Far From Perfection: Individual Alternative Minimum Tax Is Still Alive

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Introduction

On January 2, 2013, President Barack Obama signed the American Taxpayer Relief Act of 2012 (“ATRA”).[1] ATRA § 104 provides for annual inflation adjustments for purposes of the alternative minimum tax (“AMT”).[2] The law also makes Bush tax cuts permanent.[3] This paper focuses on the influences of the AMT on the individual tax liability with the proposals on a more rational AMT or a progressive replacement for the AMT. After a historical and academic overview of the AMT in Part I, the paper introduces the reasons of changing the AMT in Part II as failure of its intended purposes and the general tax policies. By elaborating in Part III the evaluation of ATRA and addressing the possible future reforms including a more rational AMT or a repeal of the AMT, the paper concludes that ATRA solution for the AMT is not the end but another start for the future tax reform.

I. Overview Of The AMT

The individual income tax has consisted of two parallel tax systems: a regular tax and an alternative tax.[4] The current version of the alternative tax is the AMT that operates parallel to the regular tax and sets a floor on total tax liability.[5] Taxpayers whose income exceeds the AMT exemption must calculate both regular tax and AMT liabilities and pay the larger amount of the two.[6]
The original minimum tax in 1969 was to guarantee that high-income individuals paid at least a minimal amount of tax.[7] Prior to ATRA, the AMT required annual congressional actions to prevent it from expansion on more taxpayers because of its design flaws.[8] 20 historical legislations on individual minimum taxes preceded ATRA.[9] Those changes before ATRA included the rates, the exemption amounts, and the credits allowed against the tax, but the basic structure had remained unchanged.[10] Over time, the AMT has become more influential on middle-class taxpayers.[11] Before 2000, the AMT was less than 2 percent of individual income tax revenue and 1 percent of total revenue, and affected less than 1 percent of taxpayers, so it played a minor role in the tax system.[12] Since 2000, the AMT is exploding.[13] The number of taxpayers owing the AMT grew from about 20,000 in 1970 to roughly 4 million in 2011.[14]

2. The Definition And Operation Of The AMT

The Black Law Dictionary defines the AMT as “A tax, often a flat rate, potentially imposed on corporations and higher-income individuals to ensure that those taxpayers do not avoid too much (or all) income-tax liability by legitimately using exclusions, deductions, and credits.”[15] The AMT is the addition to regular income taxes,[16] and its amount equals to the excess of the AMT liability over the regular tax liability after appropriate credits.[17] Taxpayers calculate their taxes under the tentative AMT and the regular tax, and pay the higher of the two.[18] The following table shows the general formula of calculating the tentative AMT.

<table>
<thead>
<tr>
<th>Taxable Income For Regular Tax Purposes[19]</th>
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<tbody>
<tr>
<td>– Certain Exclusions, Deductions, And Credits Allowed In The Regular Tax[20]</td>
</tr>
<tr>
<td>– The AMT Exemption Amount[21]</td>
</tr>
<tr>
<td>× The AMT Rate[22]</td>
</tr>
<tr>
<td>– The AMT Foreign Tax Credit[23]</td>
</tr>
<tr>
<td>= The Tentative AMT</td>
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The Tentative AMT Calculation

3. The Intended Purposes And Policies Of The AMT
Underlying goals of the AMT are requiring high-income taxpayer to pay some tax, deterring the aggressive use of tax shelters, and ensuring progressivity.[24] Being originally motivated by a simplified version of vertical equity,[25] the AMT’s simple mission was making all Americans pay tax regardless of their tax shelters and avoidance efforts.[26] Additionally, the AMT is a second-best backstop for a porous regular income tax system by reducing distortions and avoiding tax sheltering because Legislature cannot address directly some unwarranted tax shelters in the regular income tax system.[27] Moreover, the AMT should increase the tax system progressivity, which means average tax burdens increase with income-size classes in all years and ensure the vertical equity of the tax system.[28]

II. Why To Change

The AMT failed its purposes and had explosive expand to the middle-class taxpayers because it was not indexed for inflation and Bush tax cuts reduced regular income tax without a permanent AMT fix. Moreover, the AMT thwarted generally accepted tax polices such as equity and efficiency by modifying regular income tax incentives, altering marginal tax rates, increasing complexity, and reducing transparency.

