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Real Tax Reform Easy: Kill the AMT

The Intelligencer

Plenty of members of Congress on both sides of the aisle, liberals' class warfare rhetoric notwithstanding, are quick to voice their support for popular tax credits and deductions. Yet at the same time, Congress quietly has allowed a parallel income tax system to grow like Topsy and take an ever-bigger bite out of ever more Americans wallets.

The Alternative Minimum Tax, coming soon to your very own 1040 unless Congress suspends its greed for taxpayers' money and enacts reforms, phases out many tax deductions above certain income levels. State income taxes, for example, are not deductible for those subject to the AMT.

The AMT is actually income tax class warfare at its worst. It was designed to snag a "minimum tax" from a handful of very wealthy individuals who had managed to use legal deductions to reduce their federal tax liability to zero or close to it.

What is particularly galling about the AMT is that it is nearly impossible to determine in advance whether one will be subject to its provisions. Over the years, because AMT thresholds are not adjusted for inflation, as other income tax rates are, the AMT has crept into the tax lives of many decidedly middle-class Americans.

According to the IRS, in 2001 about 1.3 million taxpayers were subject to the AMT. But some 4 million people were subjected to the AMT in 2005, and this year, even if Congress enacts a stop-gap measure to forestall the AMT's worst effects, 5.5 million taxpayers will get a nasty surprise when they calculate their 1040s. Absent congressional action,

the number of people affected by the AMT will leap to nearly 26 million in 2007 and 56 million by 2016.

Congress ought to simply repeal the grossly unfair and unpredictable AMT. Why doesn't it do so? Because it would "cost" too much in the eyes of Washington. This reflects the views that all of Americans' earnings belong first to the government, which will then deign to allow the earners to keep a bit of the fruits of their labor. Yet there is a cost far greater than dollars to a system of taxation that immorally sneaks up on unsuspecting, law-abiding Americans and socks them with an unexpected tax bill.

This year many members of Congress will tout what they have done to provide tax relief or to give tax breaks for certain favored behaviors. The best way to sort the real tax reformers from the snake oil salesmen is to ask them where they stand on AMT rep