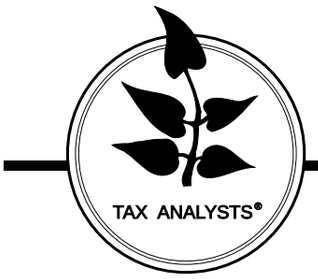


tax break

by Leonard E. Burman, William G. Gale, and Jeffrey Rohaly

The AMT: Projections and Problems

Leonard E. Burman is a senior fellow at the Urban Institute and co-director of the Tax Policy Center (TPC). William G. Gale is the Arjay and Frances Fearing Miller Chair at the Brookings Institution and co-director of the TPC. Jeffrey Rohaly is a research associate at the Urban Institute and director of tax modeling at the TPC. The authors thank Matt Hall for outstanding research assistance. All opinions are the authors' and should not be attributed to any of the organizations with which they are affiliated.

I. Introduction

The individual alternative minimum tax (AMT) operates parallel to the regular income tax, imposing a different income definition, allowable deductions, and rate structure. The AMT grew out of a minimum tax that first took effect in 1970, due to legislation enacted in response to public outrage in the wake of testimony by Treasury Secretary Joseph W. Barr (1969) that 155 high-income households had paid no income tax in 1966. Although it has historically applied to only a very small share of taxpayers, the tax is projected to grow rapidly over the next decade, transforming it from a class tax to a mass tax. The growth of the AMT will create problems of equity, efficiency, complexity, and transparency in the tax system. It will also inevitably force policy makers to focus more attention on the issue, in part because many reform options will prove expensive.

This column provides new projections of AMT taxpayers and revenues, and uses the projections to examine some broader implications for tax policy and the AMT. The results reported here update our previous work on the AMT.[1] The updates incorporate the January 2003 economic projections from the Congressional Budget Office, the features of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), and a major update of the Tax Policy Center microsimulation model.[2] In general, although the updates change the estimates slightly, the principal trends, conclusions, and concerns are similar to those found in earlier work. In particular, we find that:

- **AMT coverage will skyrocket.** By 2010, the AMT will affect 33 million taxpayers — about one-third of all taxpayers — up from 1 million in 1999. This would make the AMT about as common as the mortgage interest deduction is today. The AMT will be the *de facto* tax system for households with income between $100,000 and $500,000, more than 92 percent of whom will face the tax.
- **AMT expansion will encroach dramatically on the middle class.** Households with income less than $100,000 will account for 52 percent of AMT taxpayers in 2010, up from 9 percent today. They will account for 23 percent of AMT revenue, compared with just 5 percent in 2003. In 2010, the tax will affect 37 percent of households with income between $50,000 and $75,000 and 73 percent of households with income between $75,000 and $100,000 (compared to about 1 percent for each group in 2002).
- **The expansion occurs because the AMT is not indexed for inflation and because of the 2001 tax cut.** Holding real income fixed, the lack of indexing raises AMT liabilities every year, while the tax cut reduces regular income tax liabilities. The 2001 tax cut will more than double the number of people subject to the AMT in 2010 (from 14 million to 33 million). If the AMT had been indexed when the regular income tax was and

[1]The earlier analysis is contained in Burman, Gale, Rohaly and Harris (2002) and Burman, Gale and Rohaly (2002). Other discussions of the AMT include: General Accounting Office (2000), Graetz and Sunley (1988), Gravelle (1988, 2001), Harvey and Tempalski (1998), Joint Economic Committee (2001), Karlinsky (1995), Leonard (1998), Rebelain and Tempalski (2000), Shaviro (1988, 2001), and Tempalski (1996).

[2]Unless otherwise noted, all of the projections in this paper derive from the Tax Policy Center Microsimulation Model. The current version of the model is based on data from the 1999 public-use file produced by the Statistics of Income Division of the Internal Revenue Service (IRS). The file contains about 132,000 records with detailed information from federal individual income tax returns filed in the 1999 calendar year. A statistical match with the March 2000 Current Population Survey provides demographic and other information to supplement the tax data. The tax model has two components: a statistical routine that uses forecasts from the Congressional Budget Office, the IRS, and the Bureau of the Census to "age" or extrapolate the 1999 data to create representative samples of the filing and nonfiling population for future years, and a detailed tax calculator that computes the regular income tax and AMT liability for all tax units in the sample under current law and under alternative policy proposals. See http://taxpolicycenter.org/commentary/model.cfm for additional details.

had the 2001 tax cut not been enacted, fewer than 300,000 households would face the AMT, now or in 2010.

- **By 2008, it would cost less to repeal the regular income tax (leaving the AMT in place) than to repeal the AMT.**
- **The AMT penalizes taxpayers who marry and/or have children.** Couples will be more than 20 times as likely as singles to face the AMT in 2010. Because the AMT prohibits deductions for dependents, 64 percent of married couples with two or more children will face the AMT, 97 percent among those couples with income between $75,000 and $100,000. About 5.7 million taxpayers will face the AMT in 2010 simply because they have children.
- **The AMT is notoriously and pointlessly complex.** The Internal Revenue Service and the National Taxpayer Advocate have flagged the AMT as one of the most complicated tax provisions to comply with and administer. Most people required to fill out the AMT forms end up owing no additional taxes. The AMT also creates complicated interactions with the regular income tax.
- **The AMT raises marginal tax rates.** By 2010, the AMT will impose higher marginal tax rates than the regular income tax does for 93 percent of AMT taxpayers.
- **The AMT reduces the number of high-income filers who pay no income tax.** In 2003, an estimated 600 tax filers with incomes exceeding $1 million will avoid all income tax, but at least 2,700 would have if not for the AMT. But even if the goal of having every high-income tax return filer pay some income tax in each year is accepted, the AMT seems an extraordinarily cumbersome way to advance that goal.
- **The AMT is poorly targeted.** More than 90 percent of current AMT taxpayers face the tax only because they have dependent exemptions, standard deductions, or itemized deductions for taxes paid, medical costs, or miscellaneous expenses. These provisions have nothing to do with egregious or aggressive tax sheltering.
- **Reforming the AMT will likely prove expensive and politically difficult.** Repealing the tax would cost about $600 billion between 2004 and 2013 under current law. If the non-AMT provisions of recent tax cuts are extended permanently, AMT repeal would cost more than $1 trillion over the next decade, above and beyond the cost of the non-AMT extensions.

This article examines how a tax that was originally aimed at 155 taxpayers could grow under current law to target 33 million. Section II provides a brief discussion of the AMT. Section III presents new projections of AMT taxpayers and revenues. Section IV explores how the growing role of the AMT affects the equity, efficiency, and complexity of the tax system. Section V concludes. A companion column will address options for reform.

II. Background[3]

The original minimum tax in 1970 was an "add-on" that applied mainly to income from capital gains, which was (and is currently) taxed at highly preferential rates. In 1978, Congress created an "alternative" minimum tax that operates in parallel with the regular income tax. In 1982, the original add-on tax was eliminated and most of its provisions were incorporated in the AMT.

