



Congress' New York tax

The alternative minimum tax could hurt the state's middle class disproportionately

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Congress might pass legislation that would unfairly tax nearly 3 million New Yorkers -- all in the name of tax relief. The Senate can, and must, put a stop to this hoax.

At issue is the alternative minimum tax. A New York Times article printed in this newspaper Sunday carried disturbing news for many middle class families with children -- they may fall under the AMT's reach and have to pay more in federal taxes for 2006 -- up to a total of \$13 billion -- unless Congress acts to provide relief. Some 19 million households could be affected nationwide, according to the Times, but that's not the whole story. The higher tax will fall most heavily on New York households. That's because, as Sen. Hillary Rodham Clinton points out, "New York already has the second highest percentage of AMT taxpayers in the country" and, if nothing is done to reduce the impact of the AMT, nearly 2.9 million New Yorkers will be hit by the tax.

The alternative minimum tax was intended to prevent millionaires from escaping all tax liability by taking advantage of tax shelters and loopholes not available to middle class and lower-income families. That makes sense. That's fair. But the AMT has not been adjusted for inflation since 1969, when it was adopted, and its reach now extends to incomes as low as \$50,000. That makes no sense.

To compound matters, Congress eliminated certain deductions for those deemed liable under the AMT, including those for children and state and local taxes. New Yorkers, of course, pay some of the highest state and property taxes in the nation, so losing those deductions means they would pay a heavier tax than households with similar incomes in low-tax states.

Congress has cushioned the impact of the AMT in recent years. And while both the House and Senate versions of tax relief legislation now in conference committee contain provisions to soften the impact of the AMT, the Senate version is clearly preferable. President Bush also favors extended AMT relief. But as it happens, Mr. Bush and House Republicans also want to extend tax relief for investors who have income from dividends and capital gains. The total is estimated at \$13 billion, the same amount that middle class families would have to pay if there is no adjustment to the AMT. Both Republicans and Democrats in Congress say the nation can't afford both forms of tax relief at a time when budget deficits are at record levels and the war in Iraq rages on.

So a choice must be made. Sen. Charles Grassley, R-Iowa, chairman of the Finance Committee, is not only supporting extended AMT relief, but also expanding it to reach more middle class families. That's the right priority. Paying for investors' tax relief by taking the money from middle class families is unfair and discriminatory.