

DEPARTMENT OF THE TREASURY
Office of Public Affairs

March 2, 2005

FACT SHEET:

The Toll of Two Taxes: The Regular Income Tax and the AMT

The alternative minimum tax (AMT) is a second income tax system that runs parallel to the regular individual income tax. First enacted in the late 1960's, the AMT was intended to target a small group of high-income individuals – who had managed to avoid all taxes – to ensure they paid a minimum amount of tax. Changes since the AMT's original enactment mean that today it reaches into the ranks of the middle class, potentially denying them the benefit of many of the deductions, credits, and lower tax rates available under the regular income tax system. The AMT also significantly increases the complexity of tax filing for taxpayers subject to the AMT and for millions of additional taxpayers who must complete AMT forms to determine they are not subject to the AMT.

Left unchanged, the AMT will affect increasing numbers of taxpayers. As can be seen in the graph to the right, assuming the 2001 and 2003 tax cuts are made permanent, the number of taxpayers with increased taxes due to the AMT will increase from 3.8 million in 2005 to 20.5 million in 2006 and to 51.3 million in 2015.

The cost of addressing the AMT will also grow rapidly. Assuming the 2001 and 2003 tax cuts are extended, in 2006 the AMT will increase the amount of tax individuals pay by \$33.9B, rising to \$210B in 2014.

The graph shows that by 2013 less revenue would be lost from repealing the regular income tax than from repealing the AMT.

