Congresswoman Susan A. Davis
Serving California's 53rd Congressional District

The American Recovery and Reinvestment Act

Alternative Minimum Tax

Summary

The alternative minimum tax ("AMT") was enacted in 1969 to make sure that high-income wage earners paid at least a minimum of taxes. For generations, the individual income tax has been used as a vehicle to promote various social and economic goals. This has been accomplished by according preferential tax treatment to certain items of income and expense. The net result, however, has been that by taking advantage of the preferences and incentives in the tax code, some individuals can substantially reduce their income taxes. The AMT's purpose is to ensure that every high wage earner pays at least some income taxes while preserving the economic and social incentives in the tax code.

The Problem

The problem with the AMT is that it was never indexed for growth. Over time, as incomes increased, the number of people subject to the AMT grew to include middle income wage earners who were never intended to be subject to the tax. For example, in 1993 the AMT exemption amount was $33,750 for individuals and $45,000 for married couples filing jointly. Without changes to the AMT, as many as 30 million people could be subject to the AMT in 2010.

The Solution

The American Recovery and Reinvestment Act of 2009, includes a one-year patch for the 2009 tax year and increases the exemption amounts to $46,700 for individuals and $70,950 for joint filers. As with recent AMT patch legislation, personal credits would also be allowed against the AMT. By increasing the exemption and making these changes, only 4.2 million taxpayers will be subject to the AMT in 2009. Congress saved taxpayers $69.8 billion.

Questions or Help

Consult your tax professional if you are concerned that you may be subject to the AMT or call the IRS: 1-800-829-1040
IRS Telephone Assistance for people with hearing impairments: 1-800-829-4059 (TDD)