STATEMENT OF ADMINISTRATION POLICY

H.R. 4351 – To amend the Internal Revenue Code of 1986 to provide individuals temporary relief from the alternative minimum tax, and for other purposes
(Rep. Rangel (D), New York)

The Administration strongly supports alternative minimum tax (AMT) relief as proposed in the President’s Budget through an increase in the AMT exemption amounts and an extension of the AMT relief for nonrefundable personal credits. However, as has been communicated previously, the Administration does not believe the appropriate way to protect 21 million additional taxpayers from 2007 AMT liability is to impose a tax increase on other taxpayers. Accordingly, if H.R. 4351 were presented to the President in its current form, the President’s senior advisors would recommend he veto the bill.

In particular, the Administration strongly opposes the bill’s provisions to increase taxes on U.S.-based employees of corporations headquartered in countries with dissimilar corporate deduction rules, subject U.S. companies to continued double taxation by delaying the effect of new rules for allocating worldwide interest for foreign tax credit purposes, and codify the “economic substance” doctrine. Together, these provisions would increase tax burdens, undermining the competitiveness of U.S. businesses in the global economy, and could have adverse effects on the U.S. economy.

The Administration is extremely disappointed that the House of Representatives continues to demand large tax increases as the price for protecting 25 million taxpayers from an unintended, unexpected, and unwelcome tax increase averaging $2,000. The House of Representatives’ stubbornness on this point has already imposed enormous administrative challenges for the Internal Revenue Service (IRS) and all but assured a late filing season and delays for tens of billions of dollars in refund checks. The President proposed AMT relief in February. It is now mid-December. Yet instead of taking up and swiftly passing the Senate Amendment to H.R. 3996 that the President has said he would sign – a “clean” AMT bill that does not raise taxes – the House has chosen further delay, putting even more taxpayers’ refund checks at risk and undermining IRS efforts to have a smooth filing season.

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