

Representative Charles Rangel's recently announced plan to address the impending Alternative Minimum Tax's application to middle-class Americans demonstrates limited economic understanding. The Alternative Minimum Tax (AMT) began in the late 1960's because 155 wealthy taxpayers had become savvy enough with loopholes that they managed to avoid income taxes altogether. Very few Americans avoided taxes completely this way, nonetheless, policy was enacted that now threatens 25 million Americans. Rangel's plan boasts loudly about repealing the AMT, but under the Democrats' pay-as-you-go rules, actual tax cuts are not allowed. Congress must replace any tax revenue reduction with an increase somewhere else, and of course, there are no rules preventing tax hikes. Thus, a new 4% surtax on incomes over \$150,000 for singles and \$200,000 for couples is proposed to "pay for" the estimated lost revenue. This simultaneously raises \$36 billion MORE than simply leaving the AMT alone, and creates a huge new marriage penalty tax. It won't be long before \$150,000 is an average income, and middle class taxpayers will again face the situation we see coming today from inflation and the AMT. Overall, the Rangel tax plan is estimated to increase taxes by \$3.5 trillion over the next 10 years. With the leadership in Congress calling for this massive tax hike, spending levels promising to absorb all that and then some (thanks to our ambitiously misguided foreign policy), as well as the Federal Reserve's again cheapening the dollar, American taxpayers are wondering where their purchasing power went. We are working harder than ever before, as our standard of living falls. The founding fathers never saw taxation as a method to direct social behavior or enforce equality. Equality to them was equality under the law, not equality of outcome, or income. It was not the founding fathers' job to manage the economy, or make American businesses competitive. That was up to the free market and American businesses. The founders sought to provide only protection of property and civil liberties such that job creation could happen naturally and peacefully in a stable, prosperous environment. They never sought to take from the rich to give to the poor, or rob Peter to pay Paul. But today, the top 5% of earners in this country pay over half of all income taxes collected, but only bring in a third of the income. One third of Americans pay nothing or receive subsidies from government. Tax policy should not be based on the premise that government owns you and allows you to keep some arbitrary amount of your labor. Thus, the AMT should be repealed. The estate tax should be repealed. Capital gains taxes should be repealed. The income tax should be repealed. We don't need to overhaul or adjust tax policy, we need to scrap the whole thing and start over. But this message is not getting through to the leadership of Congress. Congress has ensnared itself in rules so that the only changes in tax policy allowed are increases, while the administration is obsessed with spending, especially spending us into oblivion by spreading this dead-end war when we should be coming home. If Washington can only do wrong, then let's hope for gridlock, until a more sensible Congress is in office. Sometimes a do-nothing Congress is a lot better than the alternative.