



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 5, 2004
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 4227 - Middle-Class Alternative Minimum Tax Relief Act of 2004

(Rep. Simmons (R) Connecticut and 6 cosponsors)

The Administration strongly supports H.R. 4227, which extends through 2005 temporary Alternative Minimum Tax (AMT) relief. Specifically, H.R. 4227 would maintain the current AMT exemption amount indexed for inflation through 2005. The Administration is pleased the House is acting now on this important part of the President's Budget.

The 2001 tax bill provided significant income tax relief to America's taxpayers by increasing the child tax credit, providing marriage penalty relief, creating a new 10 percent tax bracket, eliminating the death tax, and reducing tax rates, among other provisions. The 2003 tax bill accelerated much of this tax relief, and also reduced the dividend and capital gains tax rates. In addition, both the 2001 and 2003 bills provided temporary AMT relief to ensure that the AMT did not deny millions of taxpayers the regular income tax relief provided by these bills.

The AMT in its current form was enacted as part of the Tax Reform Act of 1986. It was intended to prevent a relatively small number of high-income taxpayers from utilizing certain tax preferences in sufficient amounts to unduly reduce their annual tax liability. Structural flaws in the AMT have caused the tax's reach to extend to millions of taxpayers, many of whom were not intended to be affected by the AMT and would not be considered to be high-income taxpayers, and the number is expected to rise steadily in coming years. The AMT relief provided by H.R. 4227 will prevent 9.2 million taxpayers from facing the AMT in 2005.

The AMT's widening scope is a long-standing problem. The President has directed the Treasury Department to study the AMT with the goal of producing a long-term solution. To allow Treasury the time to accomplish this effort, the President also called on Congress to extend AMT relief through 2005. H.R. 4227 accomplishes this latter goal.

Therefore, the Administration urges Congress to act by the end of this year to extend AMT relief and to make permanent three other provisions of the President's tax relief program that expire this year – the marriage penalty relief, the increase in the child tax credit to \$1,000, and the increase to the top level of the income threshold for the 10 percent tax rate.

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