

AMT FIX OR TAX HIKE

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The most powerful committee in the House of Representatives is Ways and Means. Members of the caucus wield the most powerful instrument in the United States, the tax code. This past month Chairman Charles Rangel outlined what is being dubbed in many outlets as the "Mother of All Tax Hikes." This is the largest individual income tax increase in history.

Read them and weep...

The bill will add a 4% surtax on individual Americans earning more than \$150,000 a year, \$200,000 for couples. This is in addition to the expiration of 2001 and 2003 tax cuts. So under the Democrat plan over the next several years, the individual income top tax rate will rise from 35% to 44%. By way of comparison: There are 29 countries in the organization for Economic Cooperation and Development, which for all intents and purposes are the worlds most developed nations. The average top marginal rate for those countries is 35.7%. Only five OECD countries would have higher top marginal tax rates, if the current Democratic plan is passed.

Most small businesses, (which just so happens to be the greatest originator of jobs in our country) are set up as either S corporations or limited liability companies. This in turn means all their profits pass through directly to their owners. They will be grossly affected by a rate increase of this magnitude.

This tax as well is on adjusted gross income, not taxable income. This means that the bill will chop the value of various tax deductions such as mortgage interest, charitable giving, medical expenses, state and local taxes, and the standard deduction. Also, consider the penalty for being married; the surtax kicks in for individuals at \$150,000 and \$200,000 for couples.

The Democrats are selling this tax as an AMT fix. Their "PAYGO" system requires tax increases for any tax cuts. The AMT was never designed to affect the middle-class. However, since it was never indexed, it does. The AMT "*mistake*" is being replaced by another at a cot to taxpayers of \$3.5 trillion. There has been a lot of talk about recession lately in the financial press of late. If you want a surefire to get to destination recession, tax increases are a first class express ticket.