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BRETT LOPER,
MINORITY STAFF DIRECTOR

November 8, 2007

Eric Solomon
Assistant Secretary of Tax Policy
Department of the Treasury
1500 Pennsylvania Ave., NW
Room 3120
Washington, DC 20220

Dear Assistant Secretary Solomon:

During last week's markup of H.R. 3996, you stated that "the AMT is going to affect another 21 million taxpayers, and this was an unanticipated tax." I recognize that we all say things in the heat of debate that may not be perfectly accurate. Therefore, I am asking you whether you are comfortable with the accuracy of your statement, or whether a clarification is in order.

I believe that the public record clearly demonstrates that the exploding impact of the individual alternative minimum tax (AMT) was not accidental, nor unanticipated. Instead, it is the result of a deliberate decision to use the AMT to mask the cost of the large tax reductions enacted in 2001 and 2003. To support my belief, I would note the following:

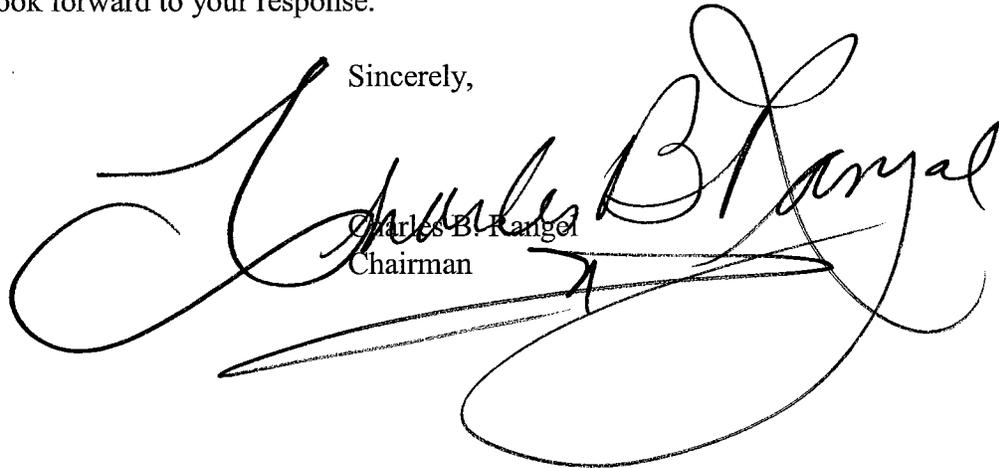
- President Bush's campaign proposal contained limited AMT relief for taxpayers who claim the child tax credit but not general AMT relief. Clearly, the architects of the proposal were aware of the AMT impact on the tax reductions.
- Lawrence B. Lindsey, President Bush's chief economic advisor during the 2000 presidential campaign publicly defended the failure to include general AMT relief in the campaign's tax proposal.
- One of your predecessors, Mark Weinberger, in a press interview four months after President Bush was sworn in, acknowledged that the tax cuts President Bush was asking Congress to enact would never materialize for millions of Americans because of the AMT.

Assistant Secretary Solomon
November 6, 2007
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- In early 2001, the Senate Finance Committee held a hearing on the interaction of the Bush tax proposal with the AMT after which the Senate Finance Committee Chairman Chuck Grassley correctly criticized the Administration's proposal as "giving people a tax decrease on one side and a tax increase on the other side, and they aren't really getting what we said that they would get."
- In early 2001, I wrote a letter to the President pointing out that the AMT would take back many of the promised tax cuts for millions of Americans, a copy of which is attached.
- The staff of the Joint Committee on Taxation was well aware of the interaction of the Bush tax cuts with the AMT and took that interaction into account when doing revenue estimates of the 2001 proposals.
- Within six months of the enactment of the 2001 tax bill, a Treasury economist made a speech on the extent to which the 2001 tax bill would create an explosion of AMT taxpayers. He predicted that this calendar year the number of AMT taxpayers would be 25.3 million, slightly more than the 23 million projected in the absence of a continuation of the AMT patch. Not surprisingly, his analysis was not published by the Treasury Department, as his prior AMT studies had been.

I believe your statement before the Committee was more faithful to partisan talking points than the facts. I look forward to your response.

