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MEMORANDUM

To: Reporters and Editors
Re: AMT, tax extenders, permanent tax relief
Da: Friday, Nov. 9, 2007

Today the House of Representatives passed the *Temporary Tax Relief Act of 2007* (H.R. 3996), a bill to offer an Alternative Minimum Tax “patch” and extend certain expiring tax provisions. Separately, yesterday the non-partisan Joint Committee on Taxation released an analysis of the *Tax Reduction and Reform Act of 2007* (H.R. 3970), the broader tax bill from the Ways and Means chairman. Sen. Chuck Grassley, ranking member of the Committee on Finance, made the following comment on these developments.

“The House-passed bill is designed to provide prevent an AMT increase for at least 19 million families. Although this comes almost six months later than the actions of previous Congresses on this matter, it’s better than no action at all. The tax-writing committees’ two chairmen and ranking members assured the Secretary Paulson and Acting Commissioner Stiff, on October 30, 2007, that we would work expeditiously to produce this legislation ‘in a form mutually agreeable to the Congress and the President.’ This commitment is important because 23 million families could be facing an AMT tax increase and another 27 million families and individuals could experience very serious delays in refunds to which they’re entitled. Today’s vote proves the legislation the House passed is agreeable to the House Democratic leadership. This legislation may be agreeable to some Senate Democrats. It is, however, not agreeable to the House and Senate Republican leadership and the White House. In that respect, the legislation does not meet the goal its proponents claim to seek – a change in law to protect the almost 50 million taxpaying families and individuals in the upcoming filing season. We have little time left. Congress can’t delay further. This legislation will come to the Senate. I implore the Senate Democratic leadership to follow the standard laid out in the tax-writing committees’ senior members’ letter and work with the Senate Republican leadership to change this legislation to a form that can be passed by the Congress and signed by the President. We need to put the needs of 50 million hard-working, taxpaying American families and individuals above partisan politics.

“On another issue, yesterday the non-partisan Joint Committee on Taxation completed an analysis of the effects of Chairman Rangel’s tax reform proposal. The analysis shows that the legislation, which assumes that the bipartisan tax relief plans of 2001 and 2003 are not extended, results in a tax increase for the overwhelming majority of taxpayers in 2011. [The analysis can be

found at http://republicans.waysandmeans.house.gov/distribution_tables_jct.pdf.]

“The response of some in the House Democratic majority, all of them on record in opposition to the tax relief plans, is that the authors of the bipartisan tax relief intended to place a tax increase in effect with the termination date of the legislation. Nothing could be further from the truth. Because of fierce opposition to the bipartisan tax relief legislation from the Democratic leadership in both bodies, the 2001 and 2003 legislation was passed under budget reconciliation rules. In the Senate, the Byrd Rule requires a supermajority of 60 senators to approve permanent tax relief. Although the legislation enjoyed healthy bipartisan majorities in the Senate, there was not a supermajority of senators who supported waiving the Byrd Rule. The Bush Administration and congressional budgets for all the years where Republicans controlled the Congress provided a path for permanent tax relief. The Democratic congressional leadership opposed those budgets. Consistent with that opposition, the new Democratic majority’s budget assumes termination of the bipartisan tax relief plans.

“The Republican leadership of the House and Senate, while in the majority, made permanent tax relief a top priority. The Democratic leadership, while in the minority, made opposition of permanent tax relief a top priority. The record is clear over the past six years. Introduced legislation, budget votes in the House and Senate, and votes on legislative proposals to make permanent the tax relief are all in the record.

“There were two instances where the congressional Democratic leadership cooperated with the Republican majority and agreed to permanent tax relief. The first was the tax-free treatment of payments to Holocaust survivors. That occurred in 2002. The second was the retirement savings incentives package. That occurred in 2006. In all other instances, the Democratic leadership refused to cooperate and provide the supermajority necessary to waive the Byrd Rule.

“That is the record to date. Even a cursory review of it will show that the assertion by some in the House majority that the bipartisan authors intended to terminate the tax relief is not correct. If the Democratic leadership wants to prevent the tax increase that it now acknowledges is sure to come in 2011, it has the power to reverse course. The congressional Democratic leadership will find a Republican minority more than willing to supply the votes to make the 2001 and 2003 bipartisan tax relief plans permanent. We cannot prevent these tax increases that will otherwise arrive unless the congressional Democratic leadership, now in the majority, walks the walk and brings up the legislation and supplies the votes from their caucuses. As ranking Republican on the Senate Finance Committee, I pledge the cooperation of the Senate Republican Conference in this effort. I eagerly await the response of the congressional Democratic leadership.”