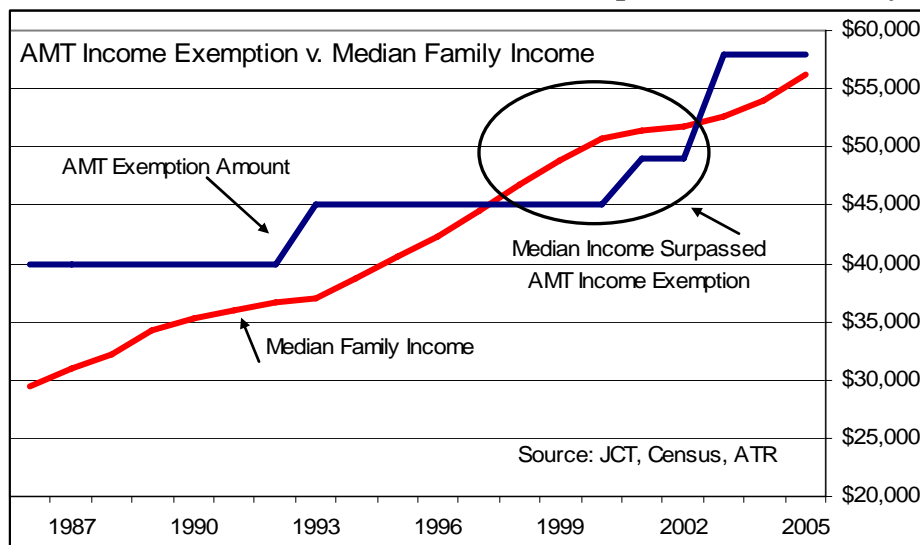
So what caused this dramatic surge? In 1990 and again in 1993 Congress raised the individual income tax. Knowing this would knock off taxpayers off the higher revenue raising AMT and into the regular income tax, Congress also raised the Alternative Minimum Tax rates. This ensured all the people already paying the AMT stayed in the AMT system but also pushed more taxpayers into the AMT.

Following the 1990 AMT tax increase the number of people paying the AMT nearly doubled from 132,000 to 244,000 taxpayers in just one year. In 1993 Congress created a two rate AMT tax system raising the rates from 24 to 26 percent for taxpayers with incomes under \$175,000 and a 28 percent tax rate for taxpayers with incomes over \$175,000. Following the 1993 tax rate the number of taxpayers paying the AMT increased an astonishing 354 percent by the end of 2000.

At the same time Congress failed to index the AMT income exemption for inflation so as taxpayers incomes increased over time more and more taxpayers were hit with the AMT. Even with an inflation index, incomes grow faster than inflation so this would not have solved all the problems but indexing for inflation would have at least mitigated some of the problem.

For example, in 1986 the median family income was just \$29,458 while the AMT exemption was \$40,000. The AMT exemption was lifted to \$45,000 with the 1993 tax increase but by 1997 the median family income was exactly at the AMT income amount. Following 1997, the median income was higher than AMT rate which was a key component to driving the rapid increases in AMT payers.

Failure to Index AMT to Inflation Led To Rapid Rise in AMT Payers



97 Percent of AMT Payers Are Paying Because of the 1993 AMT Tax Increase

According to estimates by the Joint Committee on Taxation (JCT), in 2016 the number of taxpayers paying the AMT will reach 30.8 million. Repealing the 1993 tax increase will remove 12.2 million taxpayers from the AMT rolls. As such 40 percent of all AMT payers are paying because of the higher AMT tax rates enacted in 1993. These higher AMT rates from 1993 will force American taxpayers to pay an additional \$375 billion of taxes from 2006-2016.

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.

Recent inflation protections enacted in 2001, 2003, 2004, and 2006 has kept 17.6 million people from paying the AMT. This runs contrary to the opinion that the recent tax cuts have increased the number of people paying the AMT.

So when adding the two numbers from the higher rates coupled with the inflation protections, 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.

