110TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
110–728

ALTERNATIVE MINIMUM TAX RELIEF ACT OF 2008

JUNE 20, 2008.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. RANGEL, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 6275]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 6275) to amend the Internal Revenue Code of 1986 to provide individuals temporary relief from the alternative minimum tax, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Alternative Minimum Tax Relief Act of 2008".

(b) REFERENCE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

69–006

Information Reporting on Payment Card Transactions

H.R. 6275 would require banks and other payment settlement entities to report to the IRS the gross amount of money paid to merchants as settlement for credit and debit card transactions. Such information reporting would be required beginning in tax year 2011. JCT estimates this provision would increase revenues by $9.8 billion over the 2011–2018 period.

Application of continuous levy

Under current law, the IRS may impose a continuous levy on federal payments to vendors of goods or services with unpaid, outstanding tax ability. The bill would expand the IRS' ability to impose such a levy to include federal payments for other kinds of property. JCT estimates that this provision would increase revenues by about $0.3 billion over the 2008–2018 period.

Corporate estimated tax payments due in 2012 and 2013

H.R. 6275 would shift revenues out of 2012 and 2014 and into 2013 by adjusting the portion of corporate estimated tax payments due in July through September of 2012 and 2013. JCT estimates that this change would reduce revenues by $9.9 billion in 2012, increase them by $43.6 billion in 2013, and reduce them by $33.7 billion in 2014.

Intergovernmental and private-sector impact: JCT has reviewed the bill and determined that it contains no intergovernmental mandates, but that it contains four private-sector mandates. The bill would alter the tax treatment of investment services income (carried interest of general partners in private equity and hedge funds, deny the section 199 deduction for major integrated oil companies and freeze the current deduction for other oil and gas producers, limit the ability of foreign corporations to use United States tax treaties to reduce U.S. tax withholding, and require that additional information regarding the gross amount of credit and debit card transactions be reported to the IRS. JCT estimates that the costs required to comply with the mandates would exceed the annual threshold established by UMRA ($136 million in 2008, adjusted annually for inflation) in each of the next 10 years (2009 through 2018).

Estimate prepared by: Zachary Epstein.

Estimate approved by: G. Thomas Woodward, Assistant Director for Tax Analysis.

D. Macroeconomic Impact Analysis

In compliance with clause 3(h)(2) of rule XIII of the rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986:

This bill significantly reduces alternative minimum tax liability for one year, in a temporary extension of prior law. However, since the relevant provisions have been extended repeatedly in recent years, our conventional revenue estimate assumes that most taxpayers already anticipated such an extension would occur for the current year, and that the applicable marginal rates for 2008 are those which apply under the provision. Because taxpayers are already responding as if the provision were extended, there can be little effect on economic activity in 2008. Since most taxpayers file returns after their taxable year is complete, any change in marginal tax rates due to this provision may be understood too late to affect labor supply decisions. Thus, extending the provision has primarily an effect on after-tax income in 2009, when taxpayers file their returns. The reduction in individual tax liability results in more disposable income for individuals, and thus may be expected to increase total personal consumption expenditures.

However, the temporary nature of the provision implies that the economic effects are small when considered relative to the five-year time horizon within which our macroeconomic results are reported. In addition, the temporary nature of this provision increases the amount of uncertainty associated with modeling the effects of these proposals on the macro-economy. Modeling the effects of such proposals requires making assumptions about taxpayers' expectations about the future of the provision, as well as adjusting their responses in light of those assumptions. Empirical evidence on taxpayers' expectations about future tax policy and likely response to temporary incentives is inconclusive.

The extent of this response is also sensitive to individuals' expectations about how this provision would affect their future tax liability. To the extent that individuals choose to spend the additional income rather than save it, interest rates may rise and private investment may be reduced. The short run stimulative effects of any decrease in tax liability are also affected by the state of the economy at the time of the tax reduction. If the economy is operating near capacity, short run stimulus cannot be expected to result in much additional real growth. Depending on the reaction of the Federal Reserve Board, it may result in inflation or higher interest rates. We would expect any stimulus generated by this provision, relative to the present-law baseline, to be small, short-lived, and occurring in the first three quarters of 2009. As with the marginal rate response, this analysis is subject to uncertainty about taxpayers' expectations for future tax policy and behavioral response.

In addition, this bill contains several provisions that permanently increase the tax liability of several limited groups of taxpayers. To the extent that these tax increases provide incentives for reducing investment in the affected sectors, we would expect that much of this investment would shift to other sectors. The increased rate of taxation on certain income of partners for performing investment services affects a group of taxpayers whose labor supply is known to be fairly insensitive to changes in tax policy. As a whole, we would expect these tax increases to have very small effects on the economy.

Thus, we estimate that the effects of the bill on economic activity are so small relative to the size of the economy and the degree of uncertainty associated with the estimate as to be incalculable within the context of a model of the aggregate economy.

E. PAY-GO RULE

In compliance with clause 10 of rule XXI of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of title X of the bill, H.R. 5720, as reported: the provisions of the bill affecting revenues have the