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**House Passes Measure Limiting Effect of Alternative Minimum Tax**

**RESOURCES:**

- Bloomberg TV
- Bloomberg Radio
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Dec. 7 (Bloomberg) -- The U.S. House of Representatives passed a measure that would spare 15 million households from a \$30 billion alternative minimum tax increase next year.

The 414-4 vote would renew a temporary law exempting the first \$58,000 of a married couple's income from the minimum tax. House Republicans scheduled the vote a day before acting on a \$56.6 billion budget measure that extends the 15 percent rate on dividends and most capital gains.

"Today, in a bipartisan manner, Congress voted to protect 15.4 million Americans for a stealth tax," Representative Tom Reynolds, the New York Republican who sponsored the legislation, said today.

The House will vote later today on a separate tax measure to approve a new "Gulf Opportunity Zone" that includes tax breaks to help rebuilding in Louisiana, Mississippi, and Alabama, including new bond authority and incentives to rebuild houses.

The three tax items will compete for space in a final budget measure to be negotiated with the Senate that may contain up to \$70 billion in tax cuts. The Senate approved the hurricane and AMT relief provisions in its own budget measure last month a investment tax breaks.

Unless Congress acts, the amount of income exempt from the alternative minimum tax will slip to couple in 2006 and \$33,750 for an individual. That would result in about 18.9 million households up from about 3.5 million this year.

The AMT vote in the House was a difficult one for Democrats, who support limiting the reach of it also complaining that Republicans weren't cutting spending or raising other taxes to prevent the widening a \$319 billion deficit.

"What are Republicans' priorities for relief?," said Representative Charles Rangel of New York, t

Democrat on the House Ways and Means Committee.

Bush Tax Panel

Addressing the alternative minimum tax has taken on new urgency now that U.S. President George W. Bush has postponed action on a major overhaul of the tax system until 2007.

Bush's 2006 budget made no provisions to protect taxpayers from the AMT because he wanted to address the problem as part of a comprehensive overhaul of the tax code that would raise some taxes and cut others without contributing to the deficit. That larger endeavor, people familiar with the matter said, has been delayed for at least a year as officials fear it would prove a hard sell with the public and Congress ahead of 2006 midterm elections.

Bush is "working with Congress" to address the AMT issue, White House spokesman Trent Duffy said, "going to ensure that it's not going to impact middle-income working families and does not take a tax relief the Congress provided in 2001 and 2003," he said.

Republicans and Democrats both cast the AMT issue as a problem for the middle class.

Widening Reach

According to the Tax Policy Center, a nonpartisan Washington research organization, the percent of taxpayers earning \$75,000 to \$100,000 subject to the alternative minimum tax would increase to 29.8 percent from 1.1 percent; the percentage earning \$100,000 to \$200,000 would rise to 63.7 percent from 1.1 percent.

Failing to renew the stop-gap provision would raise taxes next year for 87 percent of Americans earning \$200,000 to \$500,000. Only about 30 percent of people making more than \$1 million would be affected, according to the Tax Policy Center; that's because most already pay at rates more than those of the alternative minimum tax.

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