Congresswoman Doris Matsui Supports the Alternative Minimum Tax Relief Act

Will Protect Millions of Hard-Working Americans

WASHINGTON, D.C. - Today, Rep. Doris Matsui (CA-05) voted for and hailed passage of the Alternative Minimum Tax (AMT) Relief Act of 2008 (H.R. 6275). The bill is a one-year patch that will protect 25 million families from being burdened with taxes that were never intended to affect the middle-class.

"Hard-working families must be protected from undue taxation that they were never intended to pay. Especially in today's uncertain economy, American citizens must be able to count on their government to provide a responsible shield from unwarranted and unintended taxes," said Rep. Matsui.

Nearly 40,000 people in the Sacramento Region would be hit with the AMT in 2008 without this fix. H.R. 6275 will extend AMT relief for non-refundable personal credits and increase the AMT exemption amount to $69,950 for joint filers and $46,200 for individuals. It will also close tax loopholes, including holding investment fund managers accountable for capital gains, preventing international tax havens for multinational corporations, and scaling back tax breaks for big oil.

Although it was initially designed to affect a limited number of taxpayers, the AMT's reach has grown to affect a greater number of middle-class Americans, with estimates that as many as 30 million taxpayers could be affected in 2010 absent some change. A major reason is that the income levels and rates used to determine the AMT have not been permanently changed since they were enacted in 1993, and those rules were not indexed for inflation.

"The AMT as it stands is placing an unfair liability on American families, especially those who pay high state taxes or have several children. Our tax system must be equitable and just. The Bush tax credits of 2001 and 2003 placed more people in the path of the AMT, and this is a wrong we must right," said Rep. Doris Matsui.

Under the current rules for the AMT, a certain amount of income is exempted and a rate of 26% applies on the first $175,000 of AMT taxable income, while a rate of 28% applies on additional amounts of AMT-taxable income. If the taxpayer owes more under the AMT than under the regular income tax, then they are required to pay the higher amount.

"In Congress, we are working everyday to provide responsible relief to Americans who are feeling the pinch of the economy on their household budgets. The AMT fix is the right thing to do for American families, and will bring much-needed fairness to our tax code," said Rep. Matsui.

Specific offsets to cover the cost of AMT protection for American families:

•· Treats the portion of investment fund profits paid to fund managers in partnerships, which is known as "carried interest," as ordinary income, with tax rates of up to 35%, rather than as capital gains, which have a maximum tax rate of 15% (JCT estimate: raises $31 billion through FY 2018);

•· Denies the "Section 199" domestic production activities deduction for income of the five or six "major integrated oil companies" related to the domestic production of oil, natural gas, and byproducts, while freezing the rate at 6% for such income earned by other firms (raises $13.6 billion through FY 2018);

•· Requires entities that process payment card and third party transactions to file annual information returns with the Internal Revenue Service beginning in 2011 on the gross payments processed for merchants, while also providing a copy to the merchant (raises $9.8 billion through FY 2018);

•· Limits the ability of foreign multinational companies that are headquartered in a country with no tax treaty, or a treaty with less robust benefits, to obtain reduced tax withholding rates under a tax treaty by routing a payment from a U.S. subsidiary through a subsidiary in a country with such a tax treaty, unless a payment to the parent company would also qualify under the treaty (raises $6.9 billion through FY 2018); and

•· Permits the federal government to attach continuous 100% levies to vendors of all types of property and services who have outstanding tax liabilities, not just vendors of "goods and services" (raises $301 million through FY 2018).