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The Alternative Minimum Tax Is Not a Middle-Class Tax

For the 2011 tax year, 97 percent of the Alternative Minimum Tax (AMT) will be paid by the richest five percent of taxpayers, whose average income is \$477,500, and 58 percent of the AMT will be paid by the richest one percent of taxpayers, whose average income is more than \$1.3 million.

The AMT was enacted in 1969 and is a backstop tax meant to ensure that well off Americans pay at least some minimal amount of income taxes no matter how many deductions and other breaks they find to reduce their income taxes under the regular rules.

Many statements from politicians and many media stories suggest that the AMT affects the middle-class in a significant way. Discussions about how it would affect taxpayers in 2012 are particularly alarmist, because Congress has not yet enacted AMT relief for 2012. This relief takes the form of an AMT “patch” that Congress enacts every year, which expands the exemptions in the AMT to keep most people from being affected by it.

But even in the (very unlikely) event that Congress fails to enact AMT relief for 2012, the tax will still largely be borne by the well-off. In 2012, assuming no AMT relief is enacted, 57 percent of the AMT will be paid by the richest five percent and 92 percent of the AMT will be paid by the richest fifth of Americans.

This also demonstrates why the AMT relief that Congress enacts perennially offers only tiny benefits to middle-income taxpayers, who would rarely be affected by the AMT even if Congress did nothing to restrain it.

None of this is to say that our tax system doesn’t need real reform. Right now, some people have to calculate their taxes twice, once under the regular rules and again under the AMT rules, and if their tax liability is larger under the latter set of rules, they owe AMT. The Bush tax cuts made this system far more complicated, because they reduced the income tax liability that people calculate under the regular rules without permanently changing the AMT rules. That accounts for most of the growth in the AMT that would occur if Congress did nothing to restrain it. This is another way of saying that [most](#) of the impact of an unrestrained AMT would be to limit the Bush tax cuts for relatively well-off Americans — which wouldn’t be a bad outcome.

Impact of the Alternative Minimum Tax (AMT) in 2011				
AMT Relief (AMT "Patch") Is in Effect for 2011				
Income Group	Average Income	Share of Total AMT Payers	Share of Total AMT Paid	Average AMT Paid
Lowest 20%	\$ 13,000	0%	0%	\$ 0
Second 20%	26,100	0%	0%	0
Middle 20%	42,000	0%	0%	0
Fourth 20%	68,700	2%	0%	7
Next 15%	118,600	11%	3%	56
Next 4%	254,200	64%	39%	2,750
Top 1%	1,370,700	23%	58%	16,296
ALL	\$ 70,500	100%	100%	\$ 279
Addendum:				
Top 5%	\$ 477,500	87%	97%	\$ 5,459

Source: Institute on Taxation and Economic Policy (ITEP) tax model, April 2012

Impact of the Alternative Minimum Tax (AMT) in 2012				
Assuming No AMT Relief (AMT "Patch") Is Enacted for 2012				
Income Group	Average Income	Share of Total AMT Payers	Share of Total AMT Paid	Average AMT Paid
Lowest 20%	\$ 13,500	0%	0%	\$ 0
Second 20%	27,200	0%	0%	1
Middle 20%	43,900	3%	1%	29
Fourth 20%	72,200	26%	8%	375
Next 15%	125,700	51%	35%	2,328
Next 4%	275,800	17%	37%	9,279
Top 1%	1,598,800	3%	19%	18,971
ALL	\$ 76,100	100%	100%	\$ 977
Addendum:				
Top 5%	\$ 540,300	20%	57%	\$ 11,217

Source: Institute on Taxation and Economic Policy (ITEP) tax model, April 2012