

Tax Tip



February 18, 2010

Seven Facts to Help You Understand the Alternative Minimum Tax

The Alternative Minimum Tax attempts to ensure that anyone who benefits from certain tax advantages pays at least a minimum amount of tax. Here are seven facts the Internal Revenue Service wants you to know about the AMT and changes to this special tax for 2009.

1. Tax laws provide tax benefits for certain kinds of income and allow special deductions and credits for certain expenses. These benefits can drastically reduce some taxpayers' tax obligations. Congress created the AMT in 1969, targeting taxpayers who could claim so many deductions they owed little or no income tax.
2. Because the AMT is not indexed for inflation, a growing number of middle-income taxpayers are discovering they are subject to the AMT.
3. You may have to pay the AMT if your taxable income for regular tax purposes plus any adjustments and preference items that apply to you are more than the AMT exemption amount.
4. The AMT exemption amounts are set by law for each filing status.
5. For tax year 2009, Congress raised the AMT exemption amounts to the following levels:
 - \$70,950 for a married couple filing a joint return and qualifying widows and widowers;
 - \$46,700 for singles and heads of household;
 - \$35,475 for a married person filing separately.
6. The minimum AMT exemption amount for a child whose unearned income is taxed at the parents' tax rate has increased to \$6,700 for 2009.
7. If you claim a regular tax deduction on your 2009 tax return for any state or local sales or excise tax on the purchase of a new motor vehicle, that tax is also allowed

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