RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

TEMPORARY TAX RELIEF ACT OF 2007—MOTION TO PROCEED

The ACTING PRESIDENT pro tempore. Under the previous order, there will be 1 hour of debate, prior to a vote on the motion to invoke cloture on the motion to proceed to H.R. 3996, with the time equally divided between the two leaders or their designees, with the 20 minutes immediately prior to the vote to be divided 10 minutes each for the leaders, with the majority leader controlling the final 10 minutes.

The Senator from New Hampshire is recognized.

Mr. GREGG. What is the order of recognition? Is it the Democratic side or Republican side?

The ACTING PRESIDENT pro tempore. There is no order of recognition.

Mr. GREGG. Does the Senator wish to proceed?

Mr. BAUCUS. You go ahead.

Mr. GREGG. I will be happy to allow you.

Mr. BAUCUS. Mr. President, I yield myself such time as I consume.

The ACTING PRESIDENT pro tempore. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, in the 1931 film classic, ''Frankenstein,'' the character Dr. Waldman tells Dr. Frankenstein:

> You have created a monster, and it will destroy you.

That is how the AMT looks to the Tax Code. That is what it looks like. It is a monster. It is a thing of dread for many Americans. Unless we act, it will destroy the entire tax system. If we don't act pretty soon, the AMT tax will be greater than the individual Federal income tax. This tax is a problem for taxpayers in all 50 States. I must give a few numbers as to what will happen if we don't extend the AMT patch.

Let's take Texas. The number of Texans subject to the alternative minimum tax, if we do not act this year, would increase from roughly 150,000 taxpayers in Texas to 870,000 taxpayers. That is about a sixfold increase in 1 year.

The number of Nevadans subject to AMT would increase from about 15,000 to about 100,000—again, a little over a sixfold increase.

The number of South Carolinians would increase from 30,000 to 190,000, again a large increase, about 6 times.

That is about average across the country, six times more Americans will pay more taxes under the AMT if we don't act, compared to what they were otherwise paying.

Even taxpayers who do not pay the AMT tax are hurt. Why? Because taxpayers have to calculate not only the regular tax, but taxpayers then have to calculate the alternative minimum tax. That is the law. You have to do both.

First, you have to calculate all your regular taxes. Then you have to calculate what taxes you may pay under a whole separate system of AMT. So even though you may not pay more under the alternative minimum tax, you have still got to go through a second calculation. That is not a lot of fun. Then, if the second calculation shows you pay more under the alternative minimum tax, guess what. You have to pay more. You cannot choose to pay the lesser of the two; you have to pay the greater of the two. That is the law.

Again, the monster created by the Congress years ago, unintended consequences, but a monster we can eliminate, if not destroy, if we take action today.

Calculating taxes once is scary enough. Calculating taxes twice is almost enough to destroy a person. It may also cause significant financial hardship. Why? Because in today's economy, families depend on that refund check. It is getting close to Christmas. People are buying presents. Sometimes they run up their credit cards a little bit. They are depending upon that refund check to pay off their credit card balances. A lot of Americans do that. A lot of Americans do that.

Think of the taxpayers who think they are going to get a refund from the Federal Government. But then, if we do not fix this AMT problem, what happens? They get the letter in the mail telling them they have to pay more taxes because of the AMT. Talk about your horror story.

Here is an example of how AMT hits working families. Let us take a married couple, four young children. What is their household income? A whopping $75,000 a year. Their regular income taxes should be about $1,800. That is probably what they pay. This is after the standard deduction and after the child tax credit.

Again, a family with a $75,000 income, family of four, pays about almost $2,000. Not quite, because they are able to take a standard deduction for the child tax credit.

Well, let's see what happens when we calculate the alternative minimum tax. Same family. Same income. The amount more than doubles this family's tax liability. It raises their tax from $1,800 to $3,800. More than twice. More than twice.

That is a family earning $75,000. Not a huge, big-income family. That is a $75,000 family. The AMT hits this family not because they are rich, because they are not. Why? Because they have four kids. That is kind of how it works. It is perverse. If you have more children, you pay more taxes. That is kind of nutty, but that is what it is today.

The AMT will cost taxpayers because it costs the Federal Government. A delay will create delayed tax return filings, and last minute legislation will delay the issuance of Federal refunds. With each extra day we delay, the greater the cost. The greater the cost to taxpayers, the greater the cost to the IRS. The cost mounts up.

Let's look at some of the costs of delay. If the IRS has to postpone accepting returns to the early part of the filing season, say January 28, this would delay the receipt of more than 6.5 million returns, delay the issuing of more than 5.5 million refunds, totaling more than $17 billion, delay about $17 billion worth.

A delay in fixing the alternative minimum tax affects States. We are not just talking about the Federal income tax, we are talking also about State taxes. Why? Because most State taxes are tied to the Federal tax system.

A delay in the Senate will mean not only a delay in the Federal tax receipts but also a delay in the State tax refunds, Federal and State.

A delay will also mean States that are already financially strapped could have a cash crunch. Think of the States' coffers. Their normal flow of tax revenues will not be coming in. Many States are very tightly budgeted. I know that is true in the State represented by the officer in the chair. I hear many times about the tight fiscal situation in that State.

That is true for most States. If tax agencies cannot reprogram their computer systems in time, States and the IRS are concerned taxpayers will turn back to paper returns. What is the consequence of paper returns? It leads to an increase in processing times and costs as well as more errors.

Let's take the State of Montana. In Montana, it costs $2 to process an electronic return, $2. But it costs $9 to process a paper return. I daresay that disparity is probably true in most States.

At a time when families are experiencing hardship, I must say the other side of the aisle is playing politics. They are not letting us fix this problem. They, in effect, consequently want to increase taxes. They are increasing taxes. How? By causing the alternative minimum tax to be imposed upon Americans, by not letting us fix the alternative minimum tax.

You watch that vote that is coming up. We are not going to get 60 votes. You watch how, when the leader is going to request we take up the House-passed bill, and the substitute measure where we fix the AMT patch, unpaid for, they will object to that. They do not want to fix this problem. They say they do, but their actions are louder than the rhetoric. They are raising taxes. They are raising taxes by not allowing us to fix the alternative minimum tax patch for 2007.

In the 1945 B movie ''House of Dracula,'' the character, Dr. Edelman, says of Frankenstein's monster:

> He's indestructible. Frankenstein's creation is man's challenge to the laws of life and death.

Let's prevent that from being said about the AMT. Let's prove the AMT is