

# Do You Owe The AMT?

**Tip:** AMT payers may qualify for the “minimum tax credit,” which allows individuals to claim a full or partial credit for past AMT taxes on future returns.

American educational reformer Horace Mann called education “the great equalizer.”<sup>1</sup> In football, it’s been said that turnovers are the great equalizer. And anyone who’s ever watched CBS’s “The Amazing Race,” knows airport delays are the great equalizer in a race around the world.

In taxes, there’s also an equalizer of sorts; it’s called the alternative minimum tax, or AMT. Instituted in 1969, it was intended to ensure that the very rich didn’t pay a lower effective tax rate than everyone else.<sup>2</sup>

In recent years, however, the “very rich” aren’t the only ones who need to be concerned about the AMT. Because the AMT is not indexed for inflation, more and more middle-class Americans are being forced to pay it. In 2014, an estimated 46% of all tax filers with income between \$100,000 and \$200,000 will pay the AMT.<sup>3</sup>

## What Is The AMT, Exactly?

It may be easiest to think of the AMT as a separate tax system with a unique set of rules for deductions, which are more restrictive than those in the traditional tax system.

The only way to know for sure if you qualify for the AMT is to fill out Form 6251 from the Internal Revenue Service.

If your income is over \$75,000, it might make sense to complete the form to help assess your status—especially if you have large deductions, such as several children, interest from second mortgages, capital gains, high state and local taxes, or incentive stock options. If you should have paid the AMT and the IRS discovers that you didn’t, you may owe back taxes and could also have to pay interest and/or penalties.

## The AMT Language

**Fast Fact:** Only 19,000 people owed the AMT in 1970, but millions are paying it now.  
Source: Smartmoney.com,  
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Because the AMT system has complicated rules and provisions, it’s a good idea to consider consulting legal or tax professionals for specific information regarding your

individual situation. And remember, the information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties.

If you want to avoid any potential surprises at tax time, it may make sense to know where you stand when it comes to the AMT. The time and energy you spend today may be worth the investment.