The AMT has been altered repeatedly since then, usually but not always at the same time as changes in the regular income tax. For example, the Tax Reform Act of 1986 broadened the base of both taxes and the 1993 tax act raised marginal rates under both. Two major exceptions to the general rule account for much of the explosive growth. The Economic Recovery Tax Act of 1981 cut taxes and indexed the regular income tax for inflation, but did not index the AMT. More recently, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) cut regular income tax rates, but made only minor or temporary changes to the AMT.

Currently, taxpayers who may be subject to the AMT must calculate their tax liability twice: once under the regular income tax rules and again under AMT. If AMT liability proves higher, taxpayers pay the difference as a surcharge on their regular income tax. Technically, the difference paid is their AMT. Taxpayers must calculate an AMT worksheet if their income exceeds certain thresholds and must calculate AMT liability if directed to by the worksheet or if they have certain types of income called deferral preferences, which are defined below.

To calculate the AMT, taxpayers start with their adjusted gross income and subtract deductions and exemptions to yield regular taxable income for AMT purposes.[4] They then add items that are paradoxically called "AMT preferences," which fall into two categories. Exemption preferences allow taxpayers a variety of deductions, exclusions or credits in the regular tax, but not the AMT. These include personal exemptions, the standard deduction, and itemized deductions for state taxes and miscellaneous expenses. Middle-income taxpayers are the most likely to be hit by exemption preferences. These preferences, however, have little or nothing to do with tax sheltering and consequently are hard to justify on policy grounds.

Deferral preferences allow taxpayers to postpone regular income tax payments or shelter income by hastening deductions or delaying income recognition. The

[3]The history of the AMT and rules for calculating the AMT are described in much greater detail in Burman, Gale, Rohaly, and Harris (2002).

[4]This can differ from taxable income in the regular income tax because taxable income for AMT purposes can be negative, whereas taxable income in the regular income tax cannot be less than zero.

Table 1: Aggregate AMT Projections, 2003-2013[1]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total 2003-13
Number of AMT Taxpayers[2]												
Pre-EGTRRA Law	4.2	4.9	6.0	7.2	8.7	10.3	12.0	14.3	16.8	19.3	22.5	
Current Law	2.4	3.2	12.7	16.5	21.2	26.4	29.9	33.1	16.8	19.3	22.5	
Current Law Extended[3]	2.4	3.2	17.5	20.7	23.9	27.2	30.3	33.5	36.4	39.2	41.8	
AMT Revenue[4]												
Pre-EGTRRA Law	14.5	16.3	18.7	21.2	24.8	29.2	33.7	39.7	47.1	55.2	64.6	364.9
Current Law	15.9	18.0	37.4	49.7	62.2	85.1	100.9	124.1	47.1	55.2	64.6	660.2
Current Law Extended	15.9	18.0	46.4	58.1	69.9	88.1	103.1	126.5	145.6	167.8	191.5	1,031.0
AMT Revenue as a Percent of Income Tax Revenue												
Pre-EGTRRA Law	1.6	1.6	1.7	1.8	2.0	2.2	2.3	2.6	2.9	3.2	3.5	2.4
Current Law	2.1	2.2	4.0	4.9	5.7	7.3	7.9	9.1	2.9	3.2	3.5	4.8
Current Law Extended	2.1	2.2	5.1	5.9	6.6	7.7	8.3	9.5	10.2	10.9	11.6	8.0
Percent of AGI on AMT Returns												
Pre-EGTRRA Law	9.0	10.1	11.6	13.1	15.1	17.2	19.2	21.9	24.6	27.4	30.7	19.3
Current Law	10.6	12.3	28.0	33.8	39.6	46.0	49.0	52.5	24.6	27.4	30.7	33.1
Current Law Extended	10.6	12.3	35.2	39.5	42.7	46.8	49.6	53.0	55.2	57.2	58.8	44.4
Cost of Income Tax Repeal[5]												
Pre-EGTRRA Law	220.0	222.0	221.9	225.4	223.3	221.4	220.1	217.0	214.9	210.7	207.9	2,404.4
Current Law	188.8	184.3	102.0	93.9	87.9	74.2	68.2	52.4	214.9	210.7	207.9	1,485.1
Current Law Extended	188.8	184.3	74.9	70.6	66.5	57.6	54.2	46.4	41.7	37.1	33.0	855.1

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).
Notes:
[1]Calendar Years. Numbers may not add due to rounding.
[2]In millions. AMT taxpayers are defined as those with either an AMT liability from Form 6251 or those with lost credits.
[3]Includes all 2010 sunset provisions in EGTRRA and all non-AMT provisions in JGTRRA.
[4]In billions of dollars. Taxpayers are defined as returns with positive income tax net of refundable credits.
[5]In billions of dollars. 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.

AMT rules limit the extent to which taxpayers can use deferrals by, for example, allowing less generous depreciation deductions. Compared with exemption preferences, deferral preferences are more consistent with the original goals of the AMT, have a greater tendency to affect high-income filers, but are more complex and generate less revenue.

Once a taxpayer adds in all preferences and tallies income, the next step is to subtract the AMT exemption. The first $175,000 of remaining income is taxed at a statutory 26 percent rate, with additional income taxed at a 28 percent rate. Because the AMT exemption itself phases out at a 25 percent rate over higher income ranges, the effective tax rate can be as high as 35 percent. The AMT exemptions, tax brackets, and exemption phase-out thresholds are not indexed for inflation.

Like the rest of the tax code, the AMT is riddled with expiring provisions, or sunsets, and these are important in understanding the projections discussed below.[5] First, the AMT exemptions are currently $58,000 for married couples and $40,250 for singles and heads of households. Prior to EGTRRA these exemptions were $45,000 and $33,750, respectively. EGTRRA raised the exemptions to $49,000 and $35,750 through 2004. The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) raised the exemptions to their current levels, retaining the sunset at the end of 2004. In 2005, the exemptions are set to return to pre-EGTRRA levels. Second, taxpayers may use personal nonrefundable credits to offset AMT liability, but this provision expires at the end of 2003. Third, taxpayers may use the child credit to offset AMT liability, but only through 2010.

III. Projections

A. Aggregate Projections

Table 1 presents new projections of AMT coverage and revenues and related items for calendar years 2003-2013. We present three sets of estimates to illustrate how basic economic trends, recent legislation, and proposals to make that legislation permanent have affected or would affect the AMT. The first baseline is based on tax law as it existed at the beginning of 2001, before any of President Bush's tax cuts were enacted.

[5]Gale and Orszag (2003) provide information on the increasing use and the magnitude of sunsets in the tax code.

The second incorporates current law, including all of the tax changes that have been made since President Bush took office — including EGTRRA in 2001, the Job Creation and Worker Assistance Act of 2002 (JCWA), and JGTRRA in 2003.

The third baseline is called "current law extended"; in this baseline, we extend (or make permanent) all of the *non-AMT* provisions of EGTRRA that expire in 2010 and all of the *non-AMT* expiring provisions in JGTRRA, but we allow all provisions regarding the AMT to expire as scheduled.[6] This baseline is not intended as a prediction; indeed, we expect that policymakers will have to deal with the AMT before EGTRRA's scheduled expiration date precisely because the consequences of ignoring it are so dire, *especially if the provisions of EGTRRA and JGTRRA are extended.* The extended baseline shows the pressures to deal with the AMT, as well as the huge revenue cost, assuming that policymakers carry through with their avowed intent to make the expiring current law provisions permanent.