The Impact of the Tax Cuts on AMT

Recently a number of policymakers have suggested that the tax cuts enacted since 2001 has increased the number of AMT payers. This could be the case but not for the reasons suggested. As I discussed above the AMT tax rates were increased correspondingly with increases in the income tax rates. Conversely, when income tax rates were cut in 2001, and again in 2003, AMT rates were not reduced correspondingly. This created an AMT tax liability higher than the regular income tax liability for some taxpayers. As such, the solution to this is not to raise the rates, either income or AMT, but to lower the AMT rates to match the lower income tax rates.

A second reason for the rise in AMT is that the tax cuts created a number of new deductions for the regular income not available in the AMT. Most of these deductions enjoy bi-partisan support such as college tuition tax deduction. Therefore, to fix the AMT problem from the recent tax cuts is to get rid of the deductions that most members support.

The combination of these two factors coupled with the policy failure of the 1993 tax increase is not the reason currently being given as the rise of the AMT. Accordingly, the proposed policy solutions such as increasing higher income tax bracket rates or AMT rates will do nothing to fix the problem. Furthermore, as we have witnessed in the past, lifting income exemption amounts only delays the problem. As incomes grow more and more people will be hit with the tax in the future. This is a situation of a dog chasing its own tail.

Recommendations

- **AMT Repeal. We believe given these factors the Alternative Minimum Tax should be repealed with no offsets.** It is unconscionable that members of Congress who created this problem by raising tax rates and failing to index for inflation and then subsequently voting against repealing this tax six years later are now seeking to rearrange the chairs on the Titanic by forcing nearly \$1 trillion of tax increases to “pay” for AMT repeal/reform. Raising taxes on small businesses to pay for an income exemption that will only sock taxpayers at a later date is a ridiculous proposal. Taxpayers should not be paying this tax today and therefore should not be forced to pay higher taxes from one pocket to reduce their burden on the other pocket.
- **Repeal The Clinton AMT Tax Increase.** Absent repeal without offsets, Congress should repeal the 1993 AMT tax increase to bring the AMT tax rates in line with the regular income tax. We know 40 percent of the AMT taxpayers are paying this tax solely because of the higher rates and these higher rates are generating nearly 50 percent of the revenue. This will not only remove 40 percent of the taxpayers from AMT it will also substantially reduce the amount of AMT taxes for existing taxpayers. Sen. Arlen Specter of Pennsylvania just last week introduced this legislation and I would urge a similar bill in the House and encourage all members to reverse this damaging tax increase.
- **Do Not Raise Taxes Under The Guise of AMT Reform.** Raising taxes to offset the “cost” will result in fewer jobs, a slower stock market, less growth, and ultimately a lower standard of living for all Americans. Any proposal to raise one set of taxes to offset the AMT is unnecessary and growth inhibiting. I urge all members to avoid this avenue.

Thank you for the opportunity to submit my written testimony and I look forward to working with you on ending the Alternative Minimum Tax.



April 17, 2007

The Far-Reaching Tentacles of the Alternative Minimum Tax: A Glimpse at Past Legislation

Executive Summary

- Although Democrats now seem to have vocally united as a party against the Alternative Minimum Tax's (AMT) reach, it was this same party that, when it last controlled both the legislative and executive branches, passed a law to cast the AMT net even wider over the middle class.
- Today, the AMT represents an excessive tax burden for millions of Americans, and one that will grow exponentially if it remains unchecked. In addition to affecting millions of middle-income taxpayers, even the original purpose of the AMT – to target the few who were avoiding tax liability – is frustrated.
- If further action is not taken, it is estimated that the AMT could claim 35 million families and individuals by the end of this decade.
- Changes enacted by Democrat majorities increased the AMT's effect on taxpayers while several attempts by Republicans to repeal or alleviate its effects were opposed by most Democrats.
- In 1993, the last time that Democrats controlled the House, Senate, and Presidency, Congress raised the AMT rates and failed to index the exemption amounts for inflation.
 - But for the 1993 increase and its failure to index for inflation, only 2.6 million tax filers would be subject to an AMT penalty next year rather than the projected 25 million under current law.
- Under Republican control, Congress passed The Taxpayer Relief Act of 1999, which contained a provision to repeal the AMT.
 - With no Senate Democrats supporting it, the bill passed the Senate and Congress only to be later vetoed by President Clinton on September 23, 1999.
- During the recent Budget Resolution debate, three Republican amendments would have reduced or eliminated the impact of the AMT. However, only one Democrat Senator voted "yes" for just one of the three amendments relating to AMT.
- Despite their recent assertions expressing opposition to the AMT's growing reach, the Democrats' record on the AMT indicates a change in message. It is important to provide some perspective as to why the AMT developed into the menace it is today.

