



H.R. 7005 – To amend the Internal Revenue Code of 1986 to provide alternative minimum tax relief for individuals for 2008

FLOOR SITUATION

H.R. 7005 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Charles Rangel (D-NY) on September 23, 2008. The bill was referred to the House Committee on Ways and Means, but was never considered.

H.R. 7005 is expected to be considered on the floor of the House on September 24, 2008.

SUMMARY

Extension of AMT Relief for 2008: H.R. 7005 raises the alternative minimum income threshold above which taxpayers may be subject to the Alternative Minimum Tax (AMT). The amount of income a taxpayer can make and still be exempt from the AMT is increased to \$46,200 for individuals in 2008 and to \$69,950 for couples that file a joint tax return in 2008. The bill will also extend the AMT relief for nonrefundable personal credits for one year through taxable year 2008 as well as relief for those who have exercised incentive stock options.

BACKGROUND

The Alternative Minimum Tax (AMT) was created in 1969 to ensure that higher-income individuals and families did not utilize the tax code to unfairly avoid tax liability. It serves as a companion tax to the regular income tax. The AMT rates and exemptions, however, have never been properly indexed for inflation, resulting in more and more middle-income earners becoming subject to the AMT.

According to the Congressional Research Service, the AMT impacted fewer than 20,000 taxpayers when first implemented. In 2006 it applied to roughly 4.2 million taxpayers and is projected to affect over 23 million in 2007 unless it is addressed.

The Tax Reform Act of 1986 substantially changed the AMT by increasing the tax rate to 21%, changing the basic exemption amount, broadening the tax base, and revamping the AMT credit. It also introduced a phase-out of the AMT exemption amount for taxpayers whose AMT taxable income exceeded certain limits.

Since 1998, the AMT has been mitigated through temporary provisions allowing certain personal tax credits to offset AMT liability and temporary increases in the basic exemption for the AMT. Congress last enacted a one year AMT "patch" as part of the Tax Technical Corrections Act of 2007 (P.L. 110-172), which passed the House without objection on December 19, 2007, which extended the fix through 2007. On June 25, 2008, the House passed a one-year patch (H.R. 6275) that included tax increases that would increase revenues by \$61.59 billion over the 2008-2018 time period. H.R. 6275 passed by a vote of 233 to 189. The Senate has passed its version of the legislation in H.R. 6049, as amended, by a vote of 93-2 on September 23, 2008.

COST

The bill is estimated to cost \$64.608 billion over 10 years.

STAFF CONTACT



LEGISLATIVE DIGEST

HOUSE REPUBLICAN CONFERENCE | CHAIRMAN ADAM PUTNAM

1420 LONGWORTH HOB, WASHINGTON, DC 20515

www.GOP.gov

PHONE 202.225.5107

FAX 202.226.0154

For questions or further information contact Conference Policy Shop at 6-2302.