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Floor Speeches of Sen. Chuck Grassley
on the Alternative Minimum Tax
Delivered Wednesday, Dec. 5, 2007

Speech 1:

I am pleased that we are finally discussing solutions to the Alternative Minimum Tax problem that is poised to swallow 19 million more tax filers this year. I would have rather gone through this process several months ago, but better late than never. Over the course of the year, I have given many speeches analyzing the AMT, and describing the problem it poses for middle-class taxpayers in great detail. On February 12 I gave a speech on the history of the AMT. On February 13 I highlighted how the AMT affects individual income tax liabilities. On February 15 I discussed ways to reform the AMT and made the case that complete repeal was the best way to deal with the AMT. Incidentally, I made the case that dealing with the AMT one year at a time could be problematic, and current events have proved me right. On March 20 I pointed out that the Democrats' budget had no room for AMT relief; not even one year. On March 22, I explained why we need to repeal the AMT. On April 18, I made an appeal for quick action on the AMT to help taxpayers making estimated payments, who were already paying the price for a lack of action in Congress. On May 14, I explained why AMT relief or repeal should not be paid for with a tax increase someplace else. On May 17, I criticized the conference report for the FY 2008 budget resolution for not realistically addressing the AMT problem. On that same day, I gave another speech exposing how Democratic offsets to AMT relief would result in massive tax increases.

On June 13, I discussed the inadequacy of the lead trial balloons House Democrats were floating as possible fixes for the AMT. This was to make the occasion of second quarter estimated tax payments coming due. On July 24, I introduced legislation to protect taxpayers who should have been making estimated tax payments for 2007 but weren't because they did not realize Congress was failing to protect them from the AMT. On September 19, I marked the occasion of third quarter estimated tax payments coming due by again dissecting the AMT problem and how little Congressional leadership was doing about it.

I just cited 12 speeches delivered on the Senate floor over the past year. That doesn't even include press conferences, Finance Committee meetings, and other events where I have talked about the AMT. I have been talking about the AMT literally all year, and House Democrats finally managed to introduce a bill on October 30, and the Majority Leader turned to it here in the Senate right before the Thanksgiving recess. Democratic leadership cannot blame Republicans for their own failure to

act until almost literally the last minute. As I said, I am glad that we are finally discussing solutions, and Senate leadership seems to realize that AMT should not be offset. I also want to thank my good friend Chairman Baucus for all of his hard work this year, and for several years, to protect middle-class taxpayers from the AMT. Chairman Baucus is doing our country a great service now by trying to work out a compromise between those who want to pay for AMT relief and extenders with a tax increase, and those who are opposed to tax increases. He has consistently avoided bitter partisanship and always works to do the right thing. Those obsessed with paygo, who want to raise more taxes to pay for a tax that was never meant to raise revenue, are punishing the America taxpayer for their obsession.

Unfortunately, right now I can not support a package with roughly \$45 billion in offsets for extenders even though AMT relief is not offset. I am still reviewing some of the revenue raisers, but my issue is not with the raisers themselves. Of course, I will only support a raiser if I think it is good policy, and will not support a raiser simply for the revenues. I am concerned that if we send this package to the House, they will try to use the offsets to pay for AMT relief. The House has shown that it does not respect the need to get 60 votes in the Senate, and I do not expect that to change right now. If the majority leader is serious about reaching a compromise and really respects the minority, as he claims, he needs to get his colleagues in the House on board. I have been around long enough not to make it too easy to stab me in the back.

It is unfortunate that congressional leadership took so long to deal with AMT, and that some are still putting an obsession with paygo and narrow partisan interests over the well being of their own constituents. We can talk until we're blue in the face. The bottom line is we need to change the tax law with respect to the AMT. That law change needs congressional action and a Presidential signature. Anything else is just talk.

Mr. President, I'd like to end with a suggestion that I hope will get all parties to an agreement on changing the law on the AMT patch. By all parties, I'm referring to House Democrats, House Republicans, Senate Democrats, Senate Republicans, and, of course, the President. Without an agreement we won't get a law. Without a law change, 23 million families face an unexpected tax increase of at least \$2,000 per family. Without a law change, we make worse the filing season fiasco for another 27 million families and individual taxpayers.

