

APRIL 15 SURPRISE

AMT erases tax cut for many on LI

BY TIM BISHOP
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As we approach April 15, many Long Island taxpayers earning \$75,000 or more are facing the unpleasant realization that they owe thousands on their tax returns and will not benefit from the federal tax cuts due to a growing problem known as the Alternative Minimum Tax.

The AMT was intended to block wealthy Americans from using loopholes to avoid paying taxes. However, the AMT was not indexed for inflation nor does it allow many popular deductions. So it is increasingly impacting hardworking Long Islanders whose incomes have risen over the years, particularly two-parent working families with children.

The AMT hits Long Islanders especially hard, as state and local income taxes, proper-

ty taxes, and other personal deductions are added back in for the purpose of calculating the AMT. In a sense, Long Island is being double-crossed and double-taxed. In fact, more Long Islanders pay the AMT than taxpayers in any other region of the country.

According to the non-partisan Brookings Institution Tax Policy Center, it is projected that 65 percent of married couples with two or more children and an adjusted income of \$75,000-\$100,000 will be affected by the AMT by 2005. This is why the independent National Taxpayer Advocate listed the AMT as the most serious problem facing America's taxpayers.

If we continue current policies, the AMT calls into question whether many of us will receive the benefits of the promised tax cuts.

Recently, President George W. Bush was on Long Island touting the benefits of making the tax cuts permanent. We agree that some of the reductions would benefit Long Island working families, but the cuts will not mean much, if anything, for families hit by the AMT.

Fixing this problem will not be easy. The truth is that we missed our best opportunity to repeal the AMT back in 2001

when the nation's fiscal house was in order, the government was running massive surpluses and the money existed to fix the problem.

Now, after three rounds of tax cuts that disproportionately favor the very wealthy, the federal government is looking at an estimated \$5 trillion in additional red ink over the next decade. In light of those numbers, the more than \$700-billion cost over the next decade to outright repeal the AMT is very, very expensive — if not prohibitive — given the enormous tax cuts already in place.

Instead of honestly making the tough choices on the need to reform or repeal the AMT, the president advocates simply extending temporary AMT exemptions for one year.

However, those exemptions won't help Long Island families who paid the AMT this year, nor will they help the millions of families who will be penalized in the years to come.

We need a real debate on taxes, and the place to start this debate is with some straight talk. No one should boast about federal tax cuts when many Long Island families will actually see an increased tax burden due to the AMT.

In fact, everyone should acknowledge that many working

families will be forced to pay the AMT because of those very tax cuts, while the wealthiest taxpayers making over \$500,000 do not have to worry about the AMT and will fully benefit from the cuts.

Rather than gimmicks and inadequate short-term fixes, we need a real debate about the AMT and about our priorities. We need a real debate about whether we need more expensive tax cuts for the wealthiest Americans, or whether it is more important for middle-class families to continue to benefit from proven deductions.

Clearly the AMT has strayed far from its original purpose. While that was a mistake, our leaders must now make the right choices. We must choose to address this problem in an honest, candid way.

Long Island families have always been willing to pay our fair share and play by the rules. But fairness is a two-way street, and it is clear that Long Island loses out in the current tax equation.

Congress and the president need to work together, go back to the drawing board and create a fair tax system that provides relief for our families and allows us to invest in our future.



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