

WASHINGTON, D.C. – The U.S. House of Representatives today passed a major tax relief bill to protect 23 million Americans from the Alternative Minimum Tax (AMT), while offering middle-class tax credits to tens of millions. The legislation would spare an estimated 553,000 Maryland taxpayers from paying the AMT when they file their federal taxes next year. It does so in a fiscally responsible way by closing an unfair tax loophole that benefits a privileged few who are not paying their fair share of income taxes.

“House Democrats are committed to protecting 23 million middle-class families from being forced to pay the alternative minimum tax – a tax that epitomizes what is wrong with our federal income tax code,” said Congressman Steny H. Hoyer. “This tax relief bill will prevent the AMT from unfairly reaching into the pockets of hundreds of thousands of middle-income families in Maryland, while also extending tax credits and deductions that will benefit a wide array of people and the economy.”

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 of taxes. However, because the tax wasn't indexed for inflation and has not been adjusted to reflect changes in the tax code, the AMT today threatens to hit more middle-class taxpayers every year. Without an AMT fix, 2007 AMT returns in Maryland are projected to be around 670,000, a 471% increase from the 2005 filing number of 117,209. The Democratic House bill saves those who were never intended to pay the AMT, including 552,000 Marylander taxpayers.

“The AMT is outdated and unfair. When it went on the books in 1969, it was intended to ensure that wealthy taxpayers paid their fair share,” stated Rep. Hoyer. “But today – because it was never indexed for inflation – it threatens to ensnare millions of middle-income families.”

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 the economy.

The impact of included tax credits and deductions for Maryland taxpayers is listed below. Estimates based on 2005 filing data.

- Child Tax Credit – 155,000 Maryland families will benefit from an extension of the Child Tax

Credit, which increases eligibility for 2008.

- College Tuition Deduction - 115,412 Maryland families will receive help with rising college costs by being able to deduct up to \$4,000 in higher education expenses.
- Deduction for Teachers' Expenses – 72,639 educators in Maryland will benefit from the deduction for out-of-pocket classroom expenses.
- Sales Tax Deduction– 58,511 taxpayers will benefit from a deduction for state and local sales taxes.
- Research and Development Deduction for Small Business - 339 small businesses will receive tax relief for investments made in research and development.
- Tax Exemption for Combat Pay - 260 Maryland troops in combat will benefit under the Earned Income Tax Credit.

On Thursday, Baltimore teacher Judy Frumkin joined Rep. Hoyer in Washington for a press conference on the tax relief bill to voice her support for the teachers' deduction, "Like many teachers, I am often not provided with some of the basic equipment such as books and school supplies needed to do my job. So every year I spend my own money to provide supplies for my students and classroom. The bill I am here to support will help me and more than 3 million other dedicated teachers by extending the tax deduction for money I spend on my students."

Unlike AMT patches of the past, the fiscally responsible Democratic House 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 a tax loophole enjoyed by investment fund managers whose profits – often in the millions - are taxed at the 15 percent tax rate for capital gains.

"This legislation restores tax fairness and demonstrates – yet again – that this Democratic Majority is committed to fiscal responsibility," stated Rep. Hoyer.

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