

The Individual Alternative Minimum Tax: Historical Data and Projections updated November 2006

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The individual alternative minimum tax (AMT) was originally enacted in 1969 to guarantee that high-income individuals paid at least a minimal amount of tax.¹ Due to design flaw, however, the AMT threatens to grow from a footnote in the tax code to a major component affecting tens of millions of taxpayers every year. One reason for the projected expansion of the AMT is that – unlike the regular income tax system – the AMT brackets and exemption are not indexed for inflation. In addition, the individual income tax cuts enacted since 2001 exacerbate the problems of the alternative minimum tax. Absent a change in law, more than 30 million taxpayers will become subject to the AMT by 2010. The problem will abate somewhat if the tax cuts expire on schedule in 2011, but the upward trend will continue immediately thereafter. By 2017, about 39 million taxpayers will be subject to the AMT under current law, and almost 53 million if the tax cuts are extended. Though most lower- and middle-income taxpayers will remain unaffected by the tax, the explosive growth of the AMT from a tax affecting only 20,000 taxpayers in 1970 to one affecting 39 million or more in 2017 demands attention.

The Tax Policy Center has written extensively about the AMT.² This document presents and discusses updated estimates of AMT participation, revenue, and the distribution of AMT liability.³ It starts with a brief overview of how the AMT works.

How the AMT Works⁴

The individual AMT operates parallel to the regular income tax, with a different income definition, rate structure, and allowable deductions, exemptions, and credits. In short, after calculating regular tax liability, taxpayers must calculate their “tentative AMT” under the alternative rules and rates and pay whichever amount is larger. To calculate tentative AMT, taxpayers determine the AMT tax base, apply the AMT tax rate and exemption phaseout schedules, and then subtract applicable credits. Technically, AMT liability is the excess, if any, of tentative AMT above the amount of taxes due under the regular income tax alone.

Alternative minimum taxable income (AMTI) is the sum of three components: regular taxable income for AMT purposes, AMT preferences, and AMT adjustments. Regular taxable income for AMT purposes is basically the same as taxable income used for regular tax purposes, except it is allowed to be negative if deductions exceed gross income.

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¹ The original minimum tax was an addition to regular income tax. The current AMT is a floor on total tax liability. For details see Burman et al. (2002).

² See, for example, Burman and Weiner (2005) and Burman, Gale, and Rohaly (2005).

³ Table source is the Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1). Estimates presented in this paper differ slightly from earlier projections primarily because of changes in the economic forecast included in the newest version of our tax model.

⁴ This section draws heavily on Burman and Weiner (2005).

An AMT preference is an item identified as a potential tax saving in the regular income tax that is not permitted in the AMT. An AMT adjustment is simply any other exclusion, exemption, deduction, credit, or other treatment (such as a method for computing depreciation) in the regular income tax that is either restricted or disallowed in the AMT. There is no interesting economic distinction between preferences and adjustments in general; we will generally refer to both as preferences. Interesting distinctions do emerge among the various preferences themselves, however. Preferences are of two types: exemptions or deferrals. Exemption preferences broaden the AMT tax base, and include the disallowance of personal exemptions, the standard deduction, and itemized deductions for miscellaneous expenses and state and local taxes. Deferral provisions change the timing of the recognition of income and deductions, typically to accelerate income and postpone deductions. Thus, they tend to raise the current-year tax base, but only at the expense of future tax bases.

Exemption provisions are used heavily by middle-income AMT taxpayers, but are relatively simple to comply with, since they just involve adding figures to taxable income. The exemption measures might be interpreted as an effort to reduce tax incentives generally and move toward an alternative tax simpler than the regular system. Because the AMT prevents the use of the standard deduction but does not limit the use of some itemized deductions, taxpayers affected by the AMT may choose to itemize deductions even when the standard deduction exceeds the value of their itemized deductions. These taxpayers are said to have experienced a reduced deduction due to the AMT and are included in our measure of taxpayers affected by the AMT.

Deferral preferences differ considerably from exemption items. Relative to exemption preferences, there are more deferral items in the code, but they are used much less frequently, tend to be used by high-income taxpayers, and generate much less revenue. Deferral items tend to be complex, as taxpayers generally need to recalculate income and costs using different schedules and keep separate books for regular tax and AMT. Also, taxpayers may use AMT liability created by deferral provisions, but not by exemption provisions, as a credit against future years' regular tax liability in excess of the tentative AMT. The deferral provisions, coupled with the credit they create, are consistent with a policy goal of having every high-income filer pay some positive tax in each year, even if his or her overall multiyear tax liability does not change.

Exemptions in the AMT are neither indexed for inflation nor adjusted for family size. For tax years before 2001 and after 2006, the AMT exemption is \$45,000 for married couples filing jointly, \$33,750 for unmarried individuals, and \$22,500 for married individuals filing separately. Since 2001, temporary measures passed on an annual basis have increased the exemptions, which are currently set at higher levels through 2006. In 2006, the exemption is \$62,550 for married couples filing jointly, \$42,500 for unmarried individuals, and \$31,275 for married individuals filing separate returns. AMT exemptions phase out for high-income taxpayers. The phaseout thresholds are not indexed for inflation.

Pre-credit tentative AMT liability is determined by imposing the AMT tax rate schedule and the exemption phaseout schedule on the AMT tax base. The statutory AMT tax rate is 26 percent on the first \$175,000 in AMT tax base for married couples or singles (\$87,500 for married taxpayers filing separately) and 28 percent on additional amounts. The phaseout of the exemption, noted above, makes the effective marginal tax rate one-fourth larger than the

statutory rate through the phaseout range. AMT tax brackets are not indexed for inflation. The AMT generally preserves the lower tax rates on capital gains and dividends in the regular tax. After determining pre-credit tentative AMT liability, taxpayers subtract foreign tax credits to calculate tentative AMT liability.