1. Failure of Intended Purposes Of The AMT

The AMT fails its intended purposes because of its expansion. Before ATRA, two main factors were responsible for the explosive growth in the AMT since 2000: it was not indexed for inflation and Bush tax cuts reduced regular income tax without a permanent AMT fix.[29] Inflation is an important factor of the long-term AMT receipts, but the exemption amounts and the tax rate brackets in AMT were not indexed to automatically adjust and keep pace with inflation as the regular tax before ATRA.[30] Because taxpayers pay the higher of the tentative AMT and the regular tax, the different treatments between the two tax systems would push more taxpayers to the AMT. Additionally, Bush tax cuts reduced regular tax rates without changing the AMT, which would have resulted a dramatic increase in the projected future number of AMT taxpayers.[31] If Legislature had not made the temporary adjustments (“patches”) to the AMT, more returns would be subject to the AMT after Bush tax cuts.[32] However, the patches have only served to mask the underlying problems rather than a permanent solution.[33] ATRA makes Bush tax cuts permanent.[34]

Because of its expansion, the AMT failed its purposes of requiring high-income taxpayer to pay some tax, deterring the aggressive use of tax shelters, and ensuring progressivity for the following ways.[35]

Although Congress originally enacted the AMT to prevent high-income individuals from sheltering all of their income and paying no tax, its expansion gradually moves the types of the AMT taxpayers from higher-income to lower-income by encroaching on the middle class.[36] Because taxpayers would pay higher of the tentative AMT and the regular tax, the top statutory rate for regular income tax higher than the top statutory rate for the AMT would move high-income individuals without substantial sheltering to the regular tax system.[37]
Additionally, the AMT fails to impede some tax shelters. For example, the current AMT cannot stop the tax shelters by reporting capital gains, which could be deferred for years and faced a low statutory rate after recognition.\[38\] Under the different tax rate treatments between ordinary income and capital gain in the regular tax, an investment that would be a loss before tax when the income including capital gains was less than the expense, but the same investment could be profitable after tax because expenses were overstated for tax purposes and capital gains had lower tax rates.\[39\] The post-1987 AMT does not have different rate treatment between long-term capital gains and ordinary income as the regular tax, which leads high-income taxpayers report large amounts of capital gains and generally receive the same tax break under the AMT as under the regular income tax.\[40\]

Furthermore, progressivity of the tax system means average tax burdens increase with income-size classes in all years.\[41\] The contribution to the AMT from middle-class families was increasing significantly while the contribution to the AMT from high-income families was decreasing, so the AMT becomes less progressive over time,\[42\] which causes less vertical equity in the tax system.

2. **The AMT Thwarting Generally Accepted Tax Policies**

The AMT thwarted generally accepted tax polices such as equity and efficiency by modifying regular income tax incentives, altering marginal tax rates, increasing complexity, and reducing transparency.

A. **Modifying Or Limiting Regular Income Tax Incentives**\[43\]

For the horizontal equity, the AMT should reduce the variance of average effective tax rates among taxpayers with similar incomes.\[44\] However, the AMT differently affects taxpayers with similar incomes but different family circumstances or different state of residence.\[45\] The AMT disallows the deduction for state and local taxes, so it affects more taxpayers who live in the places with high state and local taxes.\[46\] Moreover, the AMT replaces the personal exemptions based on filing status and number of dependents in the regular tax with one single exemption solely based on filing status, so the AMT will not benefit larger families and marriage.\[47\] Additionally, the AMT has the exemption for married couples less than twice of that for singles\[48\] and has the same brackets regardless of filing status, so the AMT has more impact on married than unmarried.\[49\] Furthermore, the AMT requires higher percent of AGI as the threshold (10 percent) to deduct medical expenses than the regular tax (7.5 percent), and disallows the deduction for mortgage interest paid on secondary residences and interest paid on certain other mortgage debt,\[50\] which discourage the incentives to get medical treatments and purchase real property.