Introduction

Since before the November elections, Democrats, in particular, have publicly focused on the need to fix the growing Alternative Minimum Tax (AMT) problem.¹ Numerous Democrats promised to protect the middle class from the snarls of the AMT. However, although Democrats now seem to have vocally united as a party against the AMT's reach, it was this same party that, when it last controlled both the legislative and executive branches, passed a law to cast the AMT net even wider over the middle class. This paper highlights some of the more recent legislative history in order to provide some perspective as to why the AMT is such a menace today.

Background on the AMT

At its inception in 1969, the individual Alternative Minimum Tax (AMT) was intended to address a report by the Treasury Department that 155 high-income Americans avoided paying any federal income taxes in 1966 through the aggressive use of tax deductions and other legal techniques for sheltering income.² Today, by threatening to capture as many as 25 million Americans under current law, the AMT has mutated into a middle-class tax burden.

Since its inception in 1969, more than 20 pieces of legislation have made changes to the AMT. The original AMT rate was 10 percent on amounts in excess of the then-exemption of \$30,000. By 1990, the AMT rate had increased to 24 percent. Today, the top AMT rate is at 28 percent.

The AMT has become both a menace and a misnomer of the American income-tax system. It represents an unfair and oppressive tax burden on American taxpayers. Moreover, its name belies its effect. It is not an "alternative" to the income tax – it is a mandatory, parallel tax system with which taxpayers must comply. And, it is not a "minimum" tax – Americans must pay the higher of their regular income tax or the AMT.

Today, the AMT represents an excessive tax burden for millions of Americans, and one that will grow exponentially if it remains unchecked. If further action is not taken, it is estimated that the AMT could claim 35 million families and individuals by the end of this decade.³ That is a substantial reach from the 3.5 million filers that are estimated to be affected by the AMT in 2006.⁴

¹ "Rangel noted in the interview, a priority for the new Congress should be reforming the alternative minimum tax, a system designed originally to make sure wealthy people cannot avoid paying taxes but which has increasingly affected middle-class taxpayers," *Christian Science Monitor*, *GOP Shifts Back to a Basic Issue: Taxes*, October 18, 2006.

² Statement of Eric Solomon, Assistant Secretary for Tax Policy, U.S. Department of the Treasury, Testimony Before the Subcommittee on Select Revenue Measures of the House Committee on Ways and Means, available at <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5588> (March 7, 2007).

³ Senator Charles Grassley, *Cong. Rec.*, February 12, 2007.

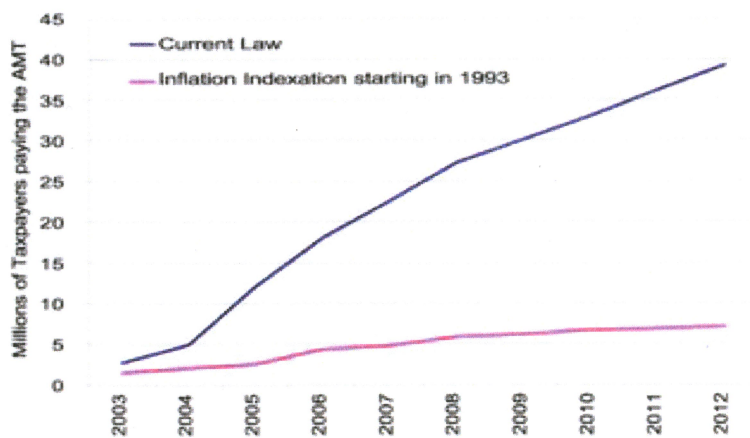
⁴ The large difference in taxpayers affected in 2006 versus 2007 is due to the "hold-harmless patch" that expired at the end of 2006.