The first point is the key role of inflation in generating a rising trend of AMT taxpayers. Under pre-EGTRRA law, 4.2 million taxpayers would have faced the AMT in 2003, rising gradually to 14.3 million in 2010 and then to 22.5 million in 2013. This trend reflects the fact that the AMT is not indexed for inflation, but the regular income tax is. Thus, to the extent that inflation raises nominal incomes, taxpayers' regular income tax liability is not affected, since the brackets, exemptions and standard deductions are indexed for inflation, but their AMT liability rises, throwing more of them onto the alternative tax.

The second point relates to the long-term effects of recent tax legislation. By 2010, the number of AMT taxpayers rises to 33.1 million under current law. Because the provisions of JCWA and JGTRRA expire before 2010, the result implies that EGTRRA will raise the number of AMT taxpayers by 18.8 million (=33.1-14.3) by 2010, and thus will more than double the number of taxpayers facing the AMT. Starting in 2011, the figures for current law are the same as for pre-EGTRRA law, since all of these tax cuts expire by the end of 2010.

In contrast, if the AMT had been indexed for inflation along with the regular income tax in the 1981 tax cut, and if EGTRRA had not been enacted in 2001, the number of AMT taxpayers in 2010 would be about 268,000, less than 1 percent of the 33 million projected under current law, and about 0.25 percent of all taxpayers (not shown). That is, the long-term growth of AMT taxpayers may be attributed almost entirely to the failure to index the AMT in the 1981 tax cut, when the regular income tax was indexed, and the failure to permanently adjust the AMT in the 2001 tax cut, when regular income tax rates were cut substantially.

The third point relates to the short-term effects of the recent tax cuts. Under current law, 2.4 million taxpayers face the AMT in 2003, compared to 4.2 million under pre-EGTRRA law. The difference occurs because the 2001 and 2003 tax cuts raised the AMT exemption (through 2004) and the 2002 tax cut extended the use of nonrefundable credits against the AMT (through 2003). By 2005, however, when all of these temporary provisions expire, the number of AMT taxpayers jumps to 12.7 million under current law, more than twice the figure under prior law.

The fourth point focuses on the long-term implications of extending the tax cuts. Extending the non-AMT expiring provisions (as described above) would imply that 41.8 million taxpayers would face the AMT in 2013, compared to 22.5 million under either current or pre-EGTRRA law.

The final point relates to the short-term implications of extending current law. If the non-AMT provisions of the recent tax cuts were extended, the number of AMT filers would increase to 17.5 million in 2005, as opposed to 12.7 million if the non-AMT provisions are allowed to expire as scheduled under current law.[7] The difference occurs because various provisions of JGTRRA scheduled to expire after 2004 would, if extended, significantly reduce regular income tax liability but not AMT liability.[8]

Table 1 also reports other measures of the expanding reach of the AMT. AMT revenue (which is also a measure of the minimum cost of repealing the AMT) would have been $365 billion under pre-EGTRRA law over the 2003-2013 period. It would be $660 billion under current law, and more than $1 trillion if the non-AMT provisions of the recent tax cuts were extended. By 2013, AMT revenue is projected to be $64.6 billion under current law and $191 billion — 1.1 percent of projected GDP (CBO 2003) — if the non-AMT provisions of EGTRRA and JGTRRA are extended.

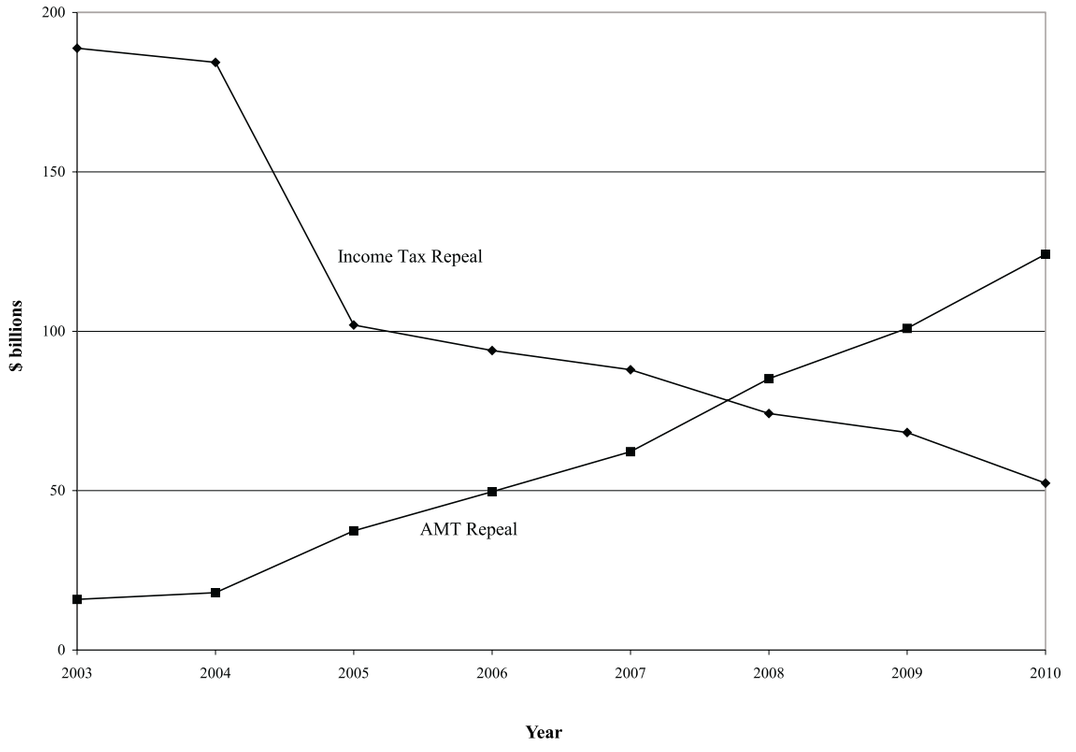
In 2003, AMT tax returns account for 11 percent of AGI. By 2010, that share is projected to rise to 52 percent. If the non-AMT provisions of recent tax cuts are extended, the share rises to 59 percent by 2013.

[6]We would also have extended the non-AMT provisions of the Job Creation and Worker Assistance Act of 2002, but there are no such provisions that are included in the TPC tax model.

[7]If the AMT exemption levels and use of refundable credits were extended along with the non-AMT provisions, 3.6 million taxpayers would face the AMT in 2005.

[8]For example, the elimination of the "marriage penalty" in the standard deduction and 15 percent tax bracket is scheduled under current law to expire after 2004 and then gradually return to its 2004 levels over the next five years. Also, the 10 percent bracket expansion expires after 2004 and returns in 2008 (Joint Committee on Taxation 2003). The difference between the number of AMT taxpayers under current law and current law extended shrinks over time as the various provisions that were accelerated to 2003 and then allowed to expire in 2004 under current law are then reinstated later in the decade. By 2009, almost all of these provisions would have been restored, so for those years the main remaining difference between the current law and current law extended scenarios are the lower tax rates on dividends and capital gains enacted in 2003, and the fact that indexation of the 10 percent bracket was accelerated in the 2003 act.

