



House Fixes Alternative Minimum Tax

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FOX NEWS

WASHINGTON — The House voted Wednesday to protect millions of Americans by extending rules for an alternative minimum tax, dubbed by some lawmakers as the "stealth tax" or "the Darth Vader of the tax code."

The tax was created to ensure that wealthy Americans don't abuse tax rules to avoid paying taxes. House members voted 414-4 to spare temporarily middle-class taxpayers from changes to the tax that could hurt them.

"It has drug millions of Americans into a tax that was never, never, never intended to apply to them," said Rep. Earl Blumenauer, D-Ore., before the vote.

The House froze for one year the AMT, originally passed in 1969 to keep the rich from using so many deductions that they could avoid paying taxes altogether. But the alternative minimum tax wasn't indexed for inflation and now 36 years later, it applies to the middle class and would tax them as if they were rich.

"We think it would cost middle American taxpayers about \$2,700 more in paying their federal tax bill," said Rep. Tom Reynolds, R-N.Y., who added that the vote would help protect more than 15 million from paying AMT.

Without the fix, the federal government would have received an additional \$31 billion next year from the middle class.

Once a taxpayer is subject to the tax, they can't take deductions for children, state and local taxes or other deductions.

"They wouldn't know about it until tax day when they learn that the tax exemption they thought they could take, the same tax exemptions we intended them to take, would no longer apply," said Rep. Phil English, R-Pa.

According to today's figures, a married couple with two children would be subject to the alternative minimum tax if they had an income of \$67,000 per year. Couples without children would bump up against the tax at \$76,000.

Democrats said they voted for the legislation because they faced a time crunch. The fix needed to be made before the existing plan expires at the end of 2005. But Democrats complained that they wanted the alternative minimum tax fixed instead of a plan to extend tax cuts for dividends and capital gains, which is scheduled to come up for a vote on Thursday.

Rep. Charles Rangel said Republicans introduced a bill for the AMT fix for only one year rather than finding a permanent fix because it allows them to move to their cuts for the wealthy.

"Is there anybody here in Congress not in favor of this? I'm not aware of anybody," Rangel said. "We're all going to vote for this. And then reality is going to set in and the reality is that this really doesn't mean very much."

"Every year, you kick the can down the road, do it on the cheap," Blumenauer said.

Republicans didn't take kindly to the accusations. "They're scolding us, they're complaining, everything when the bill is a bill they're going to support. Has this House come to that, that you can't even agree with us when you agree with us? Come on, lighten up," said Rep. Clay Shaw, R-Fla.

Democrats say they want to kill an extension of other tax cuts — they say more could be done on AMT. But a permanent fix would cost \$1.2 trillion — something neither party can figure out how to do.

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