1993 Act Broadened the Reach of the AMT

While the Democrats continue their misleading portrayal of the AMT as a problem resulting from the Republican 2001 and 2003 tax relief packages, it is important to look back at other attempts to change the AMT. Changes enacted by Democrat majorities increased the AMT's effect on taxpayers while several attempts by Republicans to repeal or at least alleviate its effects were opposed by most Democrats.

In 1993, the last time that Democrats controlled the House, Senate, and Presidency, Congress raised the AMT rates to their current rates. The Omnibus Budget Reconciliation Act of 1993 created a two-rate AMT tax system, raising the rates from 24 percent to 26 percent for taxpayers with income under \$175,000 and to 28 percent for taxpayers with income over \$175,000.⁵ While the 1993 bill did raise the exemption amounts, the Democrats failed to index the AMT income exemption or the new rate brackets for inflation, a major reason that the AMT entraps so many taxpayers today. Because of the failure to index for inflation, in a ten-year period "this stealth tax hike increased sixfold the number of filers paying the AMT, to nearly 2 million from 300,000."⁶ This 1993 Act passed with *no Republican votes*,⁷ and 30 Democratic Senators who voted for the rate increase (some of whom were then serving in the House) are still in office.⁸

The chart below, from the American Shareholders Association, demonstrates the far-reaching impact of the 1993 law. It compares the number of filers who will be hit by the AMT under current law to the number who would have been hit had the AMT rate not been changed in 1993 and had the exemption been indexed for inflation at the 2005 level (\$40,250 for singles and \$58,000 for joint filers). But for the Democrat Congress' 1993 increase and its failure to index for inflation, only 2.6 million tax filers would be subject to an AMT penalty in 2007 rather than the projected 25 million under current law.



⁵ Public Law 103-66.

⁶ *Wall Street Journal*, "Bill Clinton's AMT Bomb," February 23, 2007.

⁷ U.S. Senate Roll Call Votes 103rd Congress – 1st Session, on H.R. 2264, available at http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=103&session=1&vote=00247 (August 6, 1993).

⁸ Press Release from Americans for Tax Reform, H.R. 2264: Omnibus Budget Reconciliation Act of 1993 – 08/06/1993, available at <http://www.atr.org/content/html/2007/feb/022207pr-amthypocrisy.htm> (February 22, 2007).

Legislation Aimed at Helping Middle-Class Taxpayers

Later in the 1990s, Congress, under Republican control, passed The Taxpayer Relief Act of 1999, which contained the following provision: Section 121, Repeal of the Alternative Minimum Tax on Individuals: “For purposes of this title, the tentative minimum tax on any taxpayer other than a corporation for any taxable year beginning after December 31, 2007, shall be zero.”⁹ With no Senate Democrats supporting it, the bill passed the Senate only to be later vetoed by President Clinton on September 23, 1999. Thirty-seven current Democratic members of the Senate voted *against* the bill.¹⁰ According to President Clinton’s veto statement:

I am returning herewith without my approval of H.R. 2488, because it ignores the principles that have led us to the sound economy we enjoy today and emphasizes tax reduction for those who need it least....The prudent course in the face of these uncertainties is to avoid making financial commitments, such as massive tax cuts, that will be very difficult to reverse....¹¹