Figure 1: Revenue Loss of Income Tax Repeal and AMT Repeal Under Current Law



Under pre-EGTRRA law, AMT revenue as a share of total income tax revenue would have remained below 3 percent through 2011. But AMT revenue rises to 9 percent of income tax revenue in 2010 under current law, and to 12 percent in 2013 if the non-AMT provisions of recent tax cuts are extended.

Finally, Figure 1 shows perhaps the clearest measure of the expanding reach of the AMT: By 2008, it would cost less to repeal the regular income tax (keeping the AMT in place) than it would to repeal the AMT (keeping the income tax in place). In 2008, total income tax revenues are projected to be $1,163 billion, including $1,078 billion from the regular income tax and $85 billion from the AMT. AMT repeal would therefore reduce revenues by $85 billion. Repealing the regular income tax would reduce revenues by the entire $1,078 billion it would otherwise collect, but it would raise AMT revenue by $1,004 billion, so that the net revenue loss is just $74 billion.

B. Projections by Taxpayer Characteristics

Table 2 (on the next page) provides more details on the pattern of AMT coverage. In 2003, about 2.6 percent of taxpayers will be affected by the AMT.[9] The AMT currently affects very few taxpayers with AGI below $100,000. For taxpayers with incomes exceeding $100,000, current AMT participation rates rise sharply and peak at 55 percent in the $200,000 to $500,000 income range. For higher levels, AMT participation falls, but even for the highest income group, those exceeding $1 million, almost 20 percent face the AMT.[10]

Over time, the share of taxpayers on the AMT rises substantially, from 2.6 percent in 2003 to 12.8 percent in 2005 and 30.4 percent in 2010 under current law. These figures are considerably higher than those under pre-EGTRRA law: 5.9 percent in 2005 and 12.7 percent in 2010. If the non-AMT provisions of the recent tax cuts are extended, 37 percent of taxpayers will face the AMT by 2013.

AMT participation trends by income level are shown in table 2 and figures 2 and 3 (p. 111). Few households with AGI below $30,000 will face the AMT over the next decade. Households with higher incomes will be hit hard. The AMT will cover 37 percent of taxpayers with AGI between $50,000 and $75,000 in 2010, up from less than 1 percent in 2003. The tax will affect 73 percent of taxpayers with AGI between $75,000 and $100,000 in 2010, compared to only 1 percent today. For tax-

[9]A taxpayer is defined as a return filer with positive income tax liability after tax credits.

[10]The reason AMT participation falls as income rises above $500,000 is that regular income tax liability is boosted by the large share of income that is taxed at the highest marginal regular income tax rate.

Table 2: AMT Participation Rate (percent) by Individual Characteristics[1]

	Current Law[2]				Current Law Extended[3]	Pre-EGTRRA Law	
Group	**2003**	**2005**	**2010**	**2013**	**2013**	**2005**	**2010**
All Taxpayers[4]	2.6	12.8	30.4	19.1	37.1	5.9	12.7
All Tax Filers	1.8	9.3	22.4	14.6	27.2	4.4	9.7
Tax Filers by AGI (thousands of 2002$)							
Less than 30	*	*	0.2	0.4	0.5	0.1	0.2
30-50	0.1	1.5	6.9	8.5	12.5	1.7	5.0
50-75	0.5	9.5	36.6	29.1	49.8	8.9	19.7
75-100	1.1	27.4	72.9	37.7	81.9	15.6	27.0
100-200	9.3	54.3	92.0	49.8	96.7	15.4	32.2
200-500	55.3	83.5	96.2	56.9	96.6	28.9	48.3
500-1,000	28.9	27.4	49.3	12.1	51.2	12.6	12.2
1,000 and more	19.3	18.7	24.1	12.0	25.8	12.6	12.1
Tax Filers by Number of Children[5]							
0	1.2	3.7	15.4	5.7	20.2	1.1	2.8
1	1.8	11.3	29.1	22.0	34.2	3.0	11.3
2	3.5	26.4	44.4	44.0	49.8	12.5	32.9
3 or more	6.0	35.4	50.9	57.6	57.7	33.0	50.6
Tax Filers by State Tax Level[6]							
High	1.7	11.0	23.5	17.5	28.0	5.5	12.0
Middle	0.7	7.9	22.4	14.5	27.2	3.7	9.0
Low	0.4	5.8	18.6	11.2	23.8	3.0	7.1
Tax Filers by Filing Status							
Single	0.5	1.1	2.4	1.5	3.7	0.5	1.0
Married Filing Joint	3.7	20.9	53.5	34.0	64.7	9.4	21.7
Head of Household	0.8	4.0	9.2	10.1	13.2	3.0	6.9
Married Filing Separate	4.4	18.4	47.1	26.0	57.5	11.5	19.2
Married Couple, 2+ kids, 75K<AGI<100k	1.0	65.3	97.2	95.5	98.9	46.4	84.4

* Less than 0.05 percent.
Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).
Notes:
[1]Includes returns with AMT liability on Form 6251 and those with lost credits.
[2]Includes the Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003.
[3]Includes all 2010 sunset provisions in EGTRRA and all non-AMT provisions in JGTRRA.
[4]Taxpayers are defined as returns with positive income tax liability net of refundable credits.
[5]Number of children is defined as number of exemptions taken for children living at home.
[6]State codes are not provided on the SOI public-use file for individuals with 1999 AGI above $200,000. Figures here include only those taxpayers for which we have state-of-residence information.

payers with incomes between $100,000 and $200,000, AMT coverage will rise from 9 percent today to 92 percent in 2010.

For taxpayers with incomes exceeding $200,000, the AMT is already a significant issue and will become far worse under current law. As noted above, the tax already affects more than half of all households with income between $200,000 and $500,000, and by 2010, the figure will rise to 96 percent. At higher income levels, AMT coverage falls, but even so almost half of taxpayers with income between $500,000 and $1 million and almost a quarter of taxpayers with incomes exceeding $1 million will face the AMT by 2010, under current law.

AMT participation is higher for taxpayers in high-tax states, taxpayers with children, and taxpayers who are married, because the tax does not allow deductions for taxes paid or dependent exemptions, and contains significant marriage penalties. Middle-income taxpayers in certain situations will be virtually certain to be on the AMT absent a change in law. For example, by 2010, 97 percent of married couples with AGI between $75,000 and $100,000 (in 2002 dollars) and with two or more children will be affected by the AMT, compared with 1 percent in 2003. If the tax provisions expiring in 2010 are extended, that percentage will rise

(Text continued on p. 112.)

