

****E-Newsletter—November 2007****

I am very pleased to report that on November 9, 2007, the House of Representatives passed H.R. 3996, the Temporary Tax Relief Act of 2007. This bill will provide more than \$50 billion in middle class tax relief and saves nearly 58,000 households in the First Congressional District from paying higher taxes under the Alternative Minimum Tax. The Temporary Tax Relief Act is fiscally responsible and will help expand our economy without increasing the national debt.

The Alternative Minimum Tax (AMT) was enacted in 1969 to ensure that America's wealthiest citizens pay a fair amount of taxes. Under the AMT, certain taxpayers must calculate their tax liability twice, once under standard procedures and once under the AMT provisions. Taxpayers who qualify must then pay the higher of the two amounts. While originally intended as a mechanism to make the tax burden more equitable, the AMT has morphed into a mass tax because of changes in tax law combined with inflation. In 2006, 4.2 million people paid the AMT; if this bill does not become law then 23 million people will pay higher taxes in 2007.

In Massachusetts' First District, 5,868 households paid the AMT in 2005; if the President does not sign this legislation into law than that number will increase 985% to 63,640! H.R. 3996 will ensure that no additional taxpayers will pay the AMT this year by increasing the alternative minimum tax exemptions for individual taxpayers.

In addition to addressing the AMT, H.R. 3996 includes a series of other provisions that provide tax relief to working families. The bill:

- Will allow 30 million homeowners to save by deducting their property taxes
- Helps 12 million children by expanding the child tax credit
- Benefits 11 million families through the State and local sales tax deduction
- Helps 4.5 million families better afford college with the tuition deduction
- Saves 3.4 million teachers money with a deduction for classroom expenses
- Provides thousands of American troops in combat with tax relief under the Earned Income Tax Credit.

This relief for the middle class will not increase the national debt because every provision of H.R. 3996 complies with Congress' newly enacted pay-as-you-go rules which require all changes in revenue to be offset by decreased spending. H.R. 3996 will fix loopholes in American tax law that allow private equity fund managers, hedge fund managers, venture capitalists and real estate developers to be taxed at capital gains rates (usually 20%) while working families pay up to 35% of their income in taxes. This provision does not affect earning by investors, only taxes on carried interest, the money that managers earn in return for investing other people's money.

In short, this bill seeks to eliminate major inequities that exist in today's tax law by extending tax relief to middle class Americans and making sure that all taxpayers are

paying their fair share. H.R. 3996 is fiscally responsible and does not mortgage the future of our children by incurring debt to pay for this tax relief. We need to make fiscally responsible choices that do not place an unbalanced burden on America's middle class taxpayers.

Sincerely,

John W. Olver
Member of Congress