Democratic claims that the Bush tax cuts are responsible for much of the current AMT problem are inaccurate. The Economic Growth and Tax Relief Reconciliation Act of 2001 not only provided needed income tax relief, but also provided AMT relief as well. The 2001 act permanently allowed the child tax credit, the adoption tax credit, and the IRA contribution credit to be claimed against a taxpayer’s AMT. In addition, the act increased the exemption amount through 2004.¹² “Since the 2001 tax relief bill, the Finance Committee has produced packages to continue to increase the exemption amounts to keep taxpayers ahead of inflation, with the most recent being the Tax Increase and Reconciliation Act of 2005, which increased the AMT exemption to \$62,550 for joint returns and \$42,500 for individuals through the end of 2006.”¹³

The most recent attempts in the Senate to provide middle-income taxpayers protection from the AMT took place during debate on the Senate Budget Resolution, S.Con.Res. 21. During the debate, three Republicans offered amendments that would have reduced or eliminated the impact of the AMT on American taxpayers. However, nearly all Democrats voted *against* any of the AMT relief amendments, with only *one* Democrat Senator voting “yes” for just one of the three amendments relating to AMT.

⁹ U.S. Senate Roll Call Votes 106th Congress - 1st Session, on H.R. 2488, available at http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=106&session=1&vote=00261 (August 5, 1999).

¹⁰ Press Release from Americans for Tax Reform, H.R. 2488 -- To amend the Internal Revenue Code of 1986, available at <http://www.atr.org/content/html/2007/march/031607pr-1999amtcaucus.html> (March, 16, 2007).

¹¹ President Clinton, Veto Statement of H.R. 2488, September 23, 1999 available at <http://www.lib.umich.edu/govdocs/text/prs92399.txt>.

¹² Public Law 107-16. WFTRA extended the patch through 2005 and TIPRA extended the patch again through 2006.

¹³ Senator Grassley, *Cong. Rec.*, February 12, 2007.

Grassley Amendment #471: To repeal the AMT. The amendment failed, 44-53, with no Democrat voting in favor of the amendment.¹⁴

Sessions Amendment #473: To permit a deduction for personal exemptions for purposes of computing the AMT. The amendment failed, 46-53, with no Democrat voting in favor of the amendment.¹⁵

Lott Amendment #606: To repeal the 1993 Clinton AMT tax increase that generally increased AMT rates from 24 percent to the current two-tiered rate structure of 26 percent and 28 percent. The amendment failed, 49-50, with only one Democrat Senator, Ben Nelson (NE), voting in favor of the amendment.¹⁶

The Rhetoric, Then vs. Now

What the Democrats Used to Say About the AMT

[Republicans] eliminate the alternative minimum tax that guarantees that the wealthiest of Americans will pay some kind of tax. ...[They] give the wealthiest of Americans an exemption from the alternative minimum tax that guarantees fairness.

Senator John Kerry, Floor Statement, August 5, 1999

By raising the income tax rate to 31 percent, phasing out personal exemptions, limiting deductions for taxpayers earning over \$100,000 and increasing the alternative minimum tax, this bill ensures that those with the ability to pay contribute to the deficit reduction package.

Senator Patrick Leahy, Floor Statement, October 27, 1990

We have designed a package to present to our colleagues to try to improve the package, to try to have one that is more fair to the middle class and to the other groups we have identified. We have done that by taking the top rate to 33 percent...increasing the alternative minimum tax for those who seek to avoid tax liability.

Senator Kent Conrad, Floor Statement, October 17, 1990

What the Democrats Now Say About the AMT

The AMT is a looming problem that is impacting hard-working families and for each year that we fail to address the AMT, it gets worse and more expensive.

Senator John Kerry, Floor Statement, May 17, 2006

¹⁴ U.S. Senate Roll Call Votes 110th Congress - 1st Session, on S.Amdt. 471 to S.Con.Res. 21, available at http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=110&session=1&vote=00108 (March 23, 2007).

¹⁵ U.S. Senate Roll Call Votes 110th Congress - 1st Session, on S.Amdt. 473 to S.Con.Res. 21, available at http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=110&session=1&vote=00100 (March 23, 2007).