B. **Altering Marginal Tax Rates**

Because Legislature cannot address directly some unwarranted tax shelters in the regular income tax system, the most plausible economic rationale for the AMT is that it is a second-best backstop for a porous regular income tax system by reducing
distortions and avoiding tax sheltering. However, because the AMT exempts a large share of income for many middle-class taxpayers and has the phase-out of the AMT exemption, the AMT fails on the efficiency policy by taxing narrower base of income and imposing higher marginal rates than the regular income tax for the most AMT taxpayers. Narrower base and higher marginal tax rates in AMT can decrease after-tax income, discourage work, and reduce economic efficiency.

C. Increasing Complexity And Reducing Transparency

The AMT can increase the complexity of the tax calculations and reduce the transparency of the tax system because it can affect people’s behavior, alter the distribution of taxes, and complicate the tax planning decisions. Taxpayers need to complete AMT forms in addition to their regular income tax returns, and keep two separate sets of books because of the different deferral preferences between the AMT and the regular income tax. Most people filling out the AMT forms end up owing no additional taxes. Using computer software may lower the complexity of filings, but it will increase the out-of-pocket costs and decrease taxpayer’s intended incentives in the tax code.

III. ATRA Solution: Not The End But Another Start

The increasing number of taxpayers in the AMT placed pressure to permanently restructure of the AMT. In 2013, President Obama signed ATRA, § 104 of which provides for annual inflation adjustments for purposes of the AMT and makes Bush tax cuts permanent. This part lays out the evaluation of ATRA and addresses the possible future reforms including a more rational AMT or the AMT abolishment.

1. Evaluation Of ATRA Solution

This section assesses ATRA solution in the context of possible legislative options before its enactment, the insufficiency of the current solution, and the potential barriers for the future AMT reform.

A. Legislative Options Before ATRA

The problems in the AMT placed pressure to permanently restructure of the AMT. Before the enactment of ATRA, the alternative options to repeal the AMT included repealing regular tax, indexing the AMT’s parameters for inflation, and allowing additional exemptions and deductions under the AMT.

(1) The AMT Or The Regular Income Tax

A debate exists on the elimination of the AMT or the regular income tax. Because ATRA indexes the AMT for inflation and makes Bush tax cuts permanent, the AMT will affect 8 million households by 2020. After the permanent extension of Bush tax cuts by the ATRA, repealing the AMT would reduce revenues by over $2.7 trillion
between 2011 and 2022.\textsuperscript{[66]} On the contrary, the advocates of regular tax state that the single AMT system would lead undesirable policy changes from current law.\textsuperscript{[67]} By eliminating the regular tax, the differences between the AMT and the regular tax would alter the current distribution of the income tax, which would be especially detrimental against middle class.\textsuperscript{[68]}

This paper would respectfully join the pro-regular-tax alignment. The statistical indicators of immense scope of the AMT are mostly based on the legislations before ATRA, so it must be subject to change after ATRA. Even assuring that the statistical changes after ATRA are small, it would be against the legislative logic to remove the regular tax and preserve the AMT because the regular tax is the foundation of the AMT calculation.\textsuperscript{[69]} The approach of eliminating the regular tax is analogous to remove the tree trunk (the AMT) from the root (the regular tax) and expect the tree trunk to grow bigger and stronger. Additionally, simply eliminating the regular tax would sacrifice substantial revenues, impose marriage penalties, produce higher marginal tax rates, etc.\textsuperscript{[70]} Admittedly, neither the AMT nor the regular tax is a perfect tax system. However, the regular tax has fewer defects than the AMT.\textsuperscript{[71]} As the discussion in Part II, Section 2A, the AMT rejects the deduction of the state and local taxes; disallows exemptions for dependents; requires higher percent of AGI as the threshold to deduct medical expenses than the regular tax; and disallows the deduction for mortgage interest paid on secondary residences and interest paid on certain other mortgage debt. These defects do not exist in the regular tax. Moreover, Legislature would consider the cost-benefit to eliminate the regular tax. The cost of eliminating the regular tax would be the lost revenue from the regular tax and the cost of correcting the defects of the AMT. Assuming that the lost revenue from eliminating either the regular tax or the AMT would be close in number, the cost of improving the AMT will probably be higher than improving the regular tax because the regular tax has fewer defects than the AMT.\textsuperscript{[72]}

