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The alternative minimum tax (AMT) is an income tax that is designed to assure that taxpayers with large deductions pay at least a minimum amount of income tax.

The AMT tax rate is generally lower than the regular income tax rates and most taxpayers are able to exempt a portion or all of their AMT taxable income (AMTI) from the tax. This exemption is phased out, however, for taxpayers with AMTI in excess of a certain amount. In addition, many deductions that are allowed under the regular income tax schedule are not allowed under the AMT schedule. Charitable contributions are deductible under both schedules. The taxpayer computes her income tax under the regular tax schedule and under the AMT schedule. Whichever tax is higher is the tax she pays. For 2014, the threshold where the 26% AMT tax bracket ends and the 28% AMT tax bracket begins is: \$91,250 for married filing separately, and \$182,500 for any other filing status.

Individuals with adjusted gross income (AGI) in excess of certain thresholds must reduce the amount of allowable itemized deductions by the lesser of 3% of the excess of AGI over those thresholds, or 80% of the total amount of otherwise allowable itemized deductions. For 2014, that threshold is \$305,050 for married couples filing jointly (\$254,200 for single filers).

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