AMT liability is the excess, if any, of the tentative AMT liability over a tax liability measure based on the regular income tax. The latter measure is regular income tax liability before credits (that is, the tax due on adjusted gross income minus allowable exemptions and deductions) less any taxes due because of lump-sum distributions and less any applicable foreign tax credits in the regular tax. For simplicity, we refer to this measure as regular tax liability for AMT purposes.

After calculating regular tax liability for AMT purposes and AMT liability, taxpayers may apply certain tax credits to reduce their tax or increase their refund. Under current law, the AMT does not restrict the use of personal refundable credits—the earned income tax credit and the child credit.⁵ Through 2006, all personal nonrefundable credits can be used to reduce personal income tax liabilities regardless of the AMT. After 2006, all these credits other than the adoption, child, and saver’s tax credits are allowed only to the extent that the individual’s regular tax liability exceeds the tentative AMT liability. Effectively, the credits are not allowed against the AMT. The general business credit can reduce tax only to the level of tentative AMT liability, but unused portions may be carried backward or forward to other tax years. Taxpayers whose ability to use credits is limited by their tentative AMT liability are said to have “lost credits.” We treat them as affected by the AMT even though, technically, they are not AMT taxpayers. Finally, as noted above, payment of AMT creates a regular income tax credit for future years to the extent that the AMT liability is the result of timing-related preferences or adjustments.

Aggregate AMT Projections and Recent History, 1970–2017

In 1970, only 20,000 taxpayers were affected by the minimum tax. By 2017, absent changes in law, about 39 million taxpayers will be hit by the AMT. **Table 1** presents projections of AMT taxpayers, AMT revenue, and other aggregate statistics related to the AMT for the years 2006–2017 in comparison to three baselines: current law, pre-EGTRRA law, and current law extended. **Table 2** pieces together historical data as available and estimates when necessary to show the number of AMT taxpayers and the amount of AMT revenue from 1970 through 2017.

Under current law, 3.5 million taxpayers will be affected by the AMT in 2006. If the temporary AMT fix expires as it is scheduled to do at the end of the year, the number will increase dramatically in 2007 to 23.4 million, and continue to grow through 2010, eventually reaching 32.4 million. With the expiration of the tax cuts in 2011, the number of AMT taxpayers will fall to 18.5 million, before rising to 39.1 million in 2017. If the tax cuts are extended, 52.6 million taxpayers will pay the AMT in 2017. Had the Bush tax cuts and the temporary AMT patches not been enacted, 8.1 million filers would have faced the AMT in 2006, considerably more than the 3.5 million estimated under current law. This shows the effect of the temporarily higher exemption. However, in 2007, 10.2 million people would owe AMT under the pre-

⁵ The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) repealed a provision that limited the EITC for those with AMT liability. Because EGTRRA is scheduled to sunset at the end of 2010, this provision returns in 2011.

EGTRRA baseline, which is less than half the number projected under current law assuming that the temporary patch is not extended. However, while there would have been no jump in AMT taxpayers in 2007, the long-term growth would continue. By 2017, 39.2 million people would be hit by the AMT.

Although the AMT affects only four percent of taxpayers in 2006, this will change markedly in the coming years if the AMT is not fixed. Under current law, 26 percent of taxpayers will be affected by the AMT in 2007 and 35 percent in 2017. If the tax cuts are extended, nearly half of taxpayers (48.6 percent) will owe the tax by 2017.

One indicator of the immense scope of the AMT is that by 2007, it would be less expensive to repeal the regular income tax than to repeal the AMT. In 2007, repealing the regular income tax (while leaving the AMT in place) would reduce revenues by \$63 billion. Repealing the AMT would cost \$70 billion in lost revenues. In addition, the share of income reported on returns subject to the AMT will also grow over time. If the tax cuts are extended, almost two-thirds (64 percent) of AGI will be reported on returns subject to AMT by 2017. Even if the tax cuts sunset as scheduled, 44 percent of AGI will be reported on returns affected by the AMT.

AMT Participation Rates

Table 3 presents the share of tax units affected by the AMT in a variety of scenarios and by a number of different classifiers. The top two panels reiterate the findings of table 1, showing a jump in the share of AMT returns in 2007 and continued increases through 2017.

The next panel shows the impact of the AMT on tax filers by cash income class. Although the AMT may have originally been intended to prevent high-income individuals from sheltering all of their income and paying no tax, it now affects more tax filers in lower income classes than it does at the top of the income scale. Since the top rate of the regular income tax exceeds the top rate of the AMT, individuals with high incomes who do not shelter a substantial portion of it will end up back in the regular tax system.⁶

If the tax cuts are extended, the AMT will become the primary tax system for tax units with incomes between \$100,000 and \$500,000 by 2017, with more than 90 percent of filers paying the tax.⁷ More than two-thirds of filers with incomes between \$75,000 and \$100,000 and between \$500,000 and \$1,000,000 will be filing the AMT as well. Even if the tax cuts sunset after 2010, more than half of filers with incomes between \$75,000 and \$200,000, and more than 75 percent of those with incomes between \$200,000 and \$500,000, will be paying the AMT in 2017.

Despite the temporary AMT fix in place for 2006, about 50 percent of filers with incomes between \$200,000 and \$1,000,000 will pay the AMT and 31 percent of filers with incomes of

⁶ What's more, many tax shelters exploit the difference in tax rates between long-term capital gains, which face a maximum tax rate of 15 percent, and ordinary income, which can be taxed at rates as high as 35 percent under the regular income tax. However, the lower capital gains tax rate is not considered an AMT preference item, so high-income taxpayers who report a large amount of capital gains receive the same tax break under the AMT as under the regular income tax. In contrast, before 1987, the lower tax rate on capital gains was considered a preference item and was, in fact, the largest one.

⁷ Income classes are in constant 2006 dollars.

