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April 1, 1986

The Honorable Mario Cuomo  
Executive Chamber  
State Capital  
Albany, NY 12224

Dear Governor Cuomo:

Enclosed is a report prepared by the Tax Section of the New York State Bar Association discussing the alternative minimum tax proposals of H.R. 3838. Also enclosed is a letter referring to certain additional points raised by the Senate Finance Committee's mark-up proposal of March 18, 1986.

You may be particularly interested in the report's discussion of the treatment as tax preference items of state and local taxes (pp. 21-22). When the state and local tax issue is considered together with the the great increase in the number of taxpayers that will have to pay an alternative minimum tax (discussed on pp. 15-20 of the report), it is apparent that both H.R. 3838 and the Senate proposal will materially reduce the deductibility of state and local taxes, an issue on which New York fought so hard last year.

On page 18 of the report, an example shows that a New York City family of four having salary income of \$85,000 and a handful of other modest transactions would be subject under H.R. 3838 to the alternative minimum tax. Thus, this proposal would affect many more people than the few very wealthy taxpayers who take excessive advantage of tax shelter transactions.



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The adverse effect of the new proposals on deductibility of state and local taxes is particularly unfortunate because it results from legislative action expanding the alternative minimum tax without any discussion of this important side effect.

I shall of course be happy to discuss this matter in greater detail with you or members of your staff.

Sincerely,



Richard G. Cohen

Enclosures

cc: The Hon. Roderick Chu (w/enclosure)

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April 1, 1986

The Honorable Daniel Patrick Moynihan  
464 Russell Senate Office Building  
Washington, DC 20510

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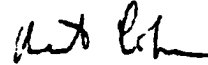
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Sincerely,



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April 1, 1986

The Honorable Alfonse M. D'Amato  
550 Hart Senate Office Bldg.  
Washington, DC 20510

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