¹⁶ U.S. Senate Roll Call Votes 110th Congress - 1st Session, on S.Amdt. 606 to S.Con.Res. 21, available at http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=110&session=1&vote=00113 (March 23, 2007).

AMT relief is a critical part of the Senate's version of this bill, and we all must do everything we can to ensure that this tax – which affects middle-class and upper-class taxpayers, above all – is addressed this year.

Senator Charles Schumer, Floor Statement, February 1, 2006

The alternative minimum tax was never intended to apply to middle-class families, and they deserve tax relief.

Senator Edward Kennedy, Floor Statement, February 13, 2006

Conclusion

Despite their recent assertions expressing opposition to the AMT's growing reach, the Democrats' record on the AMT indicates a change in message. Although they now claim to be in favor of alleviating the strain of the AMT, their actions and rhetoric in the 1990s belie that position, and that position was certainly not the case during votes on this year's Budget Resolution. To address the serious problems presented by the AMT today, Congress needs to understand the history of how the AMT developed into the burden it is today, and then take serious steps to eradicate that menace once and for all.



Grover G. Norquist

President

May 15, 2007

The Honorable Phil English
U.S. House of Representatives
Washington, DC 20515

The Honorable Ed Royce
U.S. House of Representatives
Washington, DC 20515

Dear Congressmen English and Royce:

On behalf of Americans for Tax Reform, I write in strong support of your dual-track bills that free millions of Americans from the unfair “Alternative Minimum Tax” (AMT). **Both of these bills are tremendous steps forward, and should be co-sponsored by all of your colleagues.**

H.R. 2253, the “AMT Rate Reduction Act of 2007,” sponsored by Congressman Royce, would repeal the Clinton AMT. As part of his 1993 tax increase, President Clinton increased the AMT top rate from 24% to 28%. The current Congressional Democrat leadership voted to increase the AMT and Bill Clinton signed it. H.R. 2253 would bring the top AMT rate down to 24%, eliminating the Clinton AMT. **This is a great first step toward full AMT repeal, and should be supported.**

H.R. 1366, the “Individual AMT Repeal Act of 2007” is sponsored by Congressman English. This bill would fully repeal the AMT. In 1999, the current Congressional Democrat leadership voted against repealing the AMT, and Bill Clinton vetoed full AMT repeal. **You don’t “fix” a mistake—you correct it. This bill would correct the AMT mistake by killing it dead, and should be supported.**

Both of these bills—repealing the Clinton AMT and killing the entire AMT—are needed to prevent tens of millions of Americans from falling into the AMT trap. **As such, all members should co-sponsor both these vital pieces of legislation.**

Sincerely,

Grover Norquist

CC: United States House of Representatives
GGN:rlc



Grover G. Norquist

President

May 15, 2007

The Honorable Charles Grassley
United States Senate
Washington, DC 20510

The Honorable Arlen Specter
United States Senate
Washington, DC 20510

Dear Senators Grassley and Specter:

On behalf of Americans for Tax Reform, I write in strong support of your dual-track bills that free millions of Americans from the unfair “Alternative Minimum Tax” (AMT). **Both of these bills are tremendous steps forward, and should be co-sponsored by all of your colleagues.**

S. 734, the “AMT Rate Reduction Act of 2007,” sponsored by Senator Specter, would repeal the Clinton AMT. As part of his 1993 tax increase, President Clinton increased the AMT top rate from 24% to 28%. The current Congressional Democrat leadership voted to increase the AMT and Bill Clinton signed it. S. 734 would bring the top AMT rate down to 24%, eliminating the Clinton AMT. **This is a great first step toward full AMT repeal, and should be supported.**

S. 55, the “Individual AMT Repeal Act of 2007” is sponsored by Senator Grassley. This bill would fully repeal the AMT. In 1999, the current Congressional Democrat leadership voted against repealing the AMT, and Bill Clinton vetoed full AMT repeal. **You don’t “fix” a mistake—you correct it. This bill would correct the AMT mistake by killing it dead, and should be supported.**

Both of these bills—repealing the Clinton AMT and killing the entire AMT—are needed to prevent tens of millions of Americans from falling into the AMT trap. **As such, all members should co-sponsor both these vital pieces of legislation.**

Sincerely,

Grover Norquist

CC: United States Senate
GGN:rlc

Beware Trojan Horses

By Grover G. Norquist

Grover G. Norquist is president of Americans for Tax Reform.

