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NEWS RELEASE

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The Ol' Bait and Switch **by Senator Larry Craig**

Everyone has heard about the age-old swindle called the “bait and switch,” in which an unsuspecting person makes a commitment or agrees to a transaction, only to find that what he or she got in the end was not what was expected. Now, Democrats in Congress are attempting to pull such a stunt with the Alternative Minimum Tax (AMT).

In 1969, it became clear that some very wealthy individuals were able to avoid paying income taxes altogether, exploiting exemptions and loopholes until their tax liability was practically nothing. A law was passed that year, putting in place the AMT. The new law required any individual or family making more than \$75,000 a year – a very healthy sum at the time – to pay the AMT instead of filing under the traditional income tax laws.

Unfortunately, the amount at which the AMT kicks in – the \$75,000 I mentioned – was never indexed for inflation. Today, a family earning that amount is not “wealthy.” They are, in fact, middle class, and cannot afford the much more punitive tax rates mandated by the AMT.

So, for the last seven years, Congress has passed a 1-year fix, or “patch,” to keep the AMT from hitting more and more middle class taxpayers, who were never the intended targets. This year, however, Democrats are trying the ol’ bait and switch. They are attempting to use Republican support for the AMT patch to sneak through massive tax increases that Americans would never support otherwise.

It’s important to note that a patch has been in place for several years, meaning the federal government has not collected these AMT revenues since 2000. However, Democrats are now claiming that this year’s patch is somehow new, and must be paid for by raising taxes elsewhere. If this seems strange to you, you’re not alone.

Dr. J.D. Foster of the Heritage Foundation explains the Democrats’ reasoning this way: “For the [patch] to be shown as revenue neutral in the official scoring, the Rangel bill increases taxes by \$51 billion on other taxpayers. Chairman Rangel is proposing to raise taxes on other taxpayers to offset a tax cut that is not a tax cut. In short, under this logic, allowing the AMT patch to expire is a tax increase, but extending the AMT patch and raising \$51 billion in tax revenue elsewhere is not a tax increase. This is illogical.”

[MORE]

CRAIG Page 2 – The Ol’ Bait and Switch

Congressional Democrats claim they plan to raise that \$51 billion in tax revenue only by increasing taxes for the wealthy, but that’s a story we’ve heard before, and it doesn’t hold up. They will raise capital gains taxes, which will affect 92 million Americans who are either saving or investing for retirement, including senior citizens, who often rely on dividend payments for their income. Democrats would also pay for that tax hike by allowing the Bush tax relief of 2001 and 2003 to expire, which would result in the largest tax increase in American history.

There is little debate that lower tax rates help businesses create jobs and allow families to invest and save for the future. If Congress allows the 2001 and 2003 tax cuts to expire, the average taxpayer will owe \$2,000 more per year, starting in 2011. I doubt anyone thinks that would be good for American families or our economy.

In the coming days and weeks, when you hear Democrats promising to keep your taxes low by “taxing the rich,” watch out for the ol’ bait and switch.