\$1,000,000 or more will pay. Few filers with incomes below \$200,000 will be affected by the AMT, however. This will change if the higher AMT exemption levels are not extended for 2007. Filers with incomes between \$75,000 and \$200,000 are those most protected from the AMT by the fix and thus the share affected by the AMT will rise dramatically if it expires. Under current law, the share of filers with incomes between \$100,000 and \$200,000 affected by the AMT will jump from 5 percent to 71 percent, and the share of filers with incomes between \$75,000 and \$100,000 affected by the AMT will jump from 1 percent to 36 percent.

The next three panels display the relationship between AMT coverage and the number of children, state tax level, and filing status. Although only 2 percent of returns with no children in 2006 will pay the AMT, 7 percent of those with three or more children will. After the temporary fix expires, those shares will jump to 11 percent and 40 percent, respectively, and by 2017, under current law, the shares will be 16 percent and 65 percent. Because the AMT eliminates dependent exemptions, it impacts filers with many children much more than those without children.

The state and local tax deduction is the largest AMT preference item. While the gradations are not as sharp, residents of high tax states consistently are more likely to pay AMT than residents of low tax states. In 2006, the shares are 4.6 percent and 1.6 percent while in 2017 under current law they will be 32 percent and 24 percent. Finally, married filers also tend to pay the AMT at greater rates than single or head of household filers. In 2006, 5 percent of individuals filing a joint return will pay the AMT while only 1 percent of individuals filing a single return will do so. In 2007, the share of joint returns paying AMT will reach 37 percent while still only 2 percent of single returns will pay. By 2017, under current law, 50 percent of joint returns will pay the AMT but only 5 percent of single returns will do so.

Absent a change in law, the AMT will become an almost universal tax for upper-middle class families. In 2006, only 0.2 percent of married families with 2 or more kids and cash income between 75,000 and 100,000 will pay the AMT, but by 2017 that share will rise to 92 percent.

AMT Revenue Averages

Table 4 shows the average amount of additional tax paid by AMT taxpayers for the same groups, years, and tax laws shown in table 3. The main point is that the tax is serious money – the average AMT taxpayer will owe over \$6,000 in additional tax in 2006. However, the average AMT bill will fall dramatically as the role of the tax expands in 2007 and remain at a slightly lower level through 2017 under current law. If the tax cuts are extended, the size of the AMT bill will increase in the years past 2010 as it claims back part of the value of the cuts in the regular tax.

Distribution of AMT and Regular Income Tax

Table 5 provides detailed distributional information on AMT and regular income tax liability under current law by cash income classes. The AMT is a highly progressive tax with more than 90 percent of AMT liability paid by tax units with cash income of \$200,000 or more, and it is even more progressive than the income tax overall under which only about 55 percent of liability is paid by the same tax units. However, by 2010 the distribution of AMT liability will shift to

rest more heavily on tax units with less income; 45 percent of AMT liability will be paid by those with cash income under \$200,000. The highest income taxpayers will be paying a smaller share of total AMT liability than they pay in total income tax liability. Tax units with income of \$1 million or more will pay only 8 percent of AMT liability while they pay more than 20 percent of all income tax liability.

The distribution of AGI reported on returns affected by the AMT will also shift as the tax expands. In 2006, 50 percent of the AGI on AMT returns was reported by tax units with \$200,000 to \$500,000 in income. Less than 10 percent was reported on returns with income of less than \$200,000 (few people in those income classes paid the AMT). By 2010, tax units with income less than \$200,000 will account for almost 60 percent of AGI reported on AMT returns.

As noted, the kind of taxpayers subject to the AMT will change over time. In 2006, 75 percent of AMT taxpayers have income in excess of \$200,000 while only 4 percent of all tax units did. The AMT primarily affects higher-income tax units. But by 2010, only 18 percent of AMT taxpayers will have incomes over \$200,000 while the overall share of tax units with incomes in that range will remain 4 percent. Although the AMT will still primarily affect high income tax units, it will now affect a much larger share of tax units with incomes between \$75,000 and \$200,000.

Income Subject to Tax and Effective Marginal Rates

One of the enduring myths about the alternative minimum tax is that, whatever its other faults, it taxes a broader base of income at lower marginal rates than the regular income tax. The facts are almost exactly reversed; that is, the AMT often results in less income subject to tax but at higher marginal rates than under the regular income tax. **Table 6** shows that the share of AMT taxpayers with less income taxed in the AMT than in the regular income tax is projected to rise from 63 percent in 2006 to 87 percent in 2010, including more than 98 percent of AMT taxpayers with cash income between \$30,000 and \$100,000. The share with higher marginal tax rates under the AMT than under the regular tax will rise from 71 percent in 2006 to 89 percent in 2010. This anomalous result arises because the AMT exemption is large relative to income for many middle-income taxpayers. When they are on the AMT it is because the AMT tax rate, starting at 26 percent, is much higher than their average effective rate under the regular income tax.⁸

Coincident with the dramatic expansion of the AMT is a decline in the average dollar value of adjustments and preferences for middle-income taxpayers affected by the AMT between 2006 and 2010. In 2006, AMT taxpayers with income between \$50,000 and \$500,000 have average adjustments and preferences of between \$31,000 and \$36,000. AMT taxpayers in other income classes have larger averages. As AMT coverage expands, average adjustments and preferences drop. By 2010, AMT taxpayers with income between \$30,000 and \$100,000 will have adjustments and preferences that average less than \$20,000. AMT payers with incomes between \$100,000 and \$200,000 will have average adjustments and preferences of about \$21,000. In 2010, the standard deduction plus personal exemptions for a family of four (\$26,000)

⁸ Many higher-income taxpayers also face higher marginal tax rates under the AMT because the phase-out of the exemption creates an implicit tax at rates up to 35 percent in the phase-out range. See Burman, Gale, and Rohaly (2005) for a discussion.

will exceed the average adjustments and preferences of AMT taxpayers in all income classes between \$30,000 and \$200,000.

