# Navigating the AMT

This playbook provides an overview of the Alternative Minimum Tax and offers guidance on who it impacts and how to manage its intricacies effectively.

### Step 1: Learn Basics

Understand the basic concept of the Alternative Minimum Tax (AMT), which is a parallel tax system to the regular federal income tax, designed to ensure that certain taxpayers pay at least a minimum amount of tax.

### Step 2: Identify Taxpayers

Determine which taxpayers are affected by the AMT. Typically, this includes individuals with high income and large deductions or those who exercise incentive stock options.

### Step 3: Calculate AMTI

Compute the Alternative Minimum Taxable Income (AMTI) by making certain adjustments and adding back preference items to the regular taxable income.

### Step 4: Apply Exemption

Subtract the AMT exemption amount from the AMTI. Note that this exemption phases out at higher income levels.

### Step 5: Determine AMT

Apply the AMT tax rates to the amount remaining after the exemption to find out the tentative minimum tax.

### Step 6: Compare Taxes

Compare the tentative minimum tax to the regular tax amount. If the AMT is higher, the taxpayer owes the additional amount.

## General Notes

### AMT Rates

The AMT has different tax rates compared to the regular tax system, usually 26% or 28%.

### AMT Credits

Taxpayers may be eligible for credits against the AMT in future years, which can help offset AMT liability.

### Planning Tips

Consider tax planning strategies throughout the year to minimize the impact of AMT, such as timing certain income or deductions.