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Taxpayers looking ahead to the 110th Congress have much to fear and little to look forward to.

For the past 12 years, the Republican House and Senate have passed and sent to the president a tax cut each and every year. President Clinton vetoed many of those. He twice vetoed the abolition of the death tax. Clinton did sign the cut in the capital gains tax rate from 28 percent to 20 percent, which created the stock market boom that flooded Washington with so much cash that the budget went into surplus. (And much like welfare reform was first pushed by Republicans, Clinton's economic legacy was driven by a tax cut he previously vetoed.)

Since the 2000 election of President Bush, the House, Senate, and president have passed and enacted a tax cut each and every year.

In 2006 there were four tax cuts: the executive branch's slashing of the Spanish-American War tax on phone bills; the permanent tax savings for IRAs and 401(k)s in the pension reform bill; the extension till 2010 of the 15 percent rate on capital gains and dividends; and in the last hours of the session, a grab bag including the liberalization of health savings accounts, the extension of the tax extenders, and various tariff reductions. (Note to Pat Buchanan: Tariffs are taxes.)

The House and Senate now fall into the hands of old bulls that voted against all the tax cuts of the past 12 years. The oldest of the old bulls all voted for Clinton's tax increases of 1993 and even Bush Sr.'s tax increases of 1990.

The entire hospital is run by students of Dr. Kevorkian.

The Democratic leadership has promised that any tax cuts will be "paid for" by tax increases. They have announced that there cannot be a net tax cut for the next two years. We have gone from annual tax cuts to no tax cuts. As long as the Democrats run both Houses, there will be no net tax reduction.

Facing that grim reality, the taxpayers' movement has one goal: to stop any and all tax hikes.

Taxpayers have three potential weapons: First, the president's veto pen (almost brand new, rarely used); second, the ability of Senate Minority Leader Mitch

McConnell, R-Ky., to wield the filibuster as competently as Sens. Tom Daschle and Harry Reid, D-Nev., did for the past six years; and third, the possibility that some of the 61 Democratic congressmen in the 110th Congress elected from districts that gave Bush a majority in 2004 believe a vote for a tax increase would be politically costly. (Thirty-four of those districts voted 55 percent or more for Bush in 2004, when he limped across the finish line with 51 percent of the national vote.)

The threat of a tax increase will not likely appear as a frontal assault with Democrats flying the bold banner of "tax hike" (they tried that in 1993).

There are three possible Trojan horses that could carry a tax increase past the guards.

First is any sort of "Social Security reform" that denied President Bush his stated goal of moving from the current "pay as you go" defined benefit system — a Ponzi scheme — to a fully funded, independently owned, portable personal savings account that allows each young American to save his FICA taxes in his own account. Take personal accounts off the table and the only "fix" left is the one done many times before: Cut benefits and raise taxes. Those increased taxes are free to be spent as general revenues.

The second Trojan horse we can call "tax reform." Before President Reagan, tax reform was always recognized as a code for tax increase.

The third Trojan horse is the promise of abolishing the alternative minimum tax. Since the Democratic leadership is determined to require any tax cut to be taken back with a tax increase elsewhere, the call for abolishing the AMT is really a demand to raise an additional \$1.1 trillion dollars from Americans to "pay" for it.

