

Johnson Proposes ISO Fix As Precursor to AMT Repeal

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While President Bush's tax reform panel continues grappling with how to subsidize total repeal of the individual alternative minimum tax, House taxwriter Sam Johnson, R-Texas, has developed a plan to provide relief to AMT taxpayers with incentive stock option (ISO) woes.

Outright repeal of the AMT is projected to cost roughly \$1.2 trillion across the next decade, a daunting prospect considering the White House wants to keep any legislative short list revenue-neutral. (See p. 383.)

Johnson introduced his latest ISO-AMT fix, the AMT Credit Fairness Act of 2005, last week. The bipartisan proposal was cosponsored by fellow House Ways and Means Committee members Richard E. Neal, D-Mass.; Jim McCrery, R-La.; William J. Jefferson, D-La.; Jim Ramstad, R-Minn.; E. Clay Shaw Jr., R-Fla.; Nancy L. Johnson, R-Conn.; and Phil English, R-Pa., as well as Reps. Zoe Lofgren, D-Calif.; Rob Simmons, R-Conn.; Michael M. Honda, D-Calif.; Michael T. McCaul, R-Texas; Ron Paul, R-Texas; and Jim Gerlach, R-Pa. (For the bill, see *Doc 2005-15589* or *2005 TNT 140-36*.)

The proposal would entitle taxpayers with outstanding AMT credits (four years or older) to claim the greater of either 20 percent of the stored-up credits or \$5,000 per year in refund relief. The bill would also require corporations that provide ISOs as compensation to furnish workers that exercise the options with a Form 1099-like declaration of their expected tax liability by January 31 of the following year.

'This AMT-ISO situation demonstrates, once again, why we should repeal the AMT altogether, but this particular problem deserves attention now,' Johnson wrote his colleagues.

At press time, there was no official cost estimate available for the bill.

While he said he would like to see the AMT repealed, Johnson pressed lawmakers to at least toss a lifeline to investors made subject to the AMT by purchasing overinflated tech stocks only to watch their value plummet.

"This AMT-ISO situation demonstrates, once again, why we should repeal the AMT altogether, but this particular problem deserves attention now," Johnson told House members in a "Dear

Colleague" letter he circulated the week of July 11, adding that the expedited refund structure was "a time horizon that is reassuring to many."

Coalition for Tax Fairness (CTF) President Tim Carlson praised Johnson for taking the lead on the AMT/ISO issue, and held out hope additional members of Congress would climb aboard soon. "We are confident that as more people learn about the unintended effects of the tax code that are causing this injustice, this important bill will gain speedy support throughout Congress," Carlson said in a release.

CTF cofounder Nina Doherty was more effusive, praising the Johnson bill as "a real ray of hope for my family and thousands of other families across the nation who are facing financial ruin from the unintended consequence of the alternative minimum tax as applied to incentive stock options." ■

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