Here's my suggestion. It is simple and it is in black and white. It is in a letter from Chairmen Rangel and Baucus and Ranking Republicans McCrery and myself. We are the senior tax-writing committee members from the Congress. That letter dated, October 31, 2007, assured Treasury Secretary Paulson and Acting IRS Commissioner Stiff that we would work to pass an AMT patch bill expeditiously. I ask unanimous consent that a copy of the letter be inserted in the record. That letter contains the text that ought to be applied to any proposal in substance or process on the AMT patch legislation. Here's what the sentence says:

"We plan to do everything possible to enact AMT relief legislation in a form mutually agreeable to the Congress and the President before the end of the year."

Chairmen Rangel and Baucus and their ranking members made it clear in the letter. Now, our leaders in both the House and the Senate need to back up their tax writers. We Senators need to

pass a package that is agreeable to the President and the House. What do we all agree on? We agree the patch needs to get done. So, that is the base of what should pass the Senate if we're to get a law enacted. House and Senate Democrats insist on offsets for the patch.

The President and Congressional Republicans disagree. Offsets for the patch are not **mutually agreeable**. They fail the tax writers test. On extenders, the House wants one year. Senate wants two years. President Bush had one year in his budget. Maybe two years might be **mutually agreeable**. On this point, offsets are not **mutually agreeable**. So, it looks to me like the path is clear. We need to make law. To make law, the proposal must be mutually agreeable. The only proposal that is mutually agreeable is an un-offset AMT patch. An un-offset extenders package may be mutually agreeable. Let's get to the law change and end the AMT patch dilemma. I yield the floor.

Speech 2 – Filing Fiasco

Mr. President: The old joke is that you better make certain that the light at the end of the tunnel isn't a train coming at you. Unfortunately, the joke is on the American people when it comes to the upcoming tax filing season. Because of the failure of the leadership in this Congress to act, the taxpayers are going to feel like they've been hit by a freight train come April 15th.

The sad part is this was not necessary. Congress could have done the right thing; Congress could have acted. We have never, in this century, gone this late without having the AMT "patch" in place. The IRS and Treasury have made it clear that the failure to act would cause very real problems in the filing season – in terms of confusion and especially delay in providing taxpayers their refunds.

I am astonished when I hear that some in the Democratic leadership are telling reporters that these claims of a filing fiasco are all a "bluff." The Democratic leadership certainly didn't think the problems of the filing season were a bluff when we were delayed in passing the extenders package last year. I strongly advocated then that we needed to pass the extenders package and warned of its negative impact on the filing season. Democrats joined me in those statements.

Now, the clamor is much smaller with the AMT – which will effect 25 million taxpayers and will be in many ways significantly more disruptive to the filing season than the extenders delay last year. Mr. President – as you can see from this chart – we all know the story of Chicken Little, but every once in a while Chicken Little is right. When it comes to the filing season, the sky is falling.

It is important that my colleagues understand that by failing before Thanksgiving, we have already gummed up the works. As my colleagues can see from this next chart, the deadline of October 15th for finalizing forms and instructions has already passed. We have passed the November 7th deadline for printing the tax forms – as you can also see in the chart – and the absolute drop dead date for printing was November 16th.

Every week that we don't act, this problem will get worse and worse. I should make it clear that we are not only hearing from the IRS that the delays have created a filing fiasco – the tax preparer community is making it clear that the problems are real and they are big. Mr. President, we recently

received a letter from the independent IRS Oversight Board that voiced “grave concerns about the serious risks to the 2008 filing season if legislation to change the AMT is delayed.”

The IRS Oversight Board makes it clear that there is a big, big difference from Congress passing AMT relief this week as opposed to the third week of December. The Board specifically says that another two or three week delay by Congress could mean that another 31 million taxpayers will face a delay in filing returns and that another approximately \$70 billion in refunds could be delayed. These numbers would be on top of the 6.7 million taxpayers who already face a delay in filing returns and the \$17 billion in refunds that are going to be delayed because we haven’t acted to pass the AMT “patch.”

