

Who Pays The Individual AMT: State-by-State Estimates for 2006

On January 1, 2006, temporary higher exemptions from the individual Alternative Minimum Tax were allowed to expire. These higher AMT exemptions were enacted to keep the Bush reductions in the regular income tax rates from pushing large numbers of people into the AMT. But continuation of these higher AMT exemptions is very costly, and our political leaders are adamantly unwilling to find a way to cover that cost (other than with more debt).

If Congress and the Bush Administration do not act to extend the temporary AMT tax breaks, the number of American taxpayers paying the AMT will jump by over 15 million in 2006. This analysis projects the number of 2006 AMT taxpayers in each state under current law (that is, with the same lower exemptions that were in force before 2003) and under the current House and Senate plans to extend AMT relief.

Why Increase the AMT Exemption?

The Alternative Minimum Tax allows a single large exemption, which was originally designed to ensure that low- and middle-income taxpayers will not be forced to pay the AMT. But the last permanent increase in the AMT exemption took effect in 1993, when the exemption for married couples was increased to \$45,000.

Temporary tax cuts enacted in 2003 increased the married exemption to \$58,000 for tax years 2004 and 2005. But under current law, the exemption drops back to \$45,000 starting in 2006. Inflation has sharply reduced the real value of the exemption since 1993; if the married AMT exemption had kept up with inflation since 1993, it would be almost \$63,000 in 2006. The Senate's AMT fix would restore the AMT exemption to approximately its real 1993 value, while the House AMT reform offers a slight increase over the temporary 2005 exemption amount.

Which States Are Hit Hardest by the AMT?

The table on this page shows the ten states in which the highest percentage of residents will owe AMT if the temporary exemptions are not extended. (A table for all states is on page 2.)

Among the noteworthy findings of the analysis are that:

- In six states (New Jersey, Connecticut, New Hampshire, Massachusetts, Maryland and Wisconsin), more than 20 percent of taxpayers will be subject to the AMT in 2006 unless Congress takes steps to increase the AMT exemption.
- In the hardest-hit state, New Jersey, more than a quarter of all taxpayers will be subject to the AMT in 2006.

States Hit Hardest By the AMT in 2006 Under Current Law

Rank	State	No. in AMT	% in AMT
1	New Jersey	1,038,400	26%
2	Connecticut	363,000	23%
3	New Hampshire	137,700	23%
4	Massachusetts	687,200	22%
5	Maryland	569,700	22%
6	Wisconsin	509,700	20%
7	Minnesota	420,300	18%
8	Rhode Island	91,500	18%
9	North Dakota	53,000	18%
10	New York	1,580,300	17%

