

## IRS commissioner favors abolishing tax provision

**By Finlay Lewis**  
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WASHINGTON – The head of the Internal Revenue Service said on Tuesday that he favors junking a provision of the tax law that is looming as a growing threat to the wallets of middle income Americans, including a disproportionate number of Californians.

IRS Commissioner Mark W. Everson told reporters that the alternative minimum tax is "sort of horrific" because of the unpleasant surprise that it offers many unwary taxpayers when they complete their federal returns.

Saying that his main concern is increasing taxpayer compliance with the internal revenue code, Everson said, "Nobody can make a straight-faced argument that says that (the AMT) helps people feel better about paying their taxes, so I agree with all of those who call for a way to get rid of this two-track system."

Everson was referring to a requirement that individual taxpayers in their race against the April 15 deadline recalculate their federal taxes after completing most of the steps under the regular tax law. As mandated by the alternative minimum tax law, they must omit from their recalculations certain popular deductions such as those for state and local taxes and also their personal exemptions. They then owe the federal government the higher of the two amounts.

Studies have shown that California is ranked fourth among all the states in terms of the percentage of its taxpayers who are adversely affected by AMT.

Spurred by media reports, Congress enacted the AMT in 1969 as a way of making sure that wealthy taxpayers would not be able to avoid any federal tax liability by exploiting tax shelters and other loopholes.

But unlike the regular federal tax brackets, the AMT was never indexed for inflation. Over time, that has meant that increasing numbers of taxpayers of more modest means have had their taxes increased by the AMT. By the same token, the tax cuts enacted during President Bush's first term have also had the effect of forcing many taxpayers to pay the AMT by reducing their regular tax liability.

"It seems to me it's sort of horrific that somebody could try to navigate the whole system and get down to the bottom and then we say, "Just kidding. You really have to pay \$2,000 more because of the AMT ..." Everson said.

In a recent study, the nonpartisan Congressional Budget Office found that about two thirds of all middle class taxpayers with adjusted gross incomes between \$50,000 and \$100,000 will owe taxes under the AMT by 2010.

Everson said that fixing or abolishing the AMT was his top item when he testified recently in front of an advisory commission appointed by the president to study changes in the tax law. The panel is to present the White House with its recommendations by mid summer.

His recommendations on the AMT, however, may meet with resistance. Eliminating the AMT entirely would cost the government between \$500 billion and \$600 billion in lost revenue over the next decade, according to CBO estimates.

In addition, some Republican strategists say they are not inclined to assign a high priority to dealing with the AMT since the states most heavily impacted by the tax are mainly those that vote for Democratic candidates.

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