Figure 2: AMT Participation Rates, 2003-2010
(Tax Filers With AGI < $100K, Current Law)

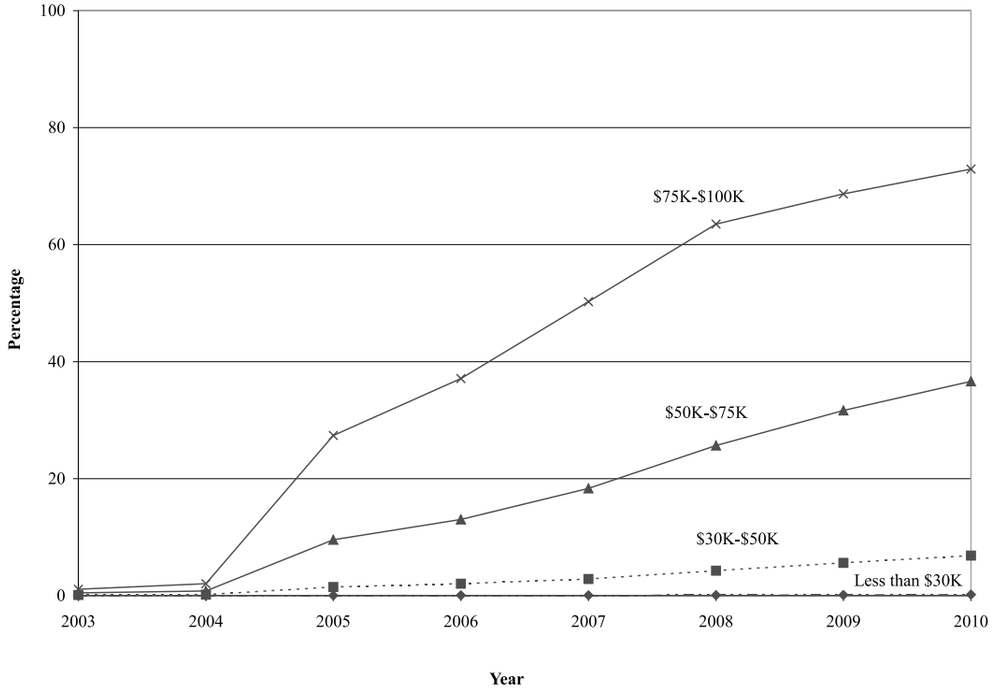


Figure 3: AMT Participation Rates, 2003-2010
(Tax Filers With AGI > $100K, Current Law)

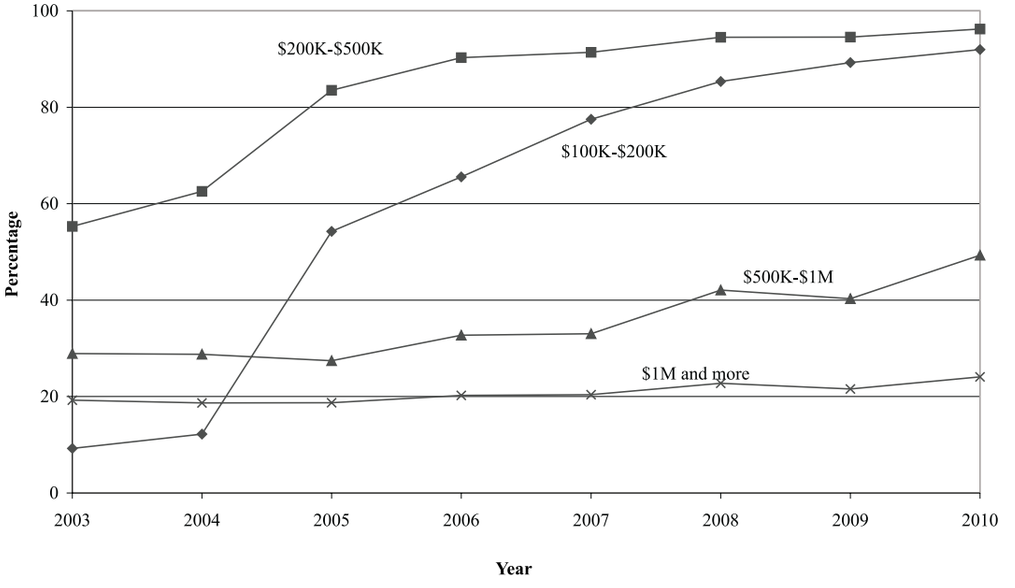


Table 3: AMT Revenue Per AMT Taxpayer ($)[1]							
	Current Law[2]				Current Law Extended[3]	Pre-EGTRRA Law	
Group of AMT taxpayers	2003	2005	2010	2013	2013	2005	2010
All	6,578	2,940	3,751	2,875	4,578	3,094	2,779
By AGI (thousands of 2002$)							
Less than 30	26,894	8,229	2,672	1,977	1,387	5,944	2,494
30-50	1,386	761	809	1,041	957	942	926
50-75	2,286	971	1,301	1,602	1,828	1,093	1,329
75-100	3,089	1,187	2,023	2,030	2,832	1,437	1,779
100-200	2,971	2,146	3,661	2,672	5,018	2,516	2,459
200-500	5,694	6,582	12,206	6,828	14,277	7,321	6,326
500-1,000	21,185	21,759	20,496	41,280	21,572	32,702	38,499
1,000 and more	100,583	101,864	117,302	150,853	116,281	118,229	139,233
By Number of Children[4]							
0	8,276	4,403	3,391	3,741	4,104	7,574	5,046
1	6,077	2,397	3,235	1,899	4,075	3,594	2,009
2	5,330	2,257	4,436	2,607	5,665	1,895	2,013
3 or more	4,606	2,711	5,050	3,506	6,181	1,968	2,696
By State Tax Level[5]							
High	2,418	2,049	3,294	2,587	4,324	1,806	2,161
Middle	2,899	1,635	2,649	2,056	3,620	1,521	1,778
Low	3,543	1,547	2,456	2,000	3,286	1,573	1,777
By Filing Status							
Single	8,633	5,182	4,749	5,004	4,401	7,843	5,671
Married Filing Joint	6,681	2,948	3,946	2,999	4,994	3,065	2,857
Head of Household	3,317	1,637	1,643	1,448	1,784	1,487	1,317
Married Filing Separate	4,039	1,919	2,088	2,139	2,477	2,080	2,120
Married Couple, 2+ Kids, 75k<AGI<100k	2,508	1,149	2,855	2,509	4,077	1,279	1,760

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).
Notes:
[1]Includes AMT liability on Form 6251 and lost credits.
[2]Includes the Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003.
[3]Includes all 2010 sunset provisions in EGTRRA and all non-AMT provisions in JGTRRA.
[4]Number of children is defined as number of exemptions taken for children living at home.
[5]State codes are not provided on the SOI public-use file for individuals with 1999 AGI above $200,000. Figures here include only those taxpayers for which we have state-of-residence information.

to almost 99 percent in 2013. Almost all parents with two or more kids and incomes between $100,000 and $200,000 will be on the AMT by 2010.

If EGTRRA and JGTRRA had not been enacted, AMT coverage rates would be substantially lower in 2010. In contrast, if the provisions scheduled to expire in 2010 are extended, the share of taxpayers on the AMT will continue to grow dramatically through 2013 (and beyond, although not shown on the table).