Tax Cuts and the AMT

Because the 2001–6 tax cuts did not include permanent reform of the AMT, a substantial portion of the reduction that individuals would have received in a world without the AMT will, in fact, be clawed back by the tax. In fact, 3 percent of taxpayers will find that their tax cuts are completely eliminated by the AMT. Substantially more tax units will find their tax cut reduced.

Table 7 shows that in 2010, the last year in which most provisions of the 2001-6 tax cuts are in effect, the AMT will take back 28 percent of the regular income tax cut that otherwise would have been received. The claw back rises to 47 percent for households with cash income between \$100,000 and \$200,000 and 70 percent for those with income between \$200,000 and \$500,000. About 3 percent of tax filers will get no tax cut in 2010 because they are on the AMT. Just under 13 percent of tax units with income between \$100,000 and \$200,000 will receive no tax cut because of the AMT; this figure rises to more than a quarter for tax units with incomes between \$200,000 and \$500,000.

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Table 1
Aggregate AMT Projections, 2006-2017¹

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total 2006-17 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| Number of AMT Taxpayers² (millions) | | | | | | | | | | | | | |
| Current Law | 3.5 | 23.4 | 26.5 | 29.3 | 32.4 | 18.5 | 20.9 | 24.0 | 27.2 | 31.0 | 35.1 | 39.1 | |
| Current Law Extended ³ | 3.5 | 23.4 | 26.5 | 29.3 | 32.4 | 35.1 | 38.1 | 41.1 | 43.6 | 46.7 | 49.6 | 52.6 | |
| Pre-EGTRRA Law | 8.1 | 10.2 | 12.3 | 14.2 | 16.5 | 18.5 | 20.9 | 24.1 | 27.2 | 31.0 | 35.2 | 39.2 | |
| Percent of Taxpayers Affected by AMT⁴ | | | | | | | | | | | | | |
| Current Law | 4.0 | 25.9 | 28.8 | 31.1 | 33.6 | 17.8 | 19.8 | 22.5 | 25.1 | 28.2 | 31.6 | 34.7 | |
| Current Law Extended | 4.0 | 25.9 | 28.8 | 31.1 | 33.6 | 35.6 | 38.0 | 40.4 | 42.2 | 44.5 | 46.7 | 48.6 | |
| Pre-EGTRRA Law | 8.6 | 10.6 | 12.5 | 14.1 | 16.0 | 17.6 | 19.7 | 22.3 | 24.9 | 28.0 | 31.4 | 34.5 | |
| AMT Revenue⁵ (billions of \$) | | | | | | | | | | | | | |
| Current Law | 23.9 | 69.8 | 86.3 | 97.6 | 117.4 | 49.4 | 57.2 | 65.9 | 75.2 | 86.7 | 100.0 | 114.8 | 944.1 |
| Current Law Extended | 23.9 | 69.8 | 86.3 | 97.6 | 117.4 | 132.4 | 150.2 | 169.7 | 189.7 | 212.6 | 238.0 | 265.2 | 1,752.9 |
| Pre-EGTRRA Law | 23.4 | 28.4 | 33.2 | 37.3 | 43.4 | 49.5 | 57.2 | 66.0 | 75.3 | 86.7 | 100.0 | 114.9 | 715.2 |
| AMT Revenue/AMT Taxpayer (\$) | | | | | | | | | | | | | |
| Current Law | 6,813 | 2,986 | 3,264 | 3,329 | 3,623 | 2,676 | 2,735 | 2,744 | 2,769 | 2,798 | 2,848 | 2,938 | |
| Current Law Extended | 6,813 | 2,986 | 3,264 | 3,329 | 3,623 | 3,778 | 3,944 | 4,129 | 4,347 | 4,551 | 4,794 | 5,047 | |
| Pre-EGTRRA Law | 2,885 | 2,782 | 2,704 | 2,632 | 2,636 | 2,675 | 2,732 | 2,739 | 2,764 | 2,796 | 2,844 | 2,933 | |
| AMT Revenue as a Percentage of Income Tax Revenue | | | | | | | | | | | | | |
| Current Law | 2.6 | 6.8 | 7.8 | 8.4 | 9.4 | 3.2 | 3.5 | 3.8 | 4.1 | 4.4 | 4.8 | 5.2 | 4.8 |
| Current Law Extended | 2.6 | 6.8 | 7.8 | 8.4 | 9.4 | 9.9 | 10.5 | 11.1 | 11.6 | 12.2 | 12.8 | 13.4 | 8.9 |
| Pre-EGTRRA Law | 2.0 | 2.3 | 2.5 | 2.7 | 3.0 | 3.2 | 3.5 | 3.8 | 4.0 | 4.4 | 4.8 | 5.2 | 3.6 |
| Percent of AGI on AMT Returns | | | | | | | | | | | | | |
| Current Law | 15.2 | 43.2 | 47.0 | 49.0 | 52.3 | 26.9 | 29.3 | 32.2 | 35.1 | 38.2 | 41.4 | 44.4 | |
| Current Law Extended | 15.2 | 43.2 | 47.0 | 49.0 | 52.3 | 54.3 | 56.3 | 58.3 | 59.7 | 61.4 | 62.9 | 64.3 | |
| Pre-EGTRRA Law | 15.4 | 18.2 | 20.6 | 22.4 | 24.8 | 26.8 | 29.3 | 32.3 | 35.1 | 38.2 | 41.5 | 44.4 | |
| Cost of Regular Income Tax Repeal⁶ (billions of \$) | | | | | | | | | | | | | |
| Current Law | 204.3 | 63.1 | 56.1 | 52.9 | 47.1 | 213.9 | 211.8 | 209.3 | 208.6 | 206.8 | 204.9 | 204.0 | 1,882.8 |
| Current Law Extended | 204.3 | 63.1 | 56.1 | 52.9 | 47.1 | 44.4 | 40.4 | 36.2 | 33.2 | 29.1 | 24.8 | 20.9 | 652.6 |
| Pre-EGTRRA Law | 222.9 | 216.8 | 218.1 | 217.1 | 217.4 | 217.3 | 215.0 | 212.6 | 212.0 | 210.2 | 208.3 | 207.2 | 2,574.8 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

(1) Calendar years. Tax units who are dependents of other tax units are excluded from the analysis. Numbers may not add due to rounding.

