Congress Passes Middle-Class Tax Relief Legislation

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Washington, DC: Congressman Ron Paul yesterday joined more than 240 of his colleagues in the House of Representatives in voting to pass the Tax Relief Extension Reconciliation Act. This legislation was needed to prevent a tax increase on small business owners, seniors, and married couples scheduled for 2006 and 2008. The bill centers on averting tax hikes on capital gains and dividends, exempting ordinary taxpayers from the alternative minimum tax (AMT), and helping small business owners by extending the Section 179 expensing provision.

"Many of the provisions contained in this legislation were necessary to avoid serious tax consequences for millions of American taxpayers," Paul stated. "Dividend and capital gains tax relief is needed to encourage people to save for their retirements, and the alternative minimum tax is especially harmful. It was never intended to apply to ordinary taxpayers. This legislation takes a small step toward easing the burden on middle class taxpayers."

Specifically, the Tax Reconciliation bill:

-Extends the lower 15% rate for capital gains and dividend income for an additional two years. Mutual fund holders who designate a portion of their dividends as capital gains distribution also benefit from this provision. -Prevents the AMT from ensnaring more middle class taxpayers. It creates a higher AMT exemption level for 2006 ($62,550 for joint filers; $42,500 for single filers). AMT relief is the largest piece of the bill; 15 million middle class taxpayers otherwise would be subject to AMT in 2006. -Allows many non-refundable tax credits to be claimed against AMT, including the mortgage interest credit, the Hope education credit, and the Lifetime Learning credit. -Extends the vitally important small business expensing deduction (Section 179) at $100,000 through 2009.