Sincerely,



Charles B. Rangel
Chairman

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March 6, 2001

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JANICE MAYS,
MINORITY CHIEF COUNSEL

The Honorable George W. Bush
The President
The White House
Washington, DC

Dear Mr. President:

You have stated often your desire to work toward bipartisanship. I agree and write to you in that spirit.

I, along with the other Democratic Members of the Committee on Ways and Means, oppose the tax bill that was reported by the Committee last Thursday because of its size and because it comes before a realistic budget framework is in place. While I recognize that you and I may disagree on these issues, there are other aspects to the bill that was reported that I believe will trouble you, provisions that will have an adverse impact on ordinary American families across the country.

In your address before the Joint Session of Congress last week, you stated that all individual income taxpayers would receive a tax reduction under your plan. I am confident that you were not aware that neither your proposal nor the bill that will be considered by the House of Representatives this week meets that standard.

Because of the alternative minimum tax, millions of Americans will not receive benefits from the bill reported last week. Based on numbers provided by the staff of the Joint Committee on Taxation, I believe that the number of income tax-paying individuals receiving no benefit from the Committee bill will start at approximately 3 million individuals next year, and will grow to over 20 million in the year 2011. Millions of other families will receive substantially less relief than promised.

The Honorable George W. Bush
March 6, 2001
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Mr. President, some in your Administration have suggested that the alternative minimum tax affects only wealthy taxpayers with tax preferences. That suggestion is not correct. Any tax proposal that fails to address the minimum tax issue will discriminate against families with children and against families residing in states with income tax systems, like my state of New York.

According to a Treasury Department study, by the year 2010, the minimum tax will affect one-sixth of all married couples with incomes between \$50,000 and \$75,000 who have children (two-thirds for couples with incomes between \$75,000 and \$100,000). Substantially all of those families would receive no benefit from the bill that will be before the House this week. The more children in the family, the less likely it is that the family will receive a tax reduction.

I also am concerned that the Committee bill and your tax proposal will discriminate against residents of states with high local tax burdens, such as New York and California, even if they do not have children. For millions of Americans, your proposal and the Committee bill effectively would repeal the deduction for State and local income and property taxes. The Reagan/Bush Administration proposed repeal of that deduction as part of its 1985 tax reform proposal. That proposed repeal met with overwhelming opposition in the Congress. Unless changes are made in the proposal to address this problem, I believe it is quite likely you will be faced with the same reaction.

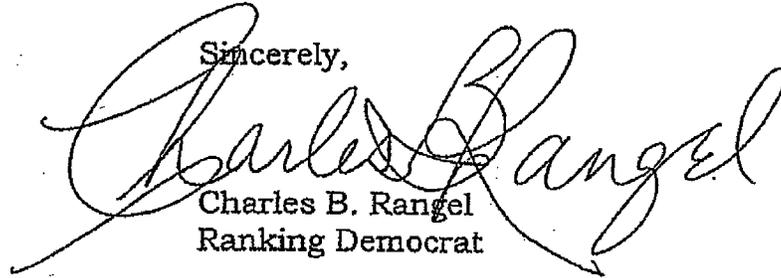
Mr. President, you should be aware that addressing these issues in the context of the Committee bill could cost an additional \$300 billion over 10 years. I am concerned that, given competing priorities such as the marriage penalty and estate tax relief, there is no assurance that such a sum will be available even in the context of a tax bill as large as \$1.6 trillion.

The Honorable George W. Bush
March 6, 2001
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Therefore, Mr. President, I believe that we should step back and try to work together on new proposals that do not have the discriminatory aspects that I have outlined in this letter. I firmly believe that it is wrong to discriminate against taxpayers based on the size of their families or the state of their residence.

While we Democrats were not consulted by the House majority in drawing up this first tax bill, I believe it is not too late for you to create a new era of bipartisanship. As President, you have the ability to bring all sides to the table to work together in a bipartisan way to address the AMT and other problems encountered by tax cut proposals. If there is any way to enact truly bipartisan tax relief legislation, we owe it to the nation to try.

Sincerely,

A large, stylized handwritten signature in cursive script that reads "Charles B. Rangel". The signature is written in black ink and is positioned above the printed name and title.

Charles B. Rangel
Ranking Democrat