



October 15, 2007

Give Taxpayers A Choice

Dear Colleague:

The Alternative Minimum Tax (AMT) was created in 1969 as a mandatory add-on to the existing tax code to prevent 155 of the very wealthiest taxpayers from lowering their tax bills using the available deductions and credits. However, because the AMT exemption is not adjusted for inflation, 3.5 million taxpayers were subject to the AMT in 2006, and tax organizations estimate that 23 million taxpayers may be subject to the AMT in 2007.

But repealing the AMT is not enough—because that still leaves American taxpayers forced to wade through a complicated, burdensome tax code every year. Taxpayers not only deserve tax relief through a full repeal of the AMT—but also deserve a choice in the way they calculate their taxes.

That's why we've introduced the **Taxpayer Choice Act** (H.R. 3818), which would do three simple, yet powerful things:

1. Immediately, fully, and permanently repeal the current AMT;
2. Make permanent the current capital gains and dividends tax rates; and
3. Create a voluntary Simplified Tax that would give individuals the option of paying under a highly simplified income tax system or under the regular income tax as it is structured now.

The Simplified Tax would have no special deductions or exemptions—except for a \$25,000 standard deduction for couples (\$12,500 for individuals) and a \$3,500 per-family-member exemption. In other words, a family of four earning \$39,000 a year would owe zero federal tax under the Simplified Tax. The Simplified Tax would have two rates: 10% on all income up to and including \$100,000 and 25% on all income above \$100,000 (all dollar figures adjusted for inflation).

Taxpayers would have until tax-year 2016 to decide which tax system under which they want to file and would be allowed one subsequent chance to change their minds with no questions asked. Taxpayers could also change their tax systems any time a life event—like marriage, divorce, or death—forces a change in tax filing status.

In sum, the Taxpayer Choice Act would give taxpayers the choice of paying either higher tax rates with more available deductions (the regular tax structure in current law) or lower tax rates with no special deductions (the Simplified Tax).

Unlike other proposals being floated, the Taxpayer Choice Act would not raise taxes on anyone and would not engage in class warfare. The only rationale for “paying” for an AMT repeal with offsetting tax increases on other people and businesses is the belief that the government somehow *deserves* the higher tax revenues from the AMT. We don’t believe that—and we don’t think most Americans believe that.

Under the Taxpayer Choice Act, a taxpayer would no longer be forced to make a second calculation to pay a higher tax bill. Rather, under our proposal, a taxpayer would have the choice of which system yields him a lower tax bill.

For more information, or to co-sponsor the Taxpayer Choice Act (H.R. 3818), please contact Paul Teller at paul.teller@mail.house.gov or Tim Flynn at tim.flynn@mail.house.gov.

Sincerely,

Rep. Jeb Hensarling

Rep. Paul Ryan

Rep. John Campbell

Rep. Michele Bachmann