



NEWS

AMERICANS FOR TAX REFORM

1920 L Street, NW • Suite 200 • Washington, DC 20036
202.785.0266 • Fax 202.785.0261

WWW.ATR.ORG

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CONTACT: Jonathan Collegio
Tamara Adams
202-785-0266

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Just When We Think We're Out...The AMT Pulls Us Back In

At the very moment President Bush's tax plan phases in, middle class Americans will increasingly pay the Alternative Minimum Tax (AMT), negating the effects of tax relief.

WASHINGTON — When class-warfare politics still dominated America, Congress passed the Alternative Minimum Tax (AMT), which sought to make sure that wealthy Americans paid their “fair” share of taxes. But thirty-three years later, that very tax is hitting the middle class – and hard.

The AMT became law in 1969 after the American public became outraged that 155 wealthy Americans escaped federal income taxes by taking advantage of numerous deductions. **But over the past decade, the number of filers paying AMT increased tenfold to 1.3 million people**, and the next eight years will witness even more pronounced and explosive growth. Indeed, **nearly one out of three tax filers, or an estimated 36 million people, will be subject to the AMT by 2010.**

This tax will be slapped on average American families largely **because the AMT is not indexed for inflation** - consequently, taxes will be pushed upward through bracket creep. Furthermore, **the AMT has an extraordinarily expensive compliance cost relative to the revenue that is generated from the tax.** While consensus is moving toward a simpler tax filing system, the AMT acts in quite the opposite manner, **forcing families to fill out two forms, which adds approximately six additional hours of tax preparation time.**

Taxpayer advocate Grover Norquist, who heads Americans for Tax Reform (ATR) in Washington, said that the AMT threatens to cancel out any benefit arising from the Bush tax cuts. **"The AMT is a relic from the past, and while President Bush's tax cuts ease the pain of taxes for working families, the AMT will kick into effect and punish them for their hard work,"** he said.

When the Bush tax cuts become fully effective, **85 percent of taxpayers with two or more children will have to pay the AMT instead of the regular income tax.** This tax will not target the wealthiest taxpayers as it was intended, but instead affect hard-working middle-class families that could be making as little as \$75,000 per year.

"This is a classic case of Congress not wanting to kill a cash cow," continued Norquist, **"even when the cow has horns pointed at millions of Americans who were never supposed to be milked.**

President Clinton refused to even index this tax for inflation, which is the least that Congress can do for American taxpayers."

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by email at jcollegio@atr.org