

## VII. Alternative Minimum Tax

A separate tax structure exists to require individuals to pay minimum levels of tax, even if they have very large deductions due to accelerated depreciation, depletion and other tax purposes. An individual pays tax of 26% on the first \$175,000 of AMTI and 28% on the excess. There is an exclusion of \$45,000 for married persons, \$33,750 for single persons and \$22,500 for married persons filing separately, estates or trusts. The exemption amounts are phased out by 25% of the amount in excess of \$150,000 for married couples, \$112,500 for single persons and \$75,000 for married persons filing separately.

A major concern expressed by many CPAs is that with the rate reductions in EGTRRA 2001, there will be a dramatic increase in the numbers of persons required to pay alternative minimum tax. In order to minimize that impact there will be an increase in the AMT exemption of \$4,000 for married couples or \$2,000 for single persons.