(2) AMT taxpayers are defined as those with an AMT liability from form 6251, with lost credits, or with reduced deductions.

(3) Includes all 2010 sunset provisions in current law.

(4) Taxpayers are defined as returns with positive income tax liability net of refundable credits.

(5) "Revenue" is actually calendar year tax liability. Some of that liability would be paid in a subsequent year.

(6) Includes repeal of the child tax credit and the earned income tax credit for all years as well as nonrefundable tax credits in the years in which they are not allowed for AMT purposes under current law.

Table 2
Aggregate AMT Projections and Recent History, 1970-2017¹

| Years | Current Law | | Tax Cuts Extended ⁴ | | Tax Cuts Repealed ⁵ | |
|-------|--|---|---|---|---|---|
| | AMT Taxpayers (millions) ² | AMT Revenue (\$ billions) ³ | AMT Taxpayers (millions) ² | AMT Revenue (\$ billions) ³ | AMT Taxpayers (millions) ² | AMT Revenue (\$ billions) ³ |
| 1970 | 0.02 | 0.1 | | | | |
| 1971 | 0.02 | 0.2 | | | | |
| 1972 | 0.03 | 0.2 | | | | |
| 1973 | 0.03 | 0.2 | | | | |
| 1974 | 0.02 | 0.1 | | | | |
| 1975 | 0.02 | 0.1 | | | | |
| 1976 | 0.25 | 1.0 | | | | |
| 1977 | 0.40 | 1.3 | | | | |
| 1978 | 0.50 | 1.5 | | | | |
| 1979 | 0.23 | 1.2 | | | | |
| 1980 | 0.22 | 1.3 | | | | |
| 1981 | 0.26 | 1.8 | | | | |
| 1982 | 0.23 | 1.5 | | | | |
| 1983 | 0.27 | 2.5 | | | | |
| 1984 | 0.37 | 4.5 | | | | |
| 1985 | 0.43 | 3.8 | | | | |
| 1986 | 0.61 | 6.7 | | | | |
| 1987 | 0.14 | 1.7 | | | | |
| 1988 | 0.11 | 1.0 | | | | |
| 1989 | 0.17 | 1.6 | | | | |
| 1990 | 0.20 | 1.6 | | | | |
| 1991 | 0.34 | 2.1 | | | | |
| 1992 | 0.42 | 2.5 | | | | |
| 1993 | 0.47 | 3.3 | | | | |
| 1994 | 0.53 | 3.8 | | | | |
| 1995 | 0.63 | 4.1 | | | | |
| 1996 | 0.72 | 5.0 | | | | |
| 1997 | 0.90 | 6.7 | | | | |
| 1998 | 1.05 | 7.7 | | | | |
| 1999 | 1.29 | 9.6 | | | | |
| 2000 | 1.61 | 13.1 | | | | |
| 2001 | 1.3 | 8.8 | 1.3 | 8.8 | 1.7 | 11.7 |
| 2002 | 2.1 | 8.8 | 2.1 | 8.8 | 3.8 | 14.0 |
| 2003 | 2.5 | 11.2 | 2.5 | 11.2 | 4.2 | 15.0 |
| 2004 | 3.3 | 15.0 | 3.3 | 15.0 | 5.1 | 17.1 |
| 2005 | 3.5 | 20.7 | 3.5 | 20.7 | 6.4 | 19.8 |
| 2006 | 3.5 | 23.9 | 3.5 | 23.9 | 8.1 | 23.4 |
| 2007 | 23.4 | 69.8 | 23.4 | 69.8 | 10.2 | 28.4 |
| 2008 | 26.5 | 86.3 | 26.5 | 86.3 | 12.3 | 33.2 |
| 2009 | 29.3 | 97.6 | 29.3 | 97.6 | 14.2 | 37.3 |
| 2010 | 32.4 | 117.4 | 32.4 | 117.4 | 16.5 | 43.4 |
| 2011 | 18.5 | 49.4 | 35.1 | 132.4 | 18.5 | 49.5 |
| 2012 | 20.9 | 57.2 | 38.1 | 150.2 | 20.9 | 57.2 |
| 2013 | 24.0 | 65.9 | 41.1 | 169.7 | 24.1 | 66.0 |
| 2014 | 27.2 | 75.2 | 43.6 | 189.7 | 27.2 | 75.3 |
| 2015 | 31.0 | 86.7 | 46.7 | 212.6 | 31.0 | 86.7 |
| 2016 | 35.1 | 100.0 | 49.6 | 238.0 | 35.2 | 100.0 |
| 2017 | 39.1 | 114.8 | 52.6 | 265.2 | 39.2 | 114.9 |

Sources: Urban-Brookings Tax Policy Center Microsimulation Model (versions 0304-3 and 1006-1); Harvey and Tempalski (1997); private communication from Jerry Tempalski; and IRS.

