

Give taxpayers this gift

by The Milwaukee Journal Sentinel

Congress appears likely to give millions of taxpayers an early Christmas present this week by exempting them from the insidious alternative minimum tax. Happy holidays.

But wait - ho, ho, ho - there's more.

Lawmakers will likely do that by adding \$50 billion to the federal budget deficit, which would be one more blow to fiscal discipline in Washington and leave a lump of coal in the stocking of every American.

House Ways and Means Chairman Charles Rangel, D-N.Y., said Tuesday he would rather "patch" the AMT for one year than follow his own party's rules that require offsetting any new tax cut with a reduction in spending or a tax increase. The AMT must be patched. This parallel tax system, which originally targeted only the super rich, was never indexed for inflation and has steadily crept down to middle-income earners like an invasive species. Congress has raised the AMT exemption annually since 2001 to spare unsuspecting taxpayers. Without legislation this year, 23 million would be snagged, including more than a third of those earning \$75,000 to \$100,000 a year.

Both the House and Senate agree a patch is needed. They disagree over whether to plug the \$50 billion budget hole that would be carved out if the money isn't collected. Plugging the hole is the only responsible thing to do. Keep in mind that President Bush has counted on AMT revenue that he knows probably will never be collected to make his budgets, and the effects of his tax cuts, look rosier than they are.

The federal deficit has ballooned under Bush to more than \$9 trillion, and federal obligations are growing because of the wars in Iraq and Afghanistan and bills coming due for Medicare and Social Security. The government is paying for much of this by borrowing from foreign investors, an expense that will keep increasing. Budget prudence is needed now.

The House version of AMT relief, HR 4351, ensures that no additional taxpayers will be hit by the AMT and balances the books by closing the loophole that allows hedge fund managers to shelter income offshore.

Pressure is growing to act or risk complicating the tax-filing season. The Internal Revenue Service already has printed tax booklets and is warning that late changes to the tax code could delay refunds.

The House bill remains the best choice. It is simply irresponsible to ignore the cost of tax relief. But either

way, give middle-income taxpayers a gift they'll appreciate come April 15.

Reprinted from The Milwaukee Journal Sentinel â€“ CNS.

Give taxpayers this gift by The Milwaukee Journal Sentinel