\textbf{(2) Rationale Of Congress On Choosing Inflation Index}

Before the enactment of ATRA, Legislature could permanently limit the expansion of the AMT’s impact in a number of ways, such as indexing the AMT’s parameters for inflation; allowing additional exemptions and deductions under the AMT; and eliminating the AMT.\textsuperscript{[73]} This part will not discuss the elimination of the regular tax as a legislative option for the reasons in the preceding section (1).

Permanently indexing the AMT’s parameters for inflation was a compelling candidate for AMT reform before ATRA. Even though the patches to the AMT exemptions can have similar effects as the inflation indexing, they create uncertainty for taxpayers and their financial decisions.\textsuperscript{[74]} Additionally, allowing additional exemptions and deductions under the AMT would offset the erosion of the un-indexed AMT exemptions caused by inflation and would provide similar relief as indexing the AMT for inflation.\textsuperscript{[75]} To provide some reliefs for AMT taxpayers, Legislature could allow state and local taxes deductions and dependent exemptions, lower the threshold of medical expense deduction, and loose the rules on interest deductions.Moreover, because the AMT did not fulfill its purposes or policies but became a \textit{de facto} ATM machine for generating additional tax revenue from middle-class taxpayers,\textsuperscript{[76]} the
most comprehensive approach would simply eliminate the individual AMT, which will relief all taxpayers from the complexity and opacity of two parallel tax systems. The following table gives the brief comparisons and contrasts for the three options.

<table>
<thead>
<tr>
<th>Legislative Options</th>
<th>Consequences</th>
<th>2010-2019 Lost Tax Revenue By Adopting The Optional Reform</th>
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<tbody>
<tr>
<td><strong>Option 1:</strong> Indexing The AMT’s Parameters For Inflation</td>
<td>Decreased Number Of AMT Taxpayer In 2010 After Adopting The Optional Reform</td>
<td>$450 billion[^79]</td>
</tr>
<tr>
<td><strong>Option 2:</strong> Allowing Additional Preferences Under The AMT</td>
<td>22 million[^78]</td>
<td>$530 billion[^81]</td>
</tr>
<tr>
<td><strong>Option 3:</strong> Eliminating The AMT</td>
<td>27 million[^82]</td>
<td>$620 billion[^83]</td>
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</table>

**Legislative Options And Their Consequences Before ATRA**

The table above can show that indexing the AMT’s parameters for inflation was the cheapest option before ATRA among the three options. Moreover, either allowing additional preferences under the AMT or eliminating the AMT is more difficult and complex legislation procedures than indexing the AMT for inflation. Allowing additional preferences will have a lot of detailed changes for the current regular tax system. Additionally, the following Section 3 of the paper can show that eliminating the AMT will be a progressive procedure with the AMT indexing as the initial step. Furthermore, indexing the AMT for inflation will be the prerequisite of allowing additional preferences under the AMT because the preferences should be indexed for inflation.[^84] So Congress made a right choice to have the AMT indexing for inflation in ATRA.