So if we continue to dilly-dally and delay on AMT relief until Christmas it will be a total of 37.7 million return filings delayed and \$86.9 billion in refunds delayed. These delayed refunds aren’t just paper – they represent real money that many working families are counting on to help them to pay the bills, make an important purchase or even have an important medical procedure done. To be blunt, we are already in the soup and it’s a question of how bad its going to get.

Mr. President, I recently joined the ranking member of the Ways and Means Committee in writing to Ms. Stiff, the Acting Commissioner of the Internal Revenue Service, asking that the IRS do the following: 1) take steps to educate taxpayers about the possible changes in the law and tax forms; 2) work closely with the tax preparation community to keep them aware of the IRS to update programming and minimize delays and to encourage the tax preparation community to inform their clients and consumers about likely delays in processing returns and distributing refunds; 3) ensure that all IRS call center employees are fully informed about the status of the tax filing season and can provide accurate and timely information to callers; 4) within available resources, increase staffing of IRS call centers to accommodate the increased call volume that will likely result from taxpayer confusion. I think these steps will allow us to do the best we can with a very bad hand. But there should be no doubt, the real answer is to pass AMT relief and pass it now.

Speech 3: Bush Tax Relief Not Responsible for AMT Explosion

For many years now, and certainly many times this year, I have tried to shed light on the monstrosity that is the Alternative Minimum Tax and how the failure to index the AMT for inflation threatens middle-class taxpayers. While I have consistently fought for full repeal of the Alternative Minimum Tax, I have had to be content with enacting a series of provisions, since 2001, to increase the exemption amounts pertaining to the AMT to prevent new taxpayers from being caught by it. However, similar action has not yet been taken for tax year 2007. Despite plenty of advanced warning, Congressional leaderships’ failure to act means that time for proactive action has already passed.

The IRS is printing tax forms and making other arrangements to process tax returns submitted for the upcoming filing season. Any legislative fix undertaken now to check the advance of the AMT will not eliminate a problem, but will only manage it. Despite being deeply disappointed that Congressional leadership has not seen fit to act faster, I was hopeful that the magnitude of around 19 million additional tax filers paying the AMT for tax year 2007 was finally beginning to hit home.

The AMT finally seemed to be getting the attention it deserved, but recent rhetoric has again put me into a negative frame of mind.

Rather than offer new ideas and insights into how to solve the AMT problem, which in the case of many would be to offer any ideas at all, some of my colleagues are merely recycling the same old and tired talking points of years past. More specifically, I'm referring to the accusation, made by left-leaning think tanks and also by the House Committee on Ways and Means majority, that advocates of tax relief in 2001 and 2003 deliberately used the AMT as a trick to minimize the revenue cost to the federal treasury as a result of those policies. While it is true that some families benefit less from 2001 and 2003 tax relief than they otherwise would have, to say this is by design, as is indeed done in a Committee on Ways and Means press release issued on November 14, is absolutely ridiculous.

Republicans have consistently fought, even before the 2001 tax relief bill, to curtail and eradicate the Alternative Minimum Tax. In 1999, Congressional Republicans passed the "Taxpayer Refund and Relief Act of 1999," which completely repealed the AMT, and this bill was vetoed by President Clinton.

Getting back to the Ways and Means press release of November 14, in it I myself am cited as critiquing President Bush for not doing more in his 2001 and 2003 tax packages to counteract AMT effects. I do absolutely want to make clear that despite my belief that the AMT was also a pressing problem at that time, I wholeheartedly supported tax relief in 2001 and 2003 and still think it was absolutely the right thing to do. In fact, I think the provisions in both bills should be made permanent.

In order to counteract the effect of the AMT, Congress passed and President Bush signed into law a series of provisions to increase AMT exemption amounts to keep inflation from pushing new tax filers into the clutches of the AMT. If Ways and Means Democrats were serious in their implied concern for the effectiveness of 2001 and 2003 tax relief they could do two very simple things. First, House Democrats could make 2001 and 2003 tax relief permanent, second, they could fully repeal the AMT. Of course they have shown no sign of doing either of these two things. In fact, opposition to the 2003 tax relief package was so intense among Democrats that the Vice-President was called upon to break a tie during a vote in the Senate.

