



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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**SENATE APPROVES TAX RECONCILIATION BILL WITH 2006 AMT FIX;
BAUCUS, GRASSLEY AGREEMENT EXTENDS TAX CUTS
FOR WORKING FAMILIES, BUSINESSES AS WELL**

Baucus urges focus on Senate priorities as legislation moves to conference

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Member on the Senate Finance Committee, tonight praised Senate approval of tax reconciliation legislation that protects 17 million additional American taxpayers from the alternative minimum tax (AMT) in 2006. The legislation also provides an extra year of important tax cuts for working families and businesses. Baucus, who committed to including AMT relief in the tax reconciliation bill, worked with Finance Committee Chairman Chuck Grassley (R-Iowa) to replace the original House-passed legislation (H.R. 4297) with a Senate agreement including the AMT fix and other vital tax cuts. Following final passage of the Senate agreement, Baucus urged that the upcoming conference on the legislation reflect the Senate version of the bill.

“After a long day, the Senate made some right choices tonight. The tax cuts in this Senate bill help America’s working families, teachers, and small businesses. The conference report must not take away their tax relief,” said Baucus. **“In the conference, just as in the Senate today, it will make sense to protect millions of American families from a tax increase in 2006 under the AMT. It will make no sense to focus on capital gains and dividends issues that won’t affect a single American until 2009. We’re about to get a look at the priorities of this Congress. The Senate bill ought to prevail.”**

The substitute authored by Baucus and Grassley made a number of changes to the Senate’s original tax reconciliation legislation, S. 2020, which was originally approved on November 18, 2005. The substitute deleted tax benefits for areas affected by Hurricanes Katrina, Rita and Wilma, as those benefits were passed into law separately last year, in the Gulf Opportunity Zone Act of 2005. The substitute also retained the Senate bill’s one-year “patch” to raise exemption amounts and protect additional taxpayers from the AMT, and extended for two years – instead of S. 2020’s original one year – the following expiring tax cuts:

- Ability to deduct state and local general sales taxes on Federal tax returns
- Allowance of nonrefundable personal credits against regular and alternative minimum tax liability
- Research tax credit

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(Expiring tax provisions extended through 2007 in Senate substitute, continued:)

- Work Opportunity Tax Credit and Welfare-to-Work credit
- Qualified zone academy bonds
- Deduction for corporate donations of computer technology and equipment
- Deduction for certain expenses of elementary and secondary school teachers
- Expensing of Brownfields remediation costs
- Indian employment tax credit
- Accelerated depreciation for business property on Indian reservations
- Fifteen-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements
- Full credit for qualified electric vehicles

In a series of evening votes, the following amendments were added to the Senate substitute as well:

- expressing the sense of the Senate that the Child Tax Credit should be made permanent
- allowing 50 percent immediate expensing for mine safety equipment, and a tax credit for mine rescue team training
- providing additional funding to support the military and returning veterans
- expressing the sense of the Senate that protecting taxpayers from the AMT should be a higher priority than extending capital gains and dividends tax cuts that do not expire until the end of 2008

Prior to the appointment of conferees, the Senate will likely consider motions to instruct the conference committee on elements of its final report.

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