

## Bipartisan opposition for AMT, or 'stealth tax'

Contributed by Elana Schor  
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Washington's lexicon is replete with image makeovers, both successful and not. The estate tax became the death tax, but constitutional option has never quite caught on as an alternative to the nuclear option.

Now the stealth tax is rolling off lobbyists' tongues.

But a clever name and growing bipartisan support won't necessarily kill the alternative minimum tax (AMT), as it is properly known. The AMT's tendency to affect blue states first—and, by 2010, an estimated 33 million U.S. taxpayers—means Democrats could find themselves awkwardly asking the Republican leadership to fast-track a tax cut.

Grover Norquist, president of Americans for Tax Reform, certainly hopes so. This is a favor to the blue states, he said. He has coordinated a Zero AMT Caucus on Capitol Hill but adds, Democrats have to explain why a Republican Congress should take time out of their busy schedules to help on this. I'm certainly not in favor of fixing their problems for nothing in return.

The fact that one of the capital's highest profile anti-tax lobbyists adding caveats or conditions suggests that the campaign for repeal may have a long way to go before it bears fruit.

The AMT became a potential problem almost immediately after its passage in 1970, ostensibly to nail a small group of rich individuals who paid no income tax at all. Because lawmakers did not index the AMT to inflation, rising earnings have subjected more Americans each year to the tax.

Congress has gotten into the habit of adjusting the AMT for inflation on an annual basis, folding the changes into budget reconciliation while avoiding the fiscal crunch that a permanent fix or repeal would present.

But this year has been different, with Sens. Chuck Grassley (R-Iowa) and Max Baucus (D-Mont.) signing on Senate Majority Leader Bill Frist (R-Tenn.) to their bill overturning the individual stealth tax—and Reps. Phil English (R-Pa.) and Jim McCrery (R-La.) gaining traction on their bill to undo both the individual and corporate versions.

The corporate AMT traps companies when their profits are down but when they have lots of depreciation, said Monica McGuire, a lobbyist at the National Association of Manufacturers. It strikes companies when they can least afford it—and offers credits for the difference between businesses' regular tax bill and the lump AMT sum they end up paying.

The individual AMT, similarly, traps residents who would be able to deduct state and local income taxes from their regular tax bill but not from the far higher AMT. If the AMT exceeds an individual or business's regular tax bill, the higher amount is due.

Rep. Scott Garrett (R-N.J.) has sponsored bills in the past two sessions to permit state and local income tax to be deducted from the AMT. That would not satisfy the mobilized lobby against corporate AMT, which sometimes finds itself playing second fiddle to its politically expedient individual-AMT counterpart.

We're trying to capitalize, McGuire said. Whenever there's a mention of the individual AMT, we try to piggyback on that and say, Hey, don't forget about the corporate AMT.

The Coalition for Tax Fairness lobbies for repeal of the incentive-stock-options AMT, payers of which can lose money on the options but end up being taxed as if they made real dividends. The coalition uses its own AMT semantics, calling stock-options AMT payers' victims.

They're not professional lobbyists, they're victims, coalition spokesman Doug Larkin said of the group's founders, two of whom spent \$305,000 on AMT lobbying in 2004, according to disclosure forms. The coalition is affiliated with ReformAMT, a grassroots group seeking repeal of the stock-options AMT.

You predominantly see it in high-tax states, such as California and New York, with families who have children. They're being unfairly punished, Larkin said.

Blue-state lawmakers have noted the importance of building coalitions to secure revenue-neutral AMT repeal. Sen. Ron Wyden (D-Ore.), known for his liberalism, is a vocal co-sponsor of the Grassley-Baucus bill.

This is a lot more important than having an across-the-board tax cut, Wyden said. Despite the bureaucratic water torture the AMT inflicts on his middle-class constituents, Wyden had few answers for how to cushion the trillion-dollar budget

blow that total repeal presents. This is just the start of the debate, he said.

And the AMT debate already has potential bargaining chips. Norquist said total phase-out of the death tax, as well as the end of double taxation of dividend income, could be extracted from reluctant Democrats as part of the price for bringing AMT repeal to the floor.

When Democrats apologize for what they did, Norquist said, walk across broken glass, give us something in exchange, then we'll do something about it.

Not everyone on K Street is convinced that this is the year for blowing the cover on the stealth tax, as a Senate Finance Committee hearing called it. One lobbyist very active on the issue said the anti-AMT movement would truly build if the president's advisory panel on tax reform mentions repeal as part of its recommendations, which are due July 31.

There is support for outright repeal, but it tends to be rhetorical support, the lobbyist said. Congress is more interested in selective tax cuts.

Grassley offered a timetable for lobbyists and taxpayers watching the issue.

Something will be done with the AMT in September, Grassley said. I don't know whether it will be my repeal bill, but he added he will keep pushing it to avoid kicking the can down the road and giving the AMT another one-year fix.