Congress must fix alternative minimum tax

by The Detroit News

Congress should stop its spending spree long enough to at least place a new patch on the dreaded Alternative Minimum Tax before it ensnares millions of middle-class Americans.

If not fixed, the AMT will hit an estimated 23.4 million wage earners with sharply higher tax bills this year, compared with 3.5 million in 2006. Revenues from the tax could rise to $69.8 billion from $23.9 billion last year.

The free spenders in Washington don't deserve such a windfall, and the nation's strained middle class certainly doesn't deserve to be punished further by the federal tax code.

The AMT was passed in 1969 to make sure 400 or so very wealthy taxpayers didn't escape paying income taxes. But it was not indexed to inflation.

So every year, it claims victims deeper into the middle class, which now bears nearly the entire burden of this wrongly named "millionaire's tax." To keep it from becoming even more devastating, Congress has to go through the exercise every couple of years of adjusting the AMT triggers.

If it doesn't do that, by 2010 nearly every family making more than $75,000 a year will be hit by the AMT's extra tax penalty.

Last month, the House passed an outright repeal of the Alternative Minimum Tax. We like that idea, except that instead of adjusting spending downward to compensate for lost revenue, House Democrats opted for a soak-the-rich solution that would add stiff tax surcharges on upper-income earners.

Congress has a tough time making a case that it can't find the money in the budget to relieve taxpayers of this burden.

Consider that it just overrode a presidential veto of a larded-up $23 billion water resources bill, or that Tuesday it earned another veto of a $150 billion health and education bill that also reeked of pork.

Cutting earmarks would nearly replace the $50 billion of revenue lost by patching the AMT again this year.

At the least, Congress should make the alternative minimum tax fix permanent by indexing it to inflation. That would reduce its impact to 3.6 million taxpayers in 2007 and stop the tax's insidious creep.

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