

## Senator Chuck Grassley: Remarks on Lack of Current Year Alternative Minimum Tax (“AMT”) Patch and I

Written by Sen. Charles Grassley  
Thursday, 17 June 2010 07:47

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Last week, I discussed the unfinished tax legislative business. I used this chart. The legislation before the Senate deals with only one small, but important, piece of unfinished tax legislative business. These tax extenders are on their second Senate stop. As the [chart](#) shows, the tax extenders, which are overdue by almost half-a-year, are not alone. There are three other major areas of unfinished business.

One area is the death tax. Another area is the 2001-2003 tax rate cuts and family tax relief package. The third area is the one I'm going to discuss today. It's the Alternative Minimum Tax (“AMT”) patch.

Over the past few years, I'm sure many have noticed that the AMT is frequently a subject of my speeches. Some of you may be wondering how long I intend to keep talking about it. The simple answer is that I intend to keep talking about the AMT until this Congress actually takes action on reforming the AMT.

Instead of taking action, Congress this session has done absolutely nothing and the problem continues to get worse for at least 26 million American families who will be caught by the AMT, and are now being [caught](#) .

When I speak of those now being caught, I am referring to those families who make estimated tax payments and who will be making their second payment today.

Last year, in 2009, a bit over 4 million families were hit by the AMT. I think this was 4 million too

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many, but it is considerably better than the more than 26 million who will be hit this year, in 2010.

The reason we are experiencing this large increase this year is that, over the last 9 years, Congress has passed legislation that temporarily increased the amount of income exempt from the AMT.

These temporary exemption increases have prevented millions of middle class American families from falling prey to the AMT, until now. While I have always fought for these temporary exemptions, I believe that the AMT ought to be permanently repealed. One reason I have previously given for permanent repeal is that it may be difficult for Congress to revisit the AMT on a temporary basis every year, and the current situation is proving me right.

Congress has yet to undertake any meaningful action on the AMT. The budget resolution, passed over a year ago, provided revenue room for a short-term extension of the AMT patch. That was a lot less than President Obama’s budget, which made the patch permanent.

About 18 months ago, much to the criticisms of some on the other side, I made the 2009 AMT patch an issue in the economic stimulus legislation. The reason I did it is that 24 million middle class families would’ve, on average, paid \$2,400 more in income tax for 2009, if the patch had been abandoned. My 2009 AMT patch amendment was adopted in the stimulus legislation by the Finance Committee. That was 18 months ago.

Despite assurances that AMT relief is an important issue, nothing has actually been put forward as a serious legislative solution for this year. No House committee markup or floor action. No Senate committee markup or floor action. This year is about half done. A theoretical discussion is not a substitute for real action, as anyone making a quarterly payment today will attest to.

I’m hopeful that I can get folks on Capitol Hill thinking about the AMT and realize that it is a problem right now. Everyone seems to agree that something needs to be done quickly, but the discussion doesn’t go any further from there. The second quarterly payment is due. Today, taxpayers across the country are under a legal requirement to pay their estimated tax. They will use the form depicted in this [chart](#). I bet I will be here when the third payment comes due, saying largely the same thing.

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Congress doesn't seem to be under any pressure to actually take action. Many on the other side insist that, unlike new spending proposals or extensions of existing spending programs, AMT reform should happen only if it is revenue neutral. That means any revenues not collected through reform or repeal of the AMT must be offset by new taxes from somewhere else. Notice I said “not collected” and not “lost.”

This distinction is important for the simple reason that the revenues that we do not collect as a result of AMT relief are not lost. The AMT collects revenues it was never supposed to collect in the first place. Originally conceived as a mechanism to ensure that high income taxpayers were not able to completely eliminate their tax liability, the AMT has failed. In 2004 IRS Commissioner Everson told the Finance Committee that the same percentage of taxpayers continues to pay no federal income tax.

The AMT was originally created with just 155 taxpayers in mind. Today, at least 26 million middle class families are in the AMT's cross hairs. That's quite a change from 155 rich people.

Finally, if we offset revenues not collected as the result of AMT repeal or reform, total federal revenues, over the long-term, are projected to push through the 30-year historical average and then keep going. The AMT is a completely failed policy that is projected to bring in future revenues that it was never designed to collect.

President Obama met those of us who favor repeal part way by staking out a position on AMT reform during the 2008 campaign. His position provided for a permanent AMT patch. His budgets have maintained that position.

While permanent repeal without offsetting is the best option, we absolutely must do something to protect taxpayers immediately, even if it involves a temporary solution such as an increase in the exemption amount. Of course, if we do that we are going to be in the same fix next year and I will be making the same points again.

Today, Tuesday, June 15, 2010, taxpayers making quarterly payments are going to once again discover that the AMT is neither the subject of an academic seminar nor a future problem we

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can put off dealing with. The AMT is a real problem right now, and if this Congress is really serious about tax fairness it needs to stand up and take action.