H.R. 3996
Tax Increase Prevention Act of 2007

As cleared by the Congress on December 19, 2007,
and signed by the President on December 26, 2007

H.R. 3996 (enacted as Public Law 110-166) provides tax relief for individuals who would have been subject to the alternative minimum tax (AMT). The legislation will reduce revenues by raising the exemption amount against one’s gross income for AMT purposes and by extending the rule that allows the use of nonrefundable credits against the AMT. The changes apply to tax year 2007.

Prior to the enactment of H.R. 3996, unmarried individuals, married individuals filing joint returns, and married individuals filing separate returns were permitted an exemption on their taxable income under the alternative minimum tax rules for 2007 of $42,500, $62,550, and $31,275 respectively. H.R. 3996 raises those respective exemption amounts to $44,350, $66,250, and $33,125.

Also, prior to enactment of H.R. 3996, individuals with nonrefundable personal tax credits in 2007 would not have been permitted to claim such credits against the AMT. However, in recent years, taxpayers were allowed to claim the credits against the AMT, and H.R. 3996 extends such treatment through the taxable year 2007.

The Joint Committee on Taxation estimates that these provisions will result in a reduction of revenues of about $50.6 billion ($50,593 million) in 2008. There are no revenue effects in any subsequent years.

The CBO contact for this estimate is Zachary Epstein. This estimate was approved by G. Thomas Woodward, Assistant Director for Tax Analysis.