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CERTIFIED PUBLIC ACCOUNTANTS

March 24, 2012 – Alternative Minimum Tax

There is a lot of attention these days on the alternative minimum tax (AMT). The AMT is a separate tax calculation that is intended to ensure that higher income taxpayers pay at least a minimum amount of tax on their income. Under the AMT rules, some deductions taken for regular tax purposes are not allowed, or are limited, for AMT purposes.

If the AMT calculation results in a higher tax than the regular income tax, then the taxpayer must pay the higher amount. Taxpayers basically pay whichever tax is higher.

The biggest items that cause taxpayers to be subject to the AMT are high state income taxes and property taxes. These taxes are allowed as a deduction for regular tax purposes, but not for AMT purposes.

Another item subjecting taxpayers to the AMT is the personal exemption. Personal exemptions are allowed as a deduction for regular tax purposes, but not for AMT purposes. Therefore, more and more larger families are subject to the AMT.

An IRS "Tax Tip" that discusses the AMT can be found using THIS LINK.

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