

Last week, the House passed a major tax bill to provide immediate relief for 23 million Americans at risk of paying the Alternative Minimum Tax (AMT) – a tax originally designed to ensure fairness in our tax system, but which every year threatens to hit more taxpayers who were never intended to pay the tax.

The AMT was originally put in place 38 years ago to ensure that the wealthiest taxpayers didn't take advantage of loopholes to avoid paying their fair share. However, because the tax wasn't indexed for inflation and has not been adjusted to reflect changes in the tax code, the AMT threatens to ensnare more middle-class taxpayers every year.

That is why it was so crucial for Congress to act when it did. Without a fix, the nonpartisan Congressional Research Service reports that a family of four earning \$66,000 will be hit by the AMT this year. In 2005, more than 117,209 families in Maryland's Fifth Congressional District paid the AMT. Without a fix, that number will skyrocket to more than 670,000 families in 2007 – an astounding 471 percent increase. Enacting the tax relief package will save 553,000 families in the Fifth District from paying the AMT.

In addition to preventing unsuspecting families from the AMT next year, the tax relief bill extends and expands critical tax breaks for middle-class Americans, and includes provisions important to bolstering the economy. It will benefit 155,000 Maryland families by expanding the child tax credit; help 115,412 Maryland families better afford college with a tuition deduction; and extends a program which enables the 72,639 educators in Maryland to receive a deduction for out-of-pocket classroom expenses.

The legislation also extends the Research and Development tax credit to promote innovation and high-paying jobs. This credit benefits companies of

all sizes and across all sectors and encourages companies to keep their research and development, and the related jobs in America, at a time of growing global competition. It also provides \$8 billion in tax relief for real estate to shore up the sagging housing market - including tax relief for millions of homeowners suffering from the current housing crisis and providing up to 30 million homeowners with property tax relief.

And the legislation helps restore tax fairness and – once again – demonstrates that this Congress is committed to fiscal responsibility. Unlike AMT patches of the past, the fiscally responsible bill adheres to Congressional budget rules that require the federal government to pay for any new spending or tax cut. The legislation is completely paid for by closing tax loopholes that allow a privileged few on Wall Street to pay a lower tax rate on their income than other hardworking Americans, such as teachers and firefighters.

Under the bill, investment fund managers and private equity professionals would no longer receive a lower capital gains rate of 15 percent for what is essentially a management fee or payment for services, but instead would pay ordinary tax rates. The bill does not affect the tax rate on profits that fund managers make on investments with their own money and does not affect the other investors in these funds. It simply treats the “carried interest” earnings of private equity professionals as regular income taxable at the ordinary 35 percent top-income rate that high-earning employees in other industries must pay. Most economists, including officials in the Bush and Reagan Administrations and the Congressional Budget Office have said that carried interest should be taxed at the same rate as other compensation for such services.

President Bush, however, is threatening to veto this critical tax relief package because he objects to closing the carried interest loophole benefiting a privileged few in order to give millions of middle-class earners a tax break. This is clearly the wrong set of priorities for our country and for

our middle-class.

A tax system that embraces equity and fairness is a central issue for this Congress. In the months ahead, we will look beyond annual AMT fixes to enact bipartisan tax reforms that simplify our tax code and put money back in the pockets of America's working families.