

## CNBC NEWS

# Repeal Of AMT: Why Politicians Are Avoiding It for 2012

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Caught in between — and even among — Occupy Wall Street protests for fairer taxes and the Tea Party's cry for a low tax burden, stand the estimated four million people who pay the complicated and confusing alternative minimum tax.

But as a constituency, analysts say, the AMTers will be left behind in the 2012 election because politicians on both sides of the aisle feel there's no advantage to push for an AMT repeal.

"It's not really controversial anymore," says Dan Mitchell, a policy scholar on taxes at the Cato Institute. "Both Democrats and Republicans don't like it, so it's not a partisan issue. There's no real need to focus on it for the election."

Another reason AMT repeal is not a political fire storm in 2012 is that most voters are calling for overall tax reform, not just one piece of it, says Isabel Sawhill, an economist at the Brookings Institution.

"People are assuming and hoping that there will be some sort of restructuring of all taxes," Sawhill explains. "AMT reform is part of that hope. And voters are more inclined to focus on something 'simple' like [Herman Cain's 9-9-9 plan](#). That seems sexier in terms of politics."

An even bigger problem for politicians in a down economy would be replacing the revenue collected from the AMT. [In 1970, the first year of the AMT, some \\$122 million was collected](#). In 2011, it will raise an estimated \$39.1 billion.

"Doing away with the AMT would require replacing a lot of lost tax revenue by increasing regular taxes," says Joseph Perry, partner-in-charge of the Tax & Business Services practice at Marcum LLP. "Asking certain Americans, probably more of the lower to middle income, to make up for the shortfall, would be political suicide."

Created in 1969 and dubbed the "Millionaire's Tax", the AMT was aimed at preventing the very rich — some 155 households at the time — from using loopholes to avoid paying federal income tax.

But over the years, with the elimination of certain exemptions and no adjustment for inflation, the AMT has caught up with taxpayers well below the higher incomes.

**In 2011, an estimated 42 percent of tax filers** with income greater than \$1 million will be affected by the AMT. But nearly 52 percent of those with income between \$200,000 and \$500,000 face the tax while, 0.4 percent of tax filers making between \$75,000 and \$100,000 will more than likely pay the AMT. Even one-tenth of a percent of tax filers below a \$70,000 income will pay.

"So many individual taxpayers find themselves in an AMT position because state and local income taxes and property taxes are not deductible under AMT," says Paul Kushel, a professor of accounting and taxation at Fordham University. "And while marginal tax rates have adjusted over the years for inflation, the AMT has not. Incomes have gone up, but AMT rates have remained where they are pulling more people in."

To help ease some of the financial pain for taxpayers — and avoid voter's wrath — Congress has traditionally passed at various times what's known as an ATM 'patch', which increases the amount of income exempt from the tax.

As part of **President Obama's stimulus bill in 2009**, the patch increased exempt individual income in 2010 from \$46,200 to \$46,700 and married filing jointly to \$70,950 from \$69,950. For 2011, the individual income exemption rate is set at \$48,450 and married filing jointly is \$74,450.

But there is not patch yet in place for 2012, and estimates suggest **20 percent of all taxpayers will face the AMT.**

However, even being 'patchless' for next year —let alone a complete repeal of the tax — isn't lighting any political fires, says Marc Gerson, a lawyer with Miller and Chevalier law firm and whose practice focuses on federal tax policy.

"The patch is a concern to the administration and Congress, but it's not a high priority right now," Gerson goes on to say. "It might become an issue but not until much later, if tax reform fails."

What's left for 2012, say analysts, is an AMT void. With no grassroots effort by AMT repealers and with politicians looking for bigger, 'catchier' tax issues, experts say those caught up in the AMT web had better get used to it for some time to come.

"Given the **economic climate** and the fact that it generates great amounts of revenue, it will not be repealed anytime soon — not until the whole tax system is totally overhauled," says Kushel of Fordham University.