The debate on the AMT will be helpful to taxpayers. Where did the AMT come from? It was invented by Democratic President Lyndon Johnson and pushed as a class warfare, envy tax because a handful of Americans were not paying taxes despite high incomes — much of that flowing from laws that make interest payments on government bonds tax-free, which itself is a tax subsidy for big government. And later Clinton increased the AMT from 24 percent to 28 percent with the help of yes votes from such Democrats as . . . Rep. Nancy Pelosi, D-Calif., Rep. Charles Rangel, D-N.Y., and Reid.

As a first step, the taxpayers' movement should demand that the Clinton AMT be repealed.

The AMT is the one tax paid by every campaign contributor to the Democratic Party. The AMT hits richer taxpayers in states with high incomes, high property taxes, and high state income taxes — in short, blue states.

Democrats hate the AMT — a Frankenstein's monster of their own creation. But they are willing to "fix" the problem they created only by creating a monster of the same or greater size to ravage America elsewhere. Perhaps, one might guess, in red states.

COMMENTARY / VIEWPOINTS

The terminally optimistic can see a handful of possible tax cuts that could move through even this Congress. First, Congress could reinstate the Invest in the USA Act — the temporary tax cut on repatriated earnings that allowed American companies that earned profits abroad to bring them back to the United States at the cost of just a 5.25 percent tax rather than the higher rates of the regular corporate income tax. When that was done in 2005 under the leadership of Rep. Phil English, R-Pa., some \$300 billion was repatriated and the government took a slice worth \$17 billion over two years. Or Congress could do the Full Monty and move from our current worldwide taxation to a territorial tax system like that in use in the rest of the world. For technical reasons, that good idea actually raises money. Or Congress could significantly liberalize H-1B visas and allow the existing fees for those visas to swell the treasury while reinstating the “brain drain” that has so benefited America.

And lastly, President Bush can follow the lead of Clinton and use his executive branch authority to unilaterally change the rules. Bush could define “cost” in the cost basis of capital gains to be cost plus inflation. Republican Reps. Eric Cantor of Virginia and Mike Pence of Indiana have roughly 100 cosponsors for legislation to do that (HR 6057), but courts have ruled that the executive branch can unilaterally make such redefinitions if they are “reasonable.” That would reduce by half the capital gains subject to tax — a boon for farmers, landowners, and older folks who bought stocks many years ago. President Reagan’s most important tax policy legacy was the indexation of the tax brackets, which has saved taxpayers hundreds of billions of dollars since being implemented in 1984. Indexing the basis for capital gains would be a great legacy — moving America to the ownership society Bush spoke of in 2000.

SAMPLE DRAFT

Presidential Endorsement of Legislation to Rollback the AMT

There are two good ideas on how to repeal the individual Alternative Minimum Tax (AMT), and I endorse both pieces of current legislation:

First, I endorse H.R. 1366 and its companion S. 55, which would completely repeal the individual AMT. The “Individual AMT Repeal Act of 2007” is sponsored by Congressmen Phil English (R-PA) and Senator Chuck Grassley (R-IA). It would fully and permanently correct the AMT mistake by killing it dead. **I urge Congress to support this legislation.**

Second, I recognize that the AMT may have to be killed in pieces. For that reason, I also endorse H.R. 2253 and S. 734. The “AMT Rate Reduction Act” is sponsored by Congressman Ed Royce (R-CA) and Senator Arlen Specter (R-PA). This bill would repeal the Clinton AMT—that is, it would lower the AMT top rate back to 24%, the pre-Clinton level. **I also support this legislation and urge Congress to roll back the Clinton AMT Tax Hike.**

As part of the Clinton tax increase of 1993, the AMT top rate was increased from 24% to 28%. This ensnared millions of American families into the AMT trap. Even more grating, the Republican Congress did indeed pass a full AMT repeal bill in 1999 (a bill opposed by the current Democrat Congressional leadership), but it was vetoed by President Clinton.

I endorse both S. 55/H.R. 1366 and S. 734/ H.R. 2253, and urge Congress to work towards passage of both a repeal of the Clinton AMT tax increase, and to repeal the AMT altogether.

Signed

***2008 Presidential Candidates