Finally, it is worth noting that the AMT represents a substantial tax on those affected. On average, the AMT will amount to a surcharge of $3,751 in 2010. (See Table 3.) That amount is actually lower than the average tax in 2003 — $6,578 — which reflects how the nature of the AMT is changing. Over the decade, the AMT will be transforming from a "class tax" — a surtax on a small number of mostly high-income taxpayers — into a "mass tax" — a surtax on a large number of mostly middle-income families. The average tax bill will be declining, but the number of AMT taxpayers will be rising several-fold.

IV. Implications

The projections above are of concern because the AMT is a complex tax with questionable effects on equity and efficiency. As the tax expands, more taxpayers will be subject to increasing complexity and the equity and efficiency implications of the tax.

A. Equity

The AMT was originally motivated in part by a minimalist notion of vertical equity — that high-income people should pay at least some income tax each year. The logic of such a goal may be questionable on purely

Table 4: Distribution of AMT and Regular Income Tax by AGI, Current Law

2003

AGI Class (thousands of 2002$)	Tax Units (thousands)		Percent of Units		Percent of AGI		Percent of Tax Liability	
	AMT Taxpayers[1]	All	AMT Taxpayers	All	AMT Taxpayers	All	AMT[2]	All Income Tax[3]
Less than 30	7	87,663	0.3	58.0	-0.4	13.9	1.2	-1.2
30-50	25	24,097	1.0	15.9	0.2	14.8	0.2	8.6
50-75	87	18,056	3.6	11.9	0.8	17.4	1.2	13.0
75-100	106	9,519	4.4	6.3	1.4	12.8	2.1	11.4
100-200	852	9,201	35.2	6.1	19.5	19.0	15.9	22.9
200-500	1,203	2,176	49.7	1.4	52.0	9.8	43.0	17.9
500-1,000	104	359	4.3	0.2	10.0	3.8	13.8	8.3
1,000 and more	36	185	1.5	0.1	16.5	8.5	22.5	19.1
All	2,419	151,256	100.0	100.0	100.0	100.0	100.0	100.0

2010

AGI Class (thousands of 2002$)	Tax Units (thousands)		Percent of Units		Percent of AGI		Percent of Tax Liability	
	AMT Taxpayers[1]	All	AMT Taxpayers	All	AMT Taxpayers	All	AMT[2]	All Income Tax[3]
Less than 30	127	94,973	0.4	56.5	*	11.8	0.3	-0.9
30-50	1,734	25,262	5.2	15.0	1.7	12.4	1.1	7.0
50-75	6,881	18,787	20.8	11.2	10.7	14.6	7.2	10.8
75-100	8,594	11,788	26.0	7.0	17.9	12.8	14.0	11.4
100-200	12,315	13,392	37.2	8.0	39.7	22.4	36.3	26.4
200-500	3,119	3,241	9.4	1.9	21.1	11.7	30.7	19.0
500-1,000	257	520	0.8	0.3	3.9	4.4	4.2	7.9
1,000 and more	65	270	0.2	0.2	4.9	9.9	6.2	18.3
All	33,092	168,234	100.0	100.0	100.0	100.0	100.0	100.0

* Less than 0.05 percent in absolute value.
Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).
Notes:
[1]AMT taxpayers include those with AMT liability from Form 6251 and those with lost credits.
[2]Includes direct AMT liability and lost credits.
[3]All income tax is the sum of regular income tax net of refundable credits plus direct AMT liability.

economic grounds, but it appears to command public support. The AMT was also motivated by broader goals of improving the horizontal and vertical equity of the tax system.[11]

The alternative minimum tax has succeeded in holding down the number of high income tax filers who pay no federal income tax. We estimate that in 2003, roughly 600 tax filers with adjusted gross incomes above $1 million will pay no federal income tax, but at least 2700 high-income tax filers will owe no income tax before the AMT.[12] If the existence of the AMT discourages taxpayers from attempting to shelter income, the number paying no income taxes without an AMT

[11]For example, the JCT (1970) describes congressional views of the purpose of the original minimum tax: "The prior treatment imposed no limits on the amount of income which an individual . . . could exclude from tax as a result of various tax preferences. As a result, there were large variations in the tax burdens placed on individuals . . . with similar economic incomes . . . [I]ndividuals . . . [who] received the bulk of their income from such sources as capital gains or were in a position to benefit from . . . tax-preferred activities tended to pay relatively low rates of tax. In fact, many individuals with high incomes who could benefit from these provisions paid lower effective rates of tax than many individuals with modest incomes. In extreme cases, individuals enjoyed large economic incomes without paying any tax at all. Similar statements can be found regarding the purposes of subsequent reforms to minimum taxes (JCT 2001a).

[12]These represent rough estimates from the TPC simulation model, which is based on data from the SOI Public Use File (PUF). For disclosure-avoidance reasons, when creating the PUF, SOI sorts all records by the level of wages and salaries within broad strata, and, for every three successive returns, replaces actual wages with the average wage among the three. Similar blurring procedures are used for state and local tax deductions. Among high-income households, this blurring can result in large changes in tax burdens on particular returns (though presumably not in the aggregate), which makes determination of the number of zero-tax filers difficult. By way of comparison, Balkovic (2003) finds that 464 taxpayers with adjusted gross incomes above about $600,000 paid no U.S. income taxes in 2000.

Table 5: Income Subject to Tax and Effective Marginal Tax Rates in the Regular Income Tax and the AMT Among AMT Taxpayers, Current Law[1]

AGI Class (thousands of 2002$)	Percent With More Income Subject to Tax in[2]		Average Adjustments and Preferences[3]	Percent With a Higher Marginal Tax Rate in[4]		Average Effective Marginal Tax Rate (Percent)[5]	
	Regular Tax	AMT		Regular Tax	AMT	Before AMT	After AMT
2003							
All	**65.8**	**34.2**	**39,246**	**32.0**	**67.5**	**30.0**	**31.3**
Less than 30	19.1	80.9	502,231	0.0	99.6	1.6	25.8
30-50	82.0	18.0	19,343	3.7	94.3	11.7	21.5
50-75	85.4	14.6	23,740	4.1	94.2	18.7	26.2
75-100	89.8	10.2	27,679	3.3	94.7	19.6	26.7
100-200	89.2	10.8	24,292	11.0	88.5	27.5	30.7
200-500	52.5	47.5	31,933	46.7	53.2	33.9	33.2
500-1,000	5.3	94.7	92,399	81.8	17.7	32.1	27.8
More than 1,000	7.4	92.6	480,214	76.5	22.1	29.6	26.7
2010							
All	**87.3**	**12.7**	**14,377**	**7.2**	**92.6**	**24.4**	**28.5**
Less than 30	86.0	14.0	54,377	0.0	100.0	16.3	29.2
30-50	98.6	1.4	8,463	3.4	96.1	17.7	26.2
50-75	99.1	0.9	11,145	0.4	99.5	18.0	26.7
75-100	99.1	0.9	10,132	8.3	91.7	24.7	27.2
100-200	92.6	7.4	12,609	1.5	98.4	26.8	29.9
200-500	10.6	89.4	26,390	36.1	62.9	31.8	32.3
500-1,000	0.9	99.1	84,468	87.9	8.4	33.2	27.9
More than 1,000	1.9	98.1	478,357	69.7	17.8	30.1	27.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).