The provisions of the 2001 and 2003 tax relief bills were not made permanent because doing so might have made it impossible for the bills to overcome Democratic opposition. I believe that including AMT repeal in those bills would have had the same effect.

Aside from being quoted in the November 14, Ways and Means press release, I found it unintentionally humorous in that it reveals that House Democrats are doing exactly what they accuse Republicans of having done since 2001. While they accuse Republicans of using the AMT as a budgeting gimmick, they are using the AMT as a gimmick to make it appear they are easing the tax burden when they are not.

In the release, Ways and Means Chairman Rangel is quoted saying “The house passed a bill to prevent the AMT from hitting 23 million families this year without hurting the economy by adding to the national debt.”

What this means is that the House is protecting some people from the AMT by subjecting other filers to additional taxes. This is the same as if your community’s animal control officer caught a rabid dog on your street and let it go someplace else across town. Your problem appears to have been immediately solved, but in the longer-term, the fundamental problem still exists. The fundamental problem with the AMT is the massive amount of unintended revenue it is forecast to collect, and the unwillingness of many of my colleagues to forego that revenue.

If Ways and Means Democrats are serious in their appeal to the Administration regarding the AMT to “work with Congress to do the right thing and kill it,” they will abandon any notion that revenues not collected because of AMT relief or repeal ought to be offset.

Finally, I want to address the baseless claim that the Bush Administration’s tax priorities were responsible for the AMT problem on a technical level. This exact point was raised in 2005 by a Democratic Ways and Means staffer in a letter to Tax Notes, a prominent publication for tax professionals. At the time I requested that the nonpartisan Joint Committee on Taxation look into the matter, and their analysis showed that, as I have long maintained, the biggest problem with the AMT was that it was never indexed for inflation.

The response I received from JCT is dated October 3, 2005. I have requested an update of that document and will discuss the updated numbers as soon as they are available. That estimate could be interpreted to indicate that if the Bush tax cuts were repealed AMT revenues could be expected to drop by around \$302 billion or 27 percent at the time. The JCT estimate also found that extending and indexing the hold-harmless provision in effect at the time would reduce AMT revenues by around \$667 billion or 59 percent. Of course, analysis of this question is complicated by the fact that the variables we are examining overlap and interact with each other, but responsible analysis of available information certainly does not support the allegation that the Bush tax relief packages are responsible for the explosion of the AMT.

If anything, House Democrats and their pet think tanks have illustrated the fallacy of using projected revenue reductions as a proxy for percentage causation. I ask unanimous consent that the October 2005 JCT revenue estimate I referred to be printed in the record. As I said, I will discuss the updated numbers as soon as I receive them.

I mentioned earlier that the argument that our recent tax policy is responsible for the wild growth of the AMT is an old and tired argument. The Ways and Means press release of November 14, 2007 refers to a March 6, 2001 letter sent by Mr. Rangel to President Bush. I just talked about a Democratic staffer making the same point in Tax Notes in 2005. I’m not really bothered by these arguments in and of themselves.

They are based on poor analysis, if that, and it is easy for me to respond to them. What does bother me is that clearly many people are more interested in trying to make cheap, political points than

actually dealing with the AMT. If House Democrats really were concerned about the tax burden, they would repeal the AMT without raising taxes someplace else.

I have made the point many times that the AMT was never meant to be a revenue source. It was an unsuccessful attempt to promote tax fairness. This point has not been challenged. Rather, my friends in the House and elsewhere have distorted that argument into a claim that Republicans intended to use the AMT to secretly diminish the impact of the 2001 and 2003 tax relief packages. I have shown how that argument is flawed every time it is dug out of their closet. The AMT certainly is not a secret, but it is a mystery how so many people can engage in so much pointless discussion when what we need now, actually several months ago, is urgent action.