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MAKING TAXES SIMPLER & FAIRER AND KILLING THE 'ALTERNATIVE MINIMUM'

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October 25, 2007 -- WASHINGTON has long been a city overflowing with good intentions and, ultimately, bad results. The latest example is the Alternative Minimum Tax, or AMT - Washington's most recent evidence for Will Rogers' age old adage: "Be thankful we're not getting all the government we're paying for."

Be thankful, indeed.

Congress created the AMT in 1969 as a political antidote to public uproar over news that 155 people who, despite earning \$200,000-plus (more than \$1.2 million in today's dollars) were eligible for tax benefits that left them paying little or *no* federal income tax.

Washington's answer: Create a separate, add-on tax system to prevent the abuse. Fast forward to Nancy Pelosi's Washington: This "tax the rich" policy has now spiraled so far out of control that, if ignored in the next few months, it will target - victimize, really - more than *25 million* hard-working *middle-class* families. It will impose on them a tax-hike tidal wave that will drown them before they even get a chance to wave for help. Over the next 10 years, it will raise taxes \$841 billion.

Fact is, there is nothing *minimal* about the AMT as it exists today. Since it is not indexed to inflation, it has grown unreservedly bloated and politically perverse. If Congress fails to act quickly, this absurdly unfair tax will hit roughly half of taxpayers earning \$75,000 to \$100,000 a year, and more than eight in 10 earning \$100,000 to \$200,000 per year - *next* year.

Republicans have tried to fix this problem before. In 1999, the GOP-controlled Congress passed a full repeal of the AMT - but President Bill Clinton greeted it with a swift veto. Democrats applauded; Republicans booed; American taxpayers took the blindsided Beltway blow.

What now?

First and foremost, we need to address this issue *not* as Republicans or Democrats, but as Americans. As a matter of principle, hardworking Americans deserve a break. As a matter of principle, Americans should have a tax code that is fair, simple and consistent. As a matter of principle, Americans should not have to abide by a tax code that is seven times *longer* than the Bible.

Members of both parties have a moral obligation to make these common sense American principles a *priority*. We don't need a Band-Aid, we need *bold* reform. That is why the Republican Study Committee has introduced the Taxpayer Choice Act. This comprehensive reform of individual income taxes has two main goals:

- * It guarantees that middle-class American families are protected from the massive and unforeseen tax hike that the AMT is set to impose by fully repealing the AMT for all Americans.

- * It provides them with the choice and opportunity to become part of a 21st century tax system that is fair, simple, efficient and, above all, *accountable*.

We introduced this as Republicans, but hope to pass it with Democrats - unified in our commitment to ease the tax burden on hard-working families from California to Connecticut. But if Democrats don't join us, we will - on principle - stand alone in standing *up* for American taxpayers.

Unlike other AMT reforms on the table, this plan won't hike taxes for *any* American. And it retains a fair and equitable distribution of federal tax burdens.

In fact, if all taxpayers chose to pay taxes under the Taxpayer Choice Act, the distribution of tax burdens among income groups would remain extremely close to what it is today. That means that once the AMT is put to rest once and for all (and the \$841 *billion* tax hike that it's set to impose is eliminated), this plan was designed to keep federal tax revenue near its historical level as a share of the overall economy.

Above all, this plan offers a choice: Taxpayers can choose the new system or stay with the current tax code. They have the freedom to select the option that *best* suits their particular circumstances. Thus, the act doesn't eliminate *anything* in today's tax code. But it gives individuals the choice of paying under a new, simplified system - where many taxpayers will find that their overall taxes are lower and simpler - or, if they choose, remaining in the current tax system (which lets them keep familiar benefits such as the home-mortgage-interest deduction, the earned-income tax credit, etc. - complications that are eliminated in the simpler alternative).

The advantages of this new code lie in its simplicity, transparency and accountability. It has just two income-tax rates (10 percent for joint income below \$100,000 and 25 percent for income above), *no* special tax preferences and a generous standard exemption. The standard deduction for joint filers is \$25,000, and the personal exemption is \$3,500. A family of four would pay no taxes on earnings up to \$39,000.

We designed the simplified system to be similar to today's tax code in terms of how it distributes the burden across income groups. Thus, as with today's system, roughly 70 percent of its taxes are paid by the top 20 percent of earners.

The act also makes *permanent* the capital gains and dividend tax relief of 2003 - reforms that have a proven record of fueling national economic growth and investment over the last 4 years.

Despite campaigning on promises to reform or repeal the AMT, Speaker Nancy Pelosi and House Democrats have remained silent on the issue for nearly a year. They opted instead to pass a budget that calls for the largest tax hike in American *history*.

The time has come to drop the petty partisan politics and demonstrate real political courage. No more hackneyed soundbites or political stalemates. We have an opportunity - *today and together* - to provide a serious solution to a serious problem that will quite literally benefit millions and millions of American families.

For their sake, we hope Congress is up to the challenge.

Reps. Paul Ryan (Wis.), Jeb Hensarling (Texas), John Campbell (Calif.) and Michele Bachmann (Minn.) are members of the Republican Study Committee, a group of over 100 conservative Republicans in the House of Representatives.