



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

December 19, 2012

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Levin:

I am writing to update you on the IRS' preparations for the upcoming tax filing season, and in particular, to provide you with our latest assessment of the effect on taxpayers if the Alternative Minimum Tax (AMT) is not "patched" as it has been in previous years.

As you know, the exemption amount for the AMT is not indexed to inflation. As a result, Congress has in the past enacted temporary patches to ensure that the AMT's reach does not unintentionally expand to more taxpayers at lower income levels.

The most recent AMT patch, and the exemption amounts of \$74,450 for joint filers and \$48,450 for single taxpayers, expired at the end of 2011. For 2012, the current-law AMT exemption amounts are much lower: \$45,000 for joint filers and \$33,750 for single taxpayers. This means that, absent enactment of a new patch in the near future, nearly 30 million additional taxpayers will become subject to the AMT on their 2012 income tax returns.

As I stated in my letter dated November 13, 2012, the IRS has maintained the programming of its systems assuming that the AMT will be patched as it has been in previous years. I also indicated that if an AMT patch is not enacted by the end of this year, the IRS would need to make significant programming changes to conform our systems to reflect the expiration of the patch. In that event, given the magnitude and complexity of the changes needed, I want to reiterate that most taxpayers may not be able to file their 2012 tax returns until late in March of 2013, or even later.

This situation would create two significant problems: lengthy delays of tax refunds and unexpectedly higher taxes for many taxpayers, who will be unaware that they are newly subject to AMT liability. Moreover, if Congress were to act at some point next year to enact a new AMT patch, the time and substantial expense necessary for the IRS to reprogram its systems to reflect expiration of the patch would ultimately be wasted.

In my previous letter, I estimated that more than 60 million taxpayers might be prevented from filing their tax returns while we are reprogramming our computers. This figure includes those who would be subject to additional tax as well as those who would be required to perform the calculation to determine if the changes in thresholds and credit ordering rules affect their tax liability. As we consider the impact of the current policy uncertainty on the upcoming tax filing season, it is becoming apparent that an even larger number of taxpayers – 80 to 100 million of the 150 million total returns expected to be filed – may be unable to file.

This number results from the need to limit filing by those who may be potentially impacted. The IRS cannot process the returns of any taxpayers whose return characteristics do not allow us to differentiate them from those whose tax liability would be altered by the AMT expiration. This means that there are certain forms and schedules we could not accept from any taxpayer – even those who ultimately may not have additional AMT liability. Similarly, returns of any taxpayers whose income levels may subject them to the AMT could not be processed.

Furthermore, it may not be possible even to process some returns that are clearly not subject to or affected by the AMT. Allowing only some taxpayers to file as we reprogram could substantially increase the risk of fraud and error in initial filings as well as create the potential for a large number of amended returns. We continue to work diligently to review scenarios and to assess the impact of these factors on the 2013 filing season. We will keep you informed as we continue this work.

I hope this information is helpful as you consider how best to address expiration of the AMT patch and the other important issues facing Congress during the remaining weeks of this year. I am also writing to Chairman Camp, Chairman Baucus, and Ranking Member Hatch. If you have questions, please contact me or have your staff contact [REDACTED]

Sincerely,



Steven T. Miller
Acting Commissioner