Notes:

[1]AMT taxpayers include those with AMT liability from Form 6251 and those with lost credits.

[2]Income subject to tax for the regular income tax is taxable income; for the AMT it is AMTI net of the AMT exemption.

[3]Amounts are in nominal dollars to facilitate comparison with AMT exemption amounts. For 2003, the AMT exemption is $58,000 for married couples filing jointly and surviving spouses; $40,250 for unmarried individuals other than surviving spouses; and $29,000 for married individuals filing separately. For 2010, the exemption amounts are $45,000, $33,750, and $22,500 respectively.

[4]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.

[5]Marginal tax rates represent a simple average across individuals.

could have been much higher. Nevertheless, it is unclear why millions need to pay the tax currently to stop several hundred or a few thousand from paying no tax.

Moreover, although the AMT is more progressive than the income tax, both the regular income tax and the AMT will become less progressive over time. The progressivity of the regular tax will decline because the 2001 tax cuts increasingly benefit higher-income taxpayers over the course of the decade (Burman, Maag and Rohaly 2002; Gale and Potter, 2002). The progressivity of the AMT will also decline as it comes to affect millions of middle-class families.

Table 4 shows that filers with income under $100,000 (in 2002 dollars) will account for 52 percent of AMT taxpayers in 2010, up from 9 percent in 2003. Those filers will account for 23 percent of AMT revenues, compared with 5 percent in 2003. Only 10 percent of AMT revenues will come from taxpayers with incomes above $500,000 in 2010, compared with 36 percent in 2003. That income group will account for 27 percent of income tax revenues in 2003 and 26 percent in 2010. Thus, AMT's ability to boost the progressivity of the income tax will erode in the future.

The alternative minimum tax also raises horizontal equity issues. By reining in tax shelters, the AMT significantly reduces the variance of average effective tax rates among taxpayers with similar incomes. Burman, Gale, and Rohaly (2003) report that the AMT reduces the variance by 17 percent for taxpayers with incomes between $200,000 and $500,000 in 2003. By 2010, the

AMT will reduce the variance of effective tax rates by more than 30 percent for those taxpayers, and by almost 20 percent for those earning between $50,000 and $75,000.

However, a full measure of horizontal equity must adjust for differences in ability to pay tax created by factors other than income; specifically, it might include adjustments for factors like charitable contributions or extraordinary medical expenses that are now written into the regular tax code. The AMT allows some of these adjustments, such as deductions for charitable contributions and casualty losses, but disallows others such as child exemptions and deductions for certain medical expenses. It also significantly increases marriage penalties. Thus, a judgment on how the AMT affects horizontal equity will necessarily involve considering which elements of the current tax code are necessary to reflect ability to pay.

B. Efficiency

The most plausible economic rationale for a minimum tax of some sort is that it could be a second-best backstop for a porous income tax. By reining in unwarranted tax shelters that lawmakers for some reason could not address directly, the tax might reduce distortions and limit tax sheltering. Under certain assumptions, this could make the tax system more efficient. Although the notion of the AMT as a base-broadening, rate-lowering tax was plausible in the past, it is not today. In the early years of the alternative minimum tax, shelters were booming. Shelters served to reduce or eliminate taxes for many high-income filers and typically worked by combining assets that generated capital gains and expenses that were deductible. The AMT likely limited those shelters and arguably improved economic neutrality in large part by reducing the generosity of the deductions and taxing capital gains at the same rate as other income. Before 1985, about 85 percent of AMT preferences related to capital gains (Harvey and Tempalski 1997).

The alternative minimum tax, however, no longer targets tax shelters. A much larger share of its revenue now comes from run-of-the-mill provisions like the disallowance of personal exemptions and standard deductions. The Tax Reform Act of 1986 combined with the near-elimination of inflation sharply curtailed tax shelter activity (Samwick 1995). Because the 1986 tax reform taxed capital gains at the same rate as ordinary income, capital gains were eliminated as an AMT preference item. When tax preferences for capital gains were re-established in 1990 and expanded in 1997 and again in 2003, the role of capital gains in sheltering income rose, but capital gains were not reinstated as an AMT preference item. Thus, the preferential treatment of capital gains, the linchpin of many individual income tax shelters, is not addressed at all in the AMT. Likewise, the recent reduction in tax rates on dividends carries through to the AMT, and so will allow additional sheltering (Burman, Gale, and Orszag 2003).

The clearest way to show that the AMT is not well directed at tax shelters is to note that immediately removing the major exemption preferences — that is, allowing personal exemptions, dependent exemptions, deductions for state and local income and property taxes, and miscellaneous expenses in the AMT — would reduce the number of taxpayers affected by the AMT by 92 percent, to about 230,000. By 2010, a similar change would reduce the number of AMT taxpayers by about 75 percent relative to current law. That is, the vast majority of AMT taxpayers now and in the future end up facing the tax for reasons having nothing to do with sheltering.

Finally, 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 5 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 66 percent in 2003 to 87 percent in 2010, including 99 percent of AMT taxpayers with AGI between $30,000 and $100,000. The share with higher marginal tax rates under the AMT than under the regular tax will rise from 68 percent in 2003 to more than 90 percent in 2010.

To see how these results could arise, a couple earning $75,000 with six children would have $40,700 of taxable income under the regular tax in 2005, assuming that they took the standard deduction.[13] Neither the personal exemptions nor standard deduction would be allowed against the AMT, but the couple would be entitled to an AMT exemption of $45,000, yielding income subject to AMT of $30,000 — less than taxable income under the regular tax. They would nevertheless owe AMT because their marginal tax rate under the AMT — 26 percent — is much higher than their regular income tax bracket of 15 percent. Over time, more and more taxpayers will find themselves in a similar position, as inflation further erodes the value of the AMT exemption.[14]

C. Complexity

The National Taxpayer Advocate (2001) and the Internal Revenue Service (2000) have called the alternative minimum tax one of the most difficult and complex areas of tax law. Many taxpayers must keep two separate sets of books because of the deferral preferences — the AMT rules on the timing of income recognition and deductions that differ from regular income tax rules. These rules reduce the number of high-income tax filers that pay no income tax and thus serve an identifiable goal. The same goal could be advanced much more simply, however, by scaling back deferral preferences in the regular tax, rather than requiring taxpayers to juggle two separate, complicated calculations.

[13]Taxable income would equal $75,000 minus $25,600 in personal exemptions (8 times $3,200 per person) minus a standard deduction ($8,700), which leaves $40,700. The personal exemption and standard deduction amounts for 2005 are projected.

[14]In 2003, this family would not be on the AMT because the applicable exemption level through 2004 is $58,000.

