# **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.

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