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6 Facts You Must Know about the Alternative Minimum Tax

If you haven't heard of the Alternative Minimum Tax (AMT) you should know about it, especially if it applies to you. Our tax laws give you the opportunity to claim relevant tax benefits for certain kinds of income and tax credits for certain expenses. The AMT is to make everyone who benefits from tax breaks and credits pay a minimum amount of tax. There is an alternative set of rules that determines how much tax you are required to pay depending on the income you make. If your regular tax falls below this minimum, you will be required to make up the balance up to the minimum amount payable.

The IRS wants you to know these 6 basic facts about the AMT:

1. The AMT was initiated in 1969 to ensure that taxpayers (especially the rich ones) still pay a minimum amount of tax even though they claim for lots of tax breaks and benefits until they owe little or no tax.
2. You may be subject to the AMT even though you were not in previous years because the AMT is not indexed for inflation.
3. You may need to pay the AMT if your taxable income for regular tax

purposes plus any adjustments and preference items applicable to you is more than the AMT exemption amount. To determine if you are subject to pay the AMT, use the IRS AMT assistant at the IRS website.

4. The AMT exemption amounts vary according to your filing status and are determined by law.

5. The current AMT exemption amounts set by Congress for various levels are as follows:
a. 72,450 for a married couple filing a joint return and qualifying widows and widowers
b. \$47,450 for singles and heads of household
c. \$36,225 for a married person filing separately

6. The minimum AMT exemption amount for a child whose unearned income is taxed at his or her parents' tax rate has increased to \$6,700 for 2010.

If you require more information about the Alternative Minimum Tax and how it affects you, do read up IRS Form 6251 Alternative Minimum Tax – Individuals and its instructions at the IRS website, www.irs.gov.

Alternatively, you can also call 800-TAX-FORM i.e. 800-829-3676. If you wish to discuss your tax issues, call us at (813) 229 7100 for a free consultation.