(1) Calendar years. The data for the years 1970 to 1998 has been obtained from Harvey and Tempalski (1997) table 2 and private communications. For the years 1999 to 2000, the number of AMT taxpayers and the AMT revenue under current and extended law have been calculated by adding TPC microsimulation model (version 0304-3) estimates of the number of taxpayers with lost credits and the revenue due to these lost credits to the IRS published actual figures for those with direct AMT liability; for 2001-04 the number has been calculated by adding the TPC microsimulation model (version 1006-1) estimates of the number of taxpayers with lost credits or reduced deductions but no direct liability and the revenue due to those taxpayers to IRS published actual figures for those with direct AMT liability. For 2005-15 under all three scenarios, and for pre-EGTRRA law from 2001-4, estimates are from the TPC microsimulation model (version 1006-1).

(2) Includes those with direct AMT liability on Form 6251, those with lost credits, and (for years 2001-2017) those with a reduced deduction. Tax units that are dependents of other taxpayers are excluded from the analysis.

(3) Includes direct AMT liability on Form 6251, lost credits, and (for years 2001-2017) the revenue due to reduced deductions.

(4) Includes extension of all provisions in current law that sunset in 2010.

(5) Pre-EGTRRA law.

Table 3
AMT Participation Rate (percent) by Individual Characteristics¹

| Group | Current Law | | | | Current Law Extended ² | Pre-EGTRRA Law | |
|--|-------------|------|------|------|--------------------------------------|----------------|------|
| | 2006 | 2007 | 2010 | 2017 | 2017 | 2007 | 2010 |
| All Taxpayers³ | 4.0 | 25.9 | 33.6 | 34.7 | 48.6 | 10.6 | 16.0 |
| All Tax Filers | 2.8 | 18.4 | 24.5 | 27.8 | 37.4 | 8.0 | 12.4 |
| Tax Filers by Cash Income (thousands of 2006\$)⁴ | | | | | | | |
| Less than 30 | * | * | * | 0.1 | 0.1 | * | * |
| 30-50 | * | 1.3 | 3.0 | 12.2 | 13.0 | 1.4 | 2.9 |
| 50-75 | 0.2 | 9.0 | 17.1 | 30.1 | 38.8 | 6.9 | 13.1 |
| 75-100 | 0.7 | 36.2 | 49.9 | 53.7 | 67.2 | 18.1 | 26.1 |
| 100-200 | 4.8 | 70.8 | 80.4 | 61.7 | 92.3 | 23.4 | 32.0 |
| 200-500 | 50.9 | 89.7 | 94.3 | 77.7 | 96.8 | 41.3 | 54.2 |
| 500-1,000 | 49.3 | 57.2 | 72.2 | 27.0 | 73.8 | 22.0 | 22.6 |
| 1,000 and more | 31.4 | 33.8 | 38.8 | 20.3 | 40.1 | 20.3 | 19.1 |
| Tax Filers by Number of Children⁵ | | | | | | | |
| 0 | 1.9 | 11.4 | 16.8 | 15.9 | 28.5 | 2.4 | 3.9 |
| 1 | 2.7 | 24.8 | 32.4 | 40.9 | 48.4 | 7.1 | 16.0 |
| 2 | 5.0 | 34.5 | 42.0 | 54.8 | 56.6 | 22.2 | 34.0 |
| 3 or more | 7.4 | 39.6 | 48.4 | 65.3 | 64.4 | 39.8 | 50.3 |
| Tax Filers By State Tax Level | | | | | | | |
| High | 4.6 | 21.8 | 27.7 | 31.6 | 40.7 | 10.9 | 16.2 |
| Middle | 2.3 | 18.5 | 25.0 | 28.3 | 37.9 | 7.7 | 12.0 |
| Low | 1.6 | 15.3 | 21.1 | 23.8 | 33.9 | 5.7 | 9.2 |
| Tax Filers by Filing Status | | | | | | | |
| Single | 0.9 | 2.4 | 3.8 | 4.7 | 10.5 | 1.1 | 1.7 |
| Married Filing Joint | 5.1 | 36.7 | 47.9 | 49.7 | 67.2 | 14.5 | 22.2 |
| Head of Household | 1.3 | 10.4 | 17.0 | 33.1 | 35.0 | 8.3 | 14.5 |
| Married Filing Separate | 5.7 | 34.5 | 47.4 | 48.7 | 62.9 | 12.8 | 17.6 |
| Married Couple, 2+ Kids, 75K<Cash Income<100k | 0.2 | 59.1 | 73.6 | 92.3 | 92.8 | 57.5 | 74.3 |
| Married Couple, 2+ Kids, 75k<AGI<100k | 0.8 | 78.2 | 88.6 | 97.7 | 97.8 | 68.8 | 86.4 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

* Less than 0.05 percent.

(1) Includes returns with AMT liability on Form 6251, with lost credits, and with reduced deductions. Tax Units who are dependents of other tax units are excluded from the analysis.

(2) Includes all 2010 sunset provisions in current law.

(3) Taxpayers are defined as returns with positive income tax liability net of refundable credits.

(4) Tax units with negative cash income are excluded from the lowest income class. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(5) Number of children is defined as number of exemptions taken for children living at home.