Table 6: Effect of the AMT on EGTRRA Income Tax Cuts, 2010		
AGI Class (thousands of 2002$)	**Percent of Tax Filers With No Cut Due to AMT**	**Percent of Cut Taken Back by AMT**
All	**5.1**	**33.8**
Less than 30	*	*
30-50	0.7	1.2
50-75	4.0	15.3
75-100	4.8	37.2
100-200	24.1	65.0
200-500	45.1	71.8
500-1,000	9.3	15.9
More than 1,000	8.1	8.2
* Less than 0.05 percent. *Source:* Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).		

Much of the rest of AMT complexity appears to be completely pointless. Most people who must currently fill out the AMT forms end up owing no additional tax. Increasingly, the tax will impose greater compliance burdens on middle-class taxpayers, a group that was never the tax's main target. Moreover, the complexity also makes predicting marginal tax rates and understanding tax rules much more difficult.

D. Transparency

The AMT makes the tax system less transparent in many ways. As one example, state income tax payments are said to be deductible. Among tax filers that choose to itemize their deductions in 2003, 94 percent will receive the full benefit of the state and local tax deduction; the remainder face the AMT and so will lose part or all of the benefit of that deduction. By 2010, the percentage with curtailed benefits rises dramatically. Only 50 percent of those who itemize their deductions in the regular tax will be able to receive the full benefit; the rest will be on the AMT. This makes it difficult to characterize the tax system as either allowing the deduction or not.

Also the AMT makes it difficult to describe tax cuts accurately in the public debate. For example, both the 2001 and 2003 tax cuts are said to reduce marginal income tax rates significantly, and each act reduces other aspects of income taxes, too. But AMT taxpayers will not receive the full benefit of those cuts. Table 6 shows that in 2010 the last year in which the income tax cuts enacted in 2001 are in effect, the AMT will "take back" 34 percent of the regular income tax cut that would have occurred if the AMT did not exist. The clawback rises to 65 percent for households with income between $100,000 and $200,000 and 72 percent for those with income between $200,000 and $500,000.

V. Conclusion

Lack of inflation indexing in the alternative minimum tax expands the reach of the tax each year. Meanwhile, the recent tax cuts will further reduce regular income tax burdens while the recently legislated AMT relief is only temporary. Caught amid these trends, one in three American taxpayers will soon be squeezed by a problematic tax that almost none of them were ever meant to pay. While the goals of the AMT may command public support, the AMT does not meet those goals very well. In particular, under current law, the AMT will come to plague the middle class, with undue complexity, a narrower tax base, and higher marginal tax rates than under the regular income tax.

To date, neither political party has been willing to shoulder the responsibility or the resources for addressing the problem. The good news is that as the reach of the alternative minimum tax expands to encompass ever more taxpayers, the political benefits of seeking out a solution will expand as well. A number of sensible options for reform are available. These will be discussed in the next column.

References

Balkovic, Brian. 2003. "High-Income Tax Returns for 2000." *SOI Bulletin*. Spring. 2003: 10-62.

Barr, Joseph W. 1969. "Statement by Joseph W. Barr." In *Hearings on the 1969 Economic Report of the President before the Joint Economic Committee*, Committee Print, U.S. Government Printing Office.

Burman, Leonard E., William G. Gale, and Jeffrey Rohaly. 2003. "The Expanding Reach of the Alternative Minimum Tax." *Journal of Economic Perspectives*. 17:2. Spring: 173-86.

Burman, Leonard E., William G. Gale, Jeffrey Rohaly, and Benjamin H. Harris. 2002. "The Individual AMT: Problems and Potential Solutions." *National Tax Journal*. September. 55(3): 555-596. Also Urban-Brookings Tax Policy Center Discussion Paper No. 5. September.

Burman, Leonard E., Elaine Maag, and Jeff Rohaly. 2002. "The Effect of the 2001 Tax Cut on Low- and Middle-Income Families With Children," *Tax Notes* 96(2): 247-70. July 8.

Gale, William G., and Samara R. Potter. 2002. "An Economic Evaluation of the Economic Growth and Tax Relief Reconciliation Act of 2001." *National Tax Journal* 55(1): 133-186.

Gale, William G., and Peter R. Orszag. 2003. "Sunsets in the Tax Code." *Tax Notes.* June 9, 2003.

General Accounting Office. 2000. "Alternative Minimum Tax: An Overview of Its Rationale and Impact on Individual Taxpayers." Report to the Chairman, Committee on Finance, U.S. Senate (GAO / GGD-00-180). August.

Graetz, Michael J., and Emil Sunley. 1988. "Minimum Taxes and Comprehensive Tax Reform." In Henry J. Aaron, Harvey Galper, and Joseph Pechman, eds. *Uneasy Compromise: Problems of a Hybrid Income-Consumption Tax*. Washington, D.C.: Brookings. 385-419.

Gravelle, Jane G. 1988. "Comments." In: Henry J. Aaron, Harvey Galper, and Joseph Pechman, eds. *Uneasy Compromise: Problems of a Hybrid Income-Consumption Tax*. Brookings: Washington, D.C. 419-29.

— — — . 2001. "The Individual Alternative Minimum Tax: Interaction with Marriage Penalty Relief and

Other Tax Cuts." Congressional Research Service, June 12.

Harvey, Robert P., and Jerry Tempalski. 1997. "The Individual AMT: Why It Matters." *National Tax Journal* 50(3): 453-473.

Internal Revenue Service. 2000. "Annual Report from the Commissioner of the Internal Revenue Service on Tax Law Complexity." June 5.

Joint Committee on Taxation. 1970. "General Explanation of the Tax Reform Act of 1969." JCS-16-70. December 3.

Joint Committee on Taxation. 2001. "Study of the Overall State of the Federal Tax System and Recommendations for Simplification, Pursuant to Section 8022(3)(B) of the Federal Tax System." JCS-03-01. April.

Joint Committee on Taxation. 2003. "Estimated Budget Effects of the Conference Agreement for H.R. 2, The 'Job and Growth Tax Relief Reconciliation Act of 2003.'" JCX-55-03. May 22.

Joint Economic Committee. 2001. "The Alternative Minimum Tax for Individuals: A Growing Burden." May.

Karlinsky, Stewart. 1995. "A Report on Reforming the Alternative Minimum Tax System." *The American Journal of Tax Policy* 12(1): 139-150.

Leonard, Paul A. 1998. "Tax-Induced Segmentation in the Tax Exempt Securities Market," *Quarterly Journal of Business and Economics*, 37(4): 27-47.

National Taxpayer Advocate. 2001. "National Taxpayer Advocate's Fiscal Year 2001 Annual Report to Congress." IRS, Mimeo. December.

Rebelein, Robert, and Jerry Tempalski. 2000. "Who Pays the Individual AMT?" OTA Paper 87. June.

Samwick, Andrew A., 1995. "Tax Shelters and Passive Losses After the Tax Reform Act of 1986." NBER Working Paper no. 5171. July.

Shaviro, Daniel. 1988. "Perception, Reality, and Strategy: The New Alternative Minimum Tax." 66 *TAXES* 91: 91-102.

Shaviro, Daniel. 2001. "Tax Simplification and the Alternative Minimum Tax." *Tax Notes* 91(10). May 28: 1455-1468.

Tempalski, Jerry. 1996. "The Individual Minimum Tax." U.S. Treasury, mimeo.