**B. Insufficiency Of ATRA Solution**
The AMT actually affects taxpayers with similar incomes but different family circumstances or different state of residence differently, raising the variance of after-tax income.\[85\] After ATRA, the AMT still rejects the deduction of the state and local taxes; disallows exemptions for dependents; requires higher percent of AGI as the threshold to deduct medical expenses than the regular tax; and disallows the deduction for mortgage interest paid on secondary residences and interest paid on certain other mortgage debt. Moreover, ATRA does not eliminate the phase-out of the AMT exemption that leads additional marginal tax rates,\[86\] so most taxpayers still have higher marginal tax rates under the AMT than under the regular income tax.\[87\] Additionally, ATRA does not reduce complexity and increase transparency of the AMT. Taxpayers still need to complete AMT forms in addition to their regular income tax returns,\[88\] and keep two separate sets of books.\[89\] Furthermore, the AMT after ATRA still fails to impede some shelters, such as the ones involved with capital gains.\[90\] The future legislations after ATRA should change these defects or abolish the whole AMT.

C. **Barrier To AMT Reform After ATRA**

A significant barrier to AMT reform has been the challenge of what to do about the lost revenues.\[91\] If the AMT reform would have no offsets, federal budget deficits would rise and the cost would be shifted to the future taxpayers.\[92\] Methods of offsetting the revenue loss from the AMT reform include broadening the base for the regular income tax or raising its rates, increasing revenues from other tax sources, and reducing spending.\[93\] Regular tax system would have to rise by a similar magnitude to offset the revenue loss, may eliminate various tax preferences, and could raise all or some of rates on capital gains, dividend income, etc.\[94\] However, if other tax increases or spending reductions would offset the resulting revenue losses, the AMT reform would benefit some taxpayers and disadvantage others.\[95\]

2. **Possibility Of Creating A More Rational AMT**

The more rational AMT should “keep the baby but throw out the bathwater.”\[96\] If the AMT will remain, a more rational system should allow additional exemptions and deductions as the regular tax\[97\], and neutralize the potential federal deficit by increasing the AMT tax bracket\[98\] and eliminating the preferential rates for capital gains in regular tax.\[99\]

3. **Feasibility Of Repealing The AMT**

If Legislature will repeal the AMT, it can be a progressive elimination.\[100\] The following flowchart illustrates the progressive procedure of the AMT elimination.
The Flowchart On The AMT Progressive Elimination

ATRA has already finished Step 1. Step 2 can remove almost the entire middle class from the AMT. Step 3 will eliminate the major different tax preferences between the AMT and the regular tax and end the AMT except for high-income taxpayers. Step 4 will significantly increase the number of high-income taxpayers who pay no income tax because deferral preferences have a greater tendency to affect high-income taxpayers.

Two reasonable methods can offset the revenue loss after the AMT progressive elimination. First, after the AMT deletion, Legislature can impose an add-on tax. However, this option is actually back to the origin of the AMT, and will have the possibility to repeat some AMT mistakes in future. Second, changing the regular income tax can reduce some federal deficits. Some AMT provisions, which are preventing investment activities to avoid the regular income tax, should be incorporated into the regular income tax after repealing the AMT. But the legislation of such incorporations may not be easy because the AMT was created to backstop the unwarranted tax shelters that Legislature could not address directly for some reasons in the first place. Additionally, Legislature can raise some or all of the regular income tax rates, including tax rates on capital gains and dividend income, to compensate the lost revenue after the termination of the AMT. Moreover, the AMT elimination can pair with the abolishment of various regular tax preference, such as state and local tax deduction to reduce the federal deficits.

Conclusion

The individual AMT operates parallel to the regular income tax by defining income differently, imposing different tax rates, and allowing different tax preferences. Ideally, the most comprehensive approach should be reforming the income tax to eliminate the AMT. But considering the reality under the huge pressure of potential federal revenue loss, Legislature chose the AMT indexing for inflation in ATRA. As Republican Senator Orrin Hatch of Utah told ABC News, “Far from perfect, this legislation does include a permanent fix to the ever-growing the AMT, giving millions of hard-working, middle-class families certainty that the nightmare of this tax has finally come to an end.” As long as the individual AMT exists, the future tax reform is still foreseeable.

