



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

June 5, 2006

The Honorable Chairman Charles Grassley
135 Hart Senate Office Building
Washington, DC 20510-1501

Dear Senator Grassley:

The Alternative Minimum Tax (AMT) was approved to create fairness and equity within the tax system. In theory the AMT sets a minimum level of tax that should be paid by a taxpayer. Over the years the AMT has been amended and subject to temporary changes as the number of taxpayers impacted by the legislation grows.

Iowans have recently been impacted by the AMT because incentive stock options are included in the calculation. Iowans whose incentive stock options substantially decreased in some instances owed AMT tax in excess of their net proceeds.

I would ask that you review the AMT and the inclusion of incentive stock options as a preference item to determine if the inclusion creates fairness and equity within the tax system. If you choose to act, the Tax Trailer Bill currently under consideration is a potential vehicle. Your review will help ensure that the tax system in place treats all individuals equally.

Thank you in advance for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Tom J. Vilsack".

Thomas J. Vilsack
Governor