Table 4
AMT Revenue per AMT Taxpayer (\$)¹

| Group of AMT taxpayers | Current Law | | | | Current Law Extended² | Pre-EGTRRA Law | |
|--|-------------|--------|--------|--------|--------------------------|----------------|--------|
| | 2006 | 2007 | 2010 | 2017 | 2017 | 2007 | 2010 |
| All | 6,782 | 2,985 | 3,622 | 2,937 | 5,046 | 2,782 | 2,636 |
| By Cash Income (thousands of 2006\$)³ | | | | | | | |
| Less than 30 | 30,851 | 11,155 | 4,244 | 2,069 | 2,986 | 4,313 | 3,989 |
| 30-50 | 3,210 | 466 | 526 | 755 | 734 | 605 | 677 |
| 50-75 | 1,258 | 704 | 823 | 1,413 | 1,479 | 898 | 901 |
| 75-100 | 1,655 | 958 | 1,291 | 1,812 | 2,572 | 1,138 | 1,326 |
| 100-200 | 2,379 | 2,010 | 2,623 | 2,539 | 4,691 | 1,783 | 1,927 |
| 200-500 | 4,946 | 6,832 | 9,287 | 6,580 | 13,509 | 4,759 | 4,886 |
| 500-1,000 | 12,826 | 12,486 | 14,843 | 19,213 | 17,712 | 17,471 | 18,703 |
| 200-500 | 54,401 | 52,730 | 59,032 | 77,851 | 64,465 | 67,120 | 75,163 |
| By Number of Children⁴ | | | | | | | |
| 0 | 8,278 | 3,083 | 3,447 | 2,906 | 4,712 | 6,032 | 4,929 |
| 1 | 5,673 | 2,305 | 3,004 | 2,185 | 4,394 | 2,341 | 1,731 |
| 2 | 5,696 | 3,104 | 4,054 | 3,103 | 5,875 | 1,752 | 1,900 |
| 3 or more | 5,489 | 3,701 | 4,774 | 4,268 | 6,743 | 2,203 | 2,640 |
| By State Tax Level | | | | | | | |
| High | 7,727 | 3,940 | 4,738 | 3,871 | 6,191 | 3,592 | 3,394 |
| Middle | 5,273 | 2,499 | 3,123 | 2,524 | 4,645 | 2,046 | 2,064 |
| Low | 6,206 | 2,256 | 2,804 | 2,232 | 4,173 | 2,258 | 2,084 |
| By Filing Status | | | | | | | |
| Single | 7,411 | 4,399 | 4,400 | 3,845 | 3,717 | 5,953 | 5,076 |
| Married Filing Joint | 7,146 | 3,116 | 3,927 | 3,284 | 6,038 | 2,930 | 2,852 |
| Head of Household | 3,298 | 1,491 | 1,652 | 1,766 | 2,398 | 1,263 | 1,283 |
| Married Filing Separate | 4,426 | 1,775 | 2,110 | 1,737 | 3,356 | 2,103 | 2,138 |
| Married Couple, 2+ Kids, 75k<Cash Income<100k | 932 | 1,189 | 1,695 | 3,066 | 3,449 | 1,105 | 1,530 |
| Married Couple, 2+ Kids, 75k<AGI<100k | 2,067 | 1,586 | 2,222 | 3,292 | 4,280 | 1,292 | 1,696 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

(1) Includes AMT liability on Form 6251, lost credits, and the value of reduced deductions. Tax Units who are dependents of other tax units are excluded from the analysis.

(2) Includes all 2010 sunset provisions in current law.

(3) Tax units with negative cash income are excluded from the lowest income class. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(4) Number of children is defined as number of exemptions taken for children living at home.

Table 5
Distribution of AMT and Regular Income Tax by Cash Income, Current Law
2006

| Cash Income Class (thousands of 2006\$) ¹ | Tax Units (thousands) | | Percent of Units | | Percent of AGI | | Percent of Tax Liability | |
|--|------------------------|---------|------------------|-------|----------------|-------|--------------------------|------------------|
| | AMT | All | AMT | All | AMT | All | AMT ³ | All Income |
| | Taxpayers ² | Units | Taxpayers | Units | Taxpayers | Units | | Tax ⁴ |
| Less than 30 | 1 | 64,638 | * | 43.9 | * | 8.5 | 0.2 | -3.0 |
| 30-50 | 2 | 27,008 | 0.1 | 18.3 | * | 11.0 | * | 4.3 |
| 50-75 | 41 | 21,009 | 1.2 | 14.3 | 0.2 | 14.4 | 0.2 | 9.4 |
| 75-100 | 83 | 12,719 | 2.4 | 8.6 | 0.5 | 12.4 | 0.6 | 9.5 |
| 100-200 | 762 | 15,955 | 21.7 | 10.8 | 8.7 | 23.9 | 7.6 | 24.7 |
| 200-500 | 2,146 | 4,214 | 61.1 | 2.9 | 49.9 | 13.0 | 44.5 | 20.2 |
| 500-1,000 | 358 | 727 | 10.2 | 0.5 | 15.8 | 5.0 | 19.3 | 9.9 |
| 1,000 and more | 120 | 383 | 3.4 | 0.3 | 24.8 | 12.6 | 27.4 | 25.0 |
| All | 3,515 | 147,237 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

2010

| Cash Income Class (thousands of 2006\$) ¹ | Tax Units (thousands) | | Percent of Units | | Percent of AGI | | Percent of Tax Liability | |
|--|------------------------|---------|------------------|-------|----------------|-------|--------------------------|------------------|
| | AMT | All | AMT | All | AMT | All | AMT ³ | All Income |
| | Taxpayers ² | Units | Taxpayers | Units | Taxpayers | Units | | Tax ⁴ |
| Less than 30 | 14 | 63,641 | * | 41.1 | * | 7.6 | 0.1 | -2.2 |
| 30-50 | 786 | 28,908 | 2.4 | 18.7 | 0.7 | 10.3 | 0.4 | 3.8 |
| 50-75 | 3,751 | 22,180 | 11.6 | 14.3 | 4.9 | 13.6 | 2.6 | 8.8 |
| 75-100 | 6,990 | 14,059 | 21.6 | 9.1 | 12.2 | 12.3 | 7.7 | 9.6 |
| 100-200 | 15,105 | 18,782 | 46.6 | 12.1 | 40.6 | 25.3 | 33.8 | 27.0 |
| 200-500 | 4,986 | 5,289 | 15.4 | 3.4 | 26.8 | 14.5 | 39.5 | 22.5 |
| 500-1,000 | 600 | 831 | 1.9 | 0.5 | 6.7 | 5.1 | 7.6 | 9.1 |
| 1,000 and more | 167 | 431 | 0.5 | 0.3 | 8.3 | 12.0 | 8.4 | 21.5 |
| All | 32,400 | 154,718 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

* Less than 0.05 percent in absolute value.

