



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

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AMERICANS FOR TAX REFORM WILL KEY VOTE H.R. 1308 CONFERENCE REPORT ALL AMERICAN TAX RELIEF ACT OF 2003

Americans for Tax Reform (ATR) will key vote HR 1308 Conference Report in our annual congressional ratings. This legislation includes much needed extensions of existing tax cuts, which includes the following provisions:

1. Extension of child credit at \$1,000 per child
2. Marriage Penalty Relief
3. 10 percent income tax bracket
4. Alternative Minimum Tax Protection

Child Credit. The Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) signed into law by President Bush law June increased the per child tax credit by accelerating provisions scheduled to take effect in later years. Prior to JGTRRA, families with children received just \$600 per child in 2003 and 2004. The new law, however, increased the per child tax credit to \$1,000 for 2003 and 2004 for more than 25 million working family households. Yet, without making this tax cut permanent, this provision will expire and revert back to previous year levels. This legislation will ensure families continue to benefit from the \$1,000 per child tax credit.

Marriage Penalty. Previous tax cuts made changes to the marriage penalty because more than 20 million married couples in America paid an average penalty of \$1,400, not because of a promotion or a raise, but simply because they exchanged wedding vows. The standard deduction for a single person was \$4,550 while married couples together were allowed to deduct a total of only \$7,600. Thus, instead of putting money towards a down payment on a new house or car, hard-working young couples found themselves forced to pay a substantial penalty for expressing their love. This legislation continues to ensure married couples are not punished by the code by extending the provisions.

10 Percent Bracket. Previous tax cuts also created a 10 percent income tax bracket. Without passage of this legislation, the bracket will start to fade until it is totally removed from the tax code. The result is that 73 million families will be paying higher income taxes next year and over the next ten years these families will pay a total of \$2,400 more in taxes. Furthermore, 24 million low-income Americans will experience a 50 percent increase in their taxes if the 10 percent bracket disappears.

AMT Relief. The AMT was created more than 30 years ago as a way prevent high-income taxpayers from avoid income tax payments. However, the failure to index the AMT for inflation has resulted in millions of Americans paying this onerous double tax. As a result, by 2010, one in three American taxpayers will be hit with the shadow AMT tax. In both the 2001 and 2003 growth packages, Congress worked to ensure that new tax cuts would not force more taxpayers in the AMT trap. Yet, the provisions preventing millions of middle-class Americans from being hit with the AMT will expire at the end of the year. This is why this legislation is so critical to prevent these Americans from being hit with an unsuspected tax.

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