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UPDATE: US House Approves Alternative Minimum Tax Relief

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(Adds Baucus comment, details on casino debate.)
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WASHINGTON -- The U.S. House of Representatives easily approved a \$31.2 billion measure Wednesday to prevent the Alternative Minimum Tax from capturing some 19 million people in 2006.

The "Stealth Tax Relief Act of 2005," sponsored by Rep. Tom Reynolds, R-N.Y., was approved 414-4. The House was set to approve two other tax bills later Wednesday, including an \$7.1 billion tax relief package for hurricane-damaged New Orleans and other Gulf Coast communities.

Action on the House AMT bill sets up a conflict with the Senate. The Senate's AMT relief is broader and is contained in a separate bill that enjoys special parliamentary protections under Senate rules.

Democrats such as Rep. Charles Rangel of New York supported the bill but criticized Republicans' decision to move it as a stand-alone measure. That procedural decision opens the bill to amendments in the Senate, which could stall its progress.

"We're just going through this for political reasons," said Rangel. "The Senate is not going to take this up...It could be on the road to nowhere."

The AMT was first created in 1969 to prevent the wealthy from evading income taxes by taking excessive deductions. The tax was never indexed for inflation. Reynolds said the tax now is capturing about 3.6 million taxpayers, including a growing number of middle-income families in high tax states such as New York, New Jersey and California.

Reynolds said his bill would prevent 19 million taxpayers from facing the AMT in 2006. "It has now become a stealth tax sneaking up on unsuspecting taxpayers," Reynolds said.

The House bill extends for one year a \$58,000 exemption from the AMT for married couples and a \$40,250 exemption for singles.

The Senate measure is broader, with a \$62,550 exemption for married couples and a \$42,250 for

singles.

"The House took a good first step to protect middle-income families from the AMT, but their legislation will still leave 600,000 Americans paying higher taxes in 2006," said Sen. Max Baucus, D-Mont., the top Democrat on the Senate Finance Committee.

"We should strive to meet the Senate's standard on AMT now, and work together to repeal this stealth tax altogether," he said.

House Ways and Means Chairman Bill Thomas, R-Calif., said the House is moving a stand-alone AMT relief bill on the assumption the measure would enjoy broad support from Democrats.

But Senate action is unclear. A spokeswoman for the Senate Finance Committee said a stand-alone AMT relief bill could be open to numerous tax amendments, which would stall its progress. Other aides said the bill's fate is uncertain and no decisions would be finalized until the Senate returns from Thanksgiving recess next week.

The Senate's \$58 billion tax bill, which includes AMT relief, has protections under Senate rules that limit amendments and debate and that allow it to be passed by a simple 51-vote margin.

The House later considered a measure to provide more generous expensing and additional bond authority to help Gulf Coast communities rebuild following hurricanes Katrina, Rita and Wilma.

The hurricane relief bill has an estimated \$7.1 billion cost over five years. In a concession to conservative Republicans, the bill excludes casinos and massage parlors from the tax breaks.

Rep. Shelley Berkley, D-Nev., said she was "outraged" about the ban on tax benefits for the gaming industry, a major force in Nevada. Berkley said the gaming industry, which pays millions in state and local taxes and employs thousands of workers, shouldn't be singled out.

"I am very angry we are carving out an exception for one business ... This is a shame, this is an embarrassment," she said. "I hope Congress will come to our senses in conference and ensure every business is treated fairly."

Rep. Frank Wolf, R-Va., won the gambling restrictions after leading a coalition of conservative Republicans. The bill was revised to prevent the new tax benefits from being used for country clubs, liquor stores, massage parlors, private or commercial golf courses, racetracks, casinos and hot-tub and suntan parlors.

Wolf said Congress has placed similar restrictions on these tax benefits in prior bills.

The House also considered another a bill designed to increase the Earned Income Tax Credit for members of the military. Votes on the hurricane and the combat-pay bills are to occur later Wednesday.

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