

NEWS RELEASE

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AICPA Calls on Congress to Repeal AMT

Offers 13 Recommendations to Reduce AMT Burden if Repeal Is Not Possible

Washington, DC (March 22, 2007) – The American Institute of Certified Public Accountants (AICPA) today called on Congress to repeal the individual alternative minimum tax (AMT), saying that unless Congress acts, 23.4 million taxpayers are likely to be subject to the AMT in 2007. That represents about 26% of individuals paying federal income tax.

Joseph W. Walloch, the Incoming Chair of the AICPA Individual Income Tax Technical Resource Panel, told the House Ways and Means Subcommittee on Select Revenue Measures that “due to the increasing AMT complexity, increasing AMT impact on unintended taxpayers, and AMT compliance problems, the AICPA supports repealing the individual AMT altogether.”

However, he said the AICPA recognizes that “simply eliminating the AMT would generate a new set of problems given the large loss of tax revenue that would accompany such a move.” Consequently, Walloch urged Congress to consider the AICPA’s “baker’s dozen of alternative solutions that AICPA believes would reduce or eliminate most of the complexity and unfair impact of the AMT as currently imposed.”

Walloch said, “Our recommendations include eliminating personal exemptions, state income taxes, medical expenses and miscellaneous itemized deductions including job related costs as AMT preferences, as well as allowing all personal credits against the AMT.”

The AICPA’s 13 recommendations to relieve the AMT burden are:

- Increase and index for inflation the AMT brackets and exemption amounts, and eliminate phase-outs.
- Eliminate the standard deduction and personal and dependency exemptions as adjustments to regular taxable income in calculating AMT.

- Eliminate miscellaneous itemized deductions as an adjustment to regular income tax so that middle income taxpayers are able to deduct such items as employee business expenses for AMT.
- Eliminate the AMT medical expense adjustment so that middle income taxpayers are allowed the same amount of medical expenses for both regular tax and AMT.
- Eliminate state and local income, and other taxes as an adjustment.
- Allow tax credits enacted to promote important public goals – such as the low-income tax credit, tuition tax credits, etc. – to be credited against AMT liabilities.
- Exempt all taxpayers with regular tax AGIs under \$100,000 from AMT.
- Have only one AMT tax rate and set that rate to below the third lowest regular tax rate of 25 percent.
- Require the impact of AMT on future tax legislation, i.e., whether the intended tax benefits of any change are negated by the AMT regime, to be reported with the revenue impact of proposed legislation.
- Allow a minimum tax credit for *all* AMT, not just AMT attributable to deferral preferences in order to place the individual AMT on parity with the corporate AMT.
- Liberalize the capital loss limitation rules when calculating AMT associated with incentive stock option (ISO) transactions (e.g., specifically allow a negative basis adjustment for ISO differences to be ordinary rather than capital loss).
- Eliminate the definition of “qualified housing interest” and allow all deductible residence interest as a deduction for AMT.
- Exclude AMT from the estimated tax penalty.

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with approximately 330,000 members, including CPAs in business and industry, public practice, government, and education. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

Headquartered in New York, the AICPA also maintains offices in Washington, D.C.; Durham, N.C.; and Lewisville, TX.

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