

STEALTH TAX

RELIEF EXTENSION ACT

Rep. Thomas M. Reynolds (R-NY)



WHAT THE BILL DOES:

- Provides a new, one-year AMT "patch" for 2007 -- a complete "hold harmless"
- Protects more than 20 million middle-class taxpayers from AMT exposure this year
- Specifically, the bill:
 1. Raises the AMT exemption amounts to the levels needed to ensure that no additional taxpayers will pay AMT in 2007
 - Singles: Raises exemption from \$42,500 in 2006 to \$45,100 in 2007
 - Joint filers: Raises exemption from \$62,550 in 2006 to \$66,400 in 2007
 2. Extends through 2007 the allowance of nonrefundable personal credits against the AMT, including:
 - Dependent care credit,
 - Credit for the elderly and disabled, and
 - HOPE Scholarship and Lifetime Learning credits
- Provides this crucial middle-class AMT relief without raising taxes

WHY THE BILL IS NECESSARY:

- Last year, Congress enacted a one-year AMT patch for 2006, which protected more than 15 million middle-class taxpayers from AMT exposure
 - That provision was based on Rep. Reynolds's prior bill -- the "Stealth Tax Relief Act" -- which passed the House by a 414-4 vote on December 7, 2005
- However, that temporary relief expired on December 31, 2006
 - If Congress fails to enact this new legislation, the number of middle-class taxpayers exposed to AMT will explode from 4 million in 2006 to nearly 25 million this year
 - This is because, without a change in law, the exemption amounts are scheduled to revert back to their 2000 levels in 2007: \$33,750 for singles and \$45,000 for joint returns
- While Congress continues to work toward a bipartisan consensus on a permanent AMT solution, the short-term task is clear: Ensuring that middle-class taxpayers are protected against a massive stealth tax increase in 2007 due to the AMT