

AMT Opponents, Taxwriters Plot to Put Repeal on the Reform Road Map

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By Any Means Necessary

Support for a new AMT/ISO plan is being urged by representatives of tech workers still struggling with the large AMT bills they received after the stock market crashed and their incentive stock options (ISOs) plummeted in worth are rallying. Under current law, ISO holders recognize no taxable gain at the time of exercise. Instead, income recognition is deferred until the stock is sold. The AMT, however, arises at the point of exercise, producing an on-the-spot tax debt based on the “spread income,” even though gains may have occurred only on paper. The spread is calculated by taking the difference between the exercise price and the fair market value of the stock at the time of exercise.

After four years of lobbying, the AMT/ISO group Reform AMT recently joined forces with the Coalition for Tax Fairness (CTF). Together they have spent the last several months lining up support for a developing AMT/ISO relief measure designed to frontload the recapture of AMT credits while also strengthening compliance by imposing new reporting requirements on both businesses and delinquent taxpayers.

CTF President Timothy J. Carlson and his associates originally proposed a complex stock valuation rewrite, but have since been encouraged by congressional taxwriting aides to repackage the bill using a less complicated refund plan that provides ISO holders with a refundable AMT credit phased in over three years. Carlson said his congressional advisers believe the staggered refund plan might be able to clear the hurdles that have stalled similar AMT/ISO efforts in the recent past.

“If this is what it takes to get it done, it’s a very, very small compromise,” he said, adding that many CTF members “are comfortable with this new approach.”

One lobbyist involved in the AMT/ISO negotiations said McCrery characterized the broader AMT repeal as an “aspirational” objective and called the more narrowly tailored ISO plan a solid, short-term goal, “because you can clearly see the injustice.”

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The lobbyist added that CTF is not worried that outright repeal will undercut the more targeted ISO

approach. “I think you’ve got people pointing out particular problems with the AMT. And now with the larger bill . . . there’s a vehicle for people to say, ‘Let’s just change the whole system,’” the lobbyist said. “So I think at this point, they’re synergistic.” McCrery stopped short of endorsing the still developing ISO proposal, but said the longstanding issue certainly appears opportune.

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McCrery said of proponents of an
AMT/ISO fix.***

“I think from an equity standpoint, they have a reasonable case,” McCrery said, adding that making the bill a revenue raiser “would give us a much better chance to pass it.”

English added, “Whatever additional fix they may need, I think through tax reform we can find a way of accommodating it.”

Carlson said Johnson has so far been the most receptive to the plan, but Carlson noted that he is still working to court potential cosponsors on both sides of the aisle.

A Johnson aide said the taxwriter remains sympathetic to the AMT/ISO problem, but emphasized that Johnson is focused on advancing his Social Security reform legislation (the Individual Social Security Investment Program Act of 2005, H.R. 530) and the newly announced SAVE initiative (a plan to resuscitate Bush’s proposals for lifetime savings accounts (H.R. 1163), retirement savings accounts (H.R. 1162), and employer retirement savings accounts (H.R. 1161)).