(1) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(2) AMT taxpayers include those with AMT liability from Form 6251, with lost credits, and with reduced deductions

(3) Includes direct AMT liability, lost credits, and the value of reduced deductions.

(4) All income tax is the sum of regular income tax net of refundable credits plus direct AMT liability.

Table 6
Income Subject to Tax and Effective Marginal Tax Rates in the Regular Income Tax and the AMT Among
AMT Taxpayers, Current Law¹
2006

| Cash Income Class (thousands of 2006\$) ² | Percent With More Income Subject to Tax In ³ | | Average Adjustments and Preferences ⁴ | Percent With a Higher Marginal Tax Rate In ⁵ | | Average Effective Marginal Tax Rate (percent) ⁶ | |
|--|---|-------------|--|---|-------------|--|-------------|
| | Regular Tax | AMT | | Regular Tax | AMT | Before AMT | After AMT |
| All | 62.6 | 37.5 | 45,994 | 25.8 | 71.3 | 29.3 | 31.4 |
| Less than 30 | 0.0 | 100.0 | 162,291 | 0.0 | 99.8 | 0.0 | 32.1 |
| 30-50 | 81.4 | 18.6 | 52,499 | 0.0 | 99.4 | 2.3 | 26.4 |
| 50-75 | 90.3 | 9.7 | 31,011 | 0.0 | 98.2 | 17.2 | 26.2 |
| 75-100 | 94.3 | 5.7 | 31,571 | 1.8 | 93.1 | 21.2 | 27.3 |
| 100-200 | 88.9 | 11.1 | 35,398 | 5.9 | 85.5 | 25.3 | 29.3 |
| 200-500 | 63.2 | 36.8 | 34,672 | 25.2 | 73.9 | 31.1 | 33.2 |
| 500-1,000 | 9.5 | 90.5 | 58,224 | 68.1 | 29.8 | 30.9 | 28.8 |
| More than 1,000 | 11.6 | 88.4 | 289,191 | 62.2 | 33.5 | 26.9 | 26.6 |

2010

| Cash Income Class (thousands of 2006\$) ² | Percent With More Income Subject to Tax In ³ | | Average Adjustments and Preferences ⁴ | Percent With a Higher Marginal Tax Rate In ⁵ | | Average Effective Marginal Tax Rate (percent) ⁶ | |
|--|---|-------------|--|---|-------------|--|-------------|
| | Regular Tax | AMT | | Regular Tax | AMT | Before AMT | After AMT |
| All | 87.3 | 12.7 | 23,888 | 7.1 | 89.0 | 23.9 | 28.1 |
| Less than 30 | 58.2 | 41.8 | 36,700 | 0.0 | 93.1 | 7.1 | 27.6 |
| 30-50 | 98.6 | 1.4 | 15,368 | 0.0 | 95.9 | 16.4 | 25.6 |
| 50-75 | 98.7 | 1.3 | 19,134 | 1.9 | 90.3 | 18.0 | 24.9 |
| 75-100 | 98.9 | 1.1 | 18,488 | 1.0 | 92.1 | 19.3 | 26.2 |
| 100-200 | 97.0 | 3.0 | 20,979 | 5.8 | 92.0 | 25.8 | 28.4 |
| 200-500 | 43.2 | 56.8 | 31,209 | 15.9 | 83.3 | 29.1 | 32.5 |
| 500-1,000 | 10.8 | 89.2 | 64,292 | 69.7 | 25.9 | 31.0 | 28.3 |
| More than 1,000 | 10.7 | 89.3 | 290,894 | 53.9 | 34.3 | 27.4 | 27.1 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

(1) AMT taxpayers include those with AMT liability from Form 6251, with lost credits, and with reduced deductions.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) Income subject to tax for the regular income tax is taxable income; for the AMT it is AMTI net of the AMT exemption.

(4) Amounts are in nominal dollars to facilitate comparison with AMT exemption amounts. For 2006, the AMT exemption is \$62,550 for married couples filing jointly and surviving spouses; \$42,500 for unmarried individuals other than surviving spouses; and \$31,275 for married individuals filing separately. For 2010, the exemption amounts are \$45,000, \$33,750, and \$22,500 respectively.

(5) The marginal tax rate for each return is calculated by adding \$1,000 to wages, recomputing income tax net of refundable credits, and dividing the resulting change in tax liability by 1,000.

(6) Marginal tax rates represent a simple average across individuals.

Table 7**Effect of the AMT on 2001-2006 Individual Income Tax Cuts, 2010¹**

| Cash Income Class (thousands of 2006 dollars)² | Tax Units³ | | Percent of Tax Units With No Cut Due to AMT | Percent of Tax Cut Taken Back By AMT |
|--|-------------------------------|-----------------------------|--|---|
| | Number (Thousands) | Percent of Total | | |
| All | 154,718 | 100.0 | 3.1 | 27.7 |
| Less than 30 | 63,641 | 41.1 | * | * |
| 30-50 | 28,908 | 18.7 | 0.1 | 0.8 |
| 50-75 | 22,180 | 14.3 | 1.5 | 4.0 |
| 75-100 | 14,059 | 9.1 | 4.2 | 19.3 |
| 100-200 | 18,782 | 12.1 | 12.5 | 47.4 |
| 200-500 | 5,289 | 3.4 | 26.4 | 70.3 |
| 500-1,000 | 831 | 0.5 | 3.7 | 24.9 |
| More than 1,000 | 431 | 0.3 | 1.3 | 7.1 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

* Less than 0.05 percent.

(1) Calendar year. Tax cuts are calculated as a comparison of pre-EGTRRA law without the AMT and current law without the AMT. The share of the tax cuts taken back by the AMT is calculated using the increase in the AMT between pre-EGTRRA law and current law.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.