Source: ITEP Microsimulation Tax Model

**Number of AMT Payers in 2006 by State,
Under Current Law, the House Bill & the Senate Bill**

	# of taxpayers in the AMT			Changes from current law		% changes	
	Current Law	House Bill	Senate Bill	House	Senate	House	Senate
TOTAL	20,239,400	4,557,300	3,846,900	-15,682,100	-16,392,500	-77%	-81%
Alabama	206,700	22,000	18,600	-184,700	-188,100	-89%	-91%
Alaska	43,400	4,300	3,300	-39,100	-40,100	-90%	-92%
Arizona	294,400	62,400	56,700	-232,000	-237,700	-79%	-81%
Arkansas	140,000	19,200	16,600	-120,800	-123,400	-86%	-88%
California	2,482,200	801,900	693,400	-1,680,300	-1,788,800	-68%	-72%
Colorado	249,300	49,000	41,400	-200,300	-207,900	-80%	-83%
Connecticut	358,800	108,800	91,600	-250,000	-267,200	-70%	-74%
Delaware	49,000	10,900	8,300	-38,100	-40,700	-78%	-83%
District of Columbia	36,100	14,700	13,600	-21,400	-22,500	-59%	-62%
Florida	954,900	186,800	160,300	-768,100	-794,600	-80%	-83%
Georgia	469,600	97,300	86,400	-372,300	-383,200	-79%	-82%
Hawaii	81,800	13,900	12,000	-67,900	-69,800	-83%	-85%
Idaho	82,900	11,800	10,500	-71,100	-72,400	-86%	-87%
Illinois	868,100	173,300	144,200	-694,800	-723,900	-80%	-83%
Indiana	479,100	55,400	39,100	-423,700	-440,000	-88%	-92%
Iowa	198,900	27,600	21,000	-171,300	-177,900	-86%	-89%
Kansas	177,700	32,200	28,200	-145,500	-149,500	-82%	-84%
Kentucky	224,300	39,100	32,000	-185,200	-192,300	-83%	-86%
Louisiana	180,500	32,500	27,600	-148,000	-152,900	-82%	-85%
Maine	68,500	15,500	13,800	-53,000	-54,700	-77%	-80%
Maryland	580,900	145,100	119,000	-435,800	-461,900	-75%	-80%
Massachusetts	662,500	190,400	141,200	-472,100	-521,300	-71%	-79%
Michigan	751,800	117,100	96,000	-634,700	-655,800	-84%	-87%
Minnesota	414,700	81,200	69,700	-333,500	-345,000	-80%	-83%
Mississippi	102,300	15,400	12,300	-86,900	-90,000	-85%	-88%
Missouri	395,900	68,100	53,500	-327,800	-342,400	-83%	-86%
Montana	40,500	7,800	7,200	-32,700	-33,300	-81%	-82%
Nebraska	96,500	18,700	14,800	-77,800	-81,700	-81%	-85%
Nevada	128,000	19,800	15,600	-108,200	-112,400	-84%	-88%
New Hampshire	104,000	17,700	13,300	-86,300	-90,700	-83%	-87%
New Jersey	1,038,500	332,400	283,600	-706,100	-754,900	-68%	-73%
New Mexico	86,400	12,500	11,000	-73,900	-75,400	-86%	-87%
New York	1,506,400	553,700	495,000	-952,700	-1,011,400	-63%	-67%
North Carolina	486,400	106,000	90,900	-380,400	-395,500	-78%	-81%
North Dakota	37,000	3,400	2,700	-33,600	-34,300	-91%	-93%
Ohio	808,000	166,300	143,100	-641,700	-664,900	-79%	-82%
Oklahoma	125,600	20,800	18,400	-104,800	-107,200	-83%	-85%
Oregon	198,000	48,100	39,900	-149,900	-158,100	-76%	-80%
Pennsylvania	980,200	178,000	142,200	-802,200	-838,000	-82%	-85%
Rhode Island	81,100	19,600	16,000	-61,500	-65,100	-76%	-80%
South Carolina	210,200	34,800	30,900	-175,400	-179,300	-83%	-85%
South Dakota	36,100	3,300	2,500	-32,800	-33,600	-91%	-93%
Tennessee	224,700	26,800	20,900	-197,900	-203,800	-88%	-91%
Texas	1,277,400	189,300	153,000	-1,088,100	-1,124,400	-85%	-88%
Utah	103,700	20,400	15,100	-83,300	-88,600	-80%	-85%
Vermont	34,500	8,200	6,400	-26,300	-28,100	-76%	-81%
Virginia	576,300	121,000	107,400	-455,300	-468,900	-79%	-81%
Washington	393,400	38,300	29,200	-355,100	-364,200	-90%	-93%
West Virginia	95,400	12,700	8,900	-82,700	-86,500	-87%	-91%
Wisconsin	473,600	81,100	66,600	-392,500	-407,000	-83%	-86%
Wyoming	22,800	3,400	2,700	-19,400	-20,100	-85%	-88%

Note: All figures assume extension of the allowance of non-refundable credits against the AMT, as provided by both the House & Senate separately from the AMT exemption increases shown in the table. The Senate bill increases the AMT exemption by more than the House bill. All figures are rounded to the nearest 100. Totals include other areas.

Source: Institute on Taxation and Economic Policy Tax Model, April 2006.

Citizens for Tax Justice, April 2006