[2]Id.

[5] Id.

[6] Congressional Budget Office, supra note 4, at 2; I.R.S., supra note 7 (“Thus, the AMT is owed only if the tentative minimum tax is greater than the regular tax.”); Burman et al., supra note 7, at 1.


[8] Lim & Rohaly, supra note 4, at 3.


[12] The Joint Committee on Taxation, Present Law and Background Relating to the Individual Alternative Minimum Tax, JCX-10-07 (2007); Lim & Rohaly, supra note 4, at 5-7.


[18] Id. at 2; I.R.S., supra note 7; Burman et al., supra note 7, at 1.

[19] Lim & Rohaly, supra note 4, at 3.


[21] I.R.S., supra note 7 (stating that the AMT exemption amount is set by law).

[22] Id. (stating that AMT rate is set by law and the rates in effect for the regular tax are used for capital gains and certain dividends).


[27]Burman et al., *supra* note 25, at 8 (“For example, by taxing interest income from bonds that state and local governments issue to support private activities like shopping centers or stadiums, income that is exempt from the regular income tax, the AMT reduces the subsidy afforded such investments.”).


[29]Lim & Rohaly, *supra* note 4, at 3; Burman et al., *supra* note 7, at 2; Leiserson & Rohaly, *supra* note 10, at 1.


[33]Leiserson & Rohaly, *supra* note 10, at 3.

[34]Landes, *supranote 3*.


[37]Lim & Rohaly, *supra* note 4, at 6.

[38]Burman et al., *supra* note 25, at 9.

Lim & Rohaly, supra note 4, at 6, n.10.

Petska & Strudler, supra note 28.

Burman et al., supra note 25, at 7.

Congressional Budget Office, supra note 4, at 7.

Burman et al., supra note 25, at 7.

Id. at 7-8.

Burman et al., supra note 7, at 2.

I.R.C. §§ 55, 56, 151; Burman et al., supra note 7, at 2.


Lim & Rohaly, supra note 4, at 7.

I.R.C. §§ 55, 56, 163, 213; Congressional Budget Office, supra note 4, at 8.

Burman et al., supra note 25, at 8.

Lim & Rohaly, supra note 4, at 8-9.

Lim & Rohaly, supra note 4, at 10.

Burman et al., supra note 7, at 2 (“Marginal tax rates affect the incentive to work, save, and comply with the tax system.”); Congressional Budget Office, supra note 4, at 7-8 (“The AMT can subject taxpayers to higher marginal tax rates—which, in turn, influence decisions about how much to work and save, potentially reducing economic efficiency.”).

Congressional Budget Office, supra note 4, at 7.

Id. at 8.

Burman et al., supra note 25, at 11.

Burman et al., supra note 7, at 2; Burman et al., supra note 25, at 11.

See, e.g., I.R.S., supra note 7 (“If you are filing the Form 1040, you may use the AMT Assistant for Individuals, which is an electronic version of the AMT worksheet available on the IRS website.”).

Congressional Budget Office, supra note 4, at 9.

Congressional Budget Office, supra note 4, at 3.

[63]Burman & Weiner, *supra* note 23, at Table 2 (listing the regular tax and the AMT provisions for comparison and contrast).


[68]Burman et al., *supra* note 7, at 2 (“The AMT is encroaching on the middle class.”); 2005 Report of the President’s Advisory Panel on Federal Tax Reform, Chapter Five-Seven, *supra* note 26, at 87 (“Relative to the current system, many middle-income taxpayers would face higher marginal tax rates, while lower- and very high-income taxpayers would face lower marginal tax rates.”).

[69]I.R.S., *supra* note 7 (“The AMT is the excess of the tentative minimum tax over the regular tax.”); Congressional Budget Office, *supra* note 4, at 2 (stating that the AMT is the addition to regular income taxes, and its amount equals to the excess of the AMT liability over the regular tax liability after appropriate credits).


[72]*Id.*


[74]*Id.* at 10.


[78]Congressional Budget Office, *supra* note 4, at 10 (“If the exemption amounts in effect for 2009 were made permanent and indexed for inflation after 2009, along with the AMT’s brackets and the threshold at which the exemption phased out, 5 million taxpayers would pay the AMT in 2010—rather than the 27 million projected to pay under current law—and revenues would be about $450 billion lower from 2010 to 2019 than..."
they would be otherwise.”).

[79]ld.

[80]ld. (In January of 2010, The CBO estimates that this option would decrease the number of people affected by the AMT from 27 million to 2 million in 2010).

[81]ld.

[82]Lim & Rohaly, supra note 4, at3 (“Absent another temporary fix or other change in law, the tax cuts and lack of indexation will combine to push more than 27 million taxpayers onto the AMT in 2010.”).

[83]Congressional Budget Office, supra note 4, at 10 (The CBO estimating a revenue cost of more than $620 billion from 2010 to 2019 for the AMT elimination). See also Urban-Brookings Tax Policy Center, supra note 14(showing that the cost of repealing the AMT would be over $2.7 trillion between 2011 and 2022 after the permanent extension of Bush tax cuts by the ATRA).

[84]ld. (“To provide some relief to taxpayers, lawmakers could allow them to use the standard deduction, personal exemptions, and deductions for state and local taxes (as they are used under the regular tax) when computing their tax liability under the AMT. The standard deduction and personal exemptions are both indexed for inflation, and state and local taxes also generally rise with prices.”).

[85]Burman et al., supra note 25, at 7-8.


[87]Congressional Budget Office, supra note 4, at 8.

[88]ld.

[89]Burman et al., supra note 25, at 11.

[90]Lim & Rohaly, supra note 4, at6, n.10.

[91]Burman et al., supra note 7, at 3 (“Paying for reform or repeal is a key issue”).

[92]Congressional Budget Office, supra note 4, at 1.

[93]ld. at 9.

[94]ld.

[95]ld. at 1.
Burman et al., *supra* note 25, at 11.

Aitsebaomo, *supra* note 31, at 139 (“Given that the major pitfall of the AMT is its increasing proliferation into the unintended returns of middle and upper middle class taxpayers, a permanent remedy to this unintended spread should be to exempt taxpayers with AGI of $250,000 or less from the AMT altogether. The implementation of such exemption would help align the AMT closer to its original purpose and policy objective of ensuring that wealthy individuals (not middle and upper middle class taxpayers) would be subject to the AMT.”); Burman et al., *supra* note 25, at 13.

Burman et al., *supra* note 25, at 13 (proposing increasing the 28 percent AMT bracket to 33.5 percent to offset the revenue loss because it would only increase taxes for those with incomes above the AMT exemption phase-out).

Burman et al., *supra* note 25, at 13; Burman & Weiner, *supra* note 23, at 15 (“If capital gains are taxed at the same 37 percent rate as other income, the option could raise $67 billion that could be applied to deficit reduction.”).


*Id.* at 11.

*Id.* at 12.

*Id.*

*Id.* at 12-13.

Leonard E. Burman & Greg Leiserson, *A Simple, Progressive Replacement for the AMT*, Tax Analysts Viewpoints, 945 (2007) (proposing the 4 percent add-on tax of AGI above certain amount that will be indexed for inflation.).


Burman et al., *supra* note 25, at 14.

*Id.* at 8 (“For example, by taxing interest income from bonds that state and local governments issue to support private activities like shopping centers or stadiums, income that is exempt from the regular income tax, the AMT reduces the subsidy afforded such investments.”).

Congressional Budget Office, *supra* note 4, at 10.

Burman et al., *supra* note 25, at 8.

Congressional Budget Office, *supra* note 4, at 10.
[112] Burman et al., supra note 25, at 14, n.13 (stating that eliminating the regular income tax deduction for state and local taxes would more than pay for repealing the AMT).


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