

## Historical Features of Individual Minimum Taxes

| Year                           | Legislation         | Joint Filers<br>Exemption              | Single<br>Exemption <sup>1</sup>       | Tax Rates<br>(percent) <sup>2</sup>        | Comments  |
|--------------------------------|---------------------|--|--|--|---|
| <b>Add-On Tax</b>              |                     |  |  |  |   |
| 1969                           | TRA                 | \$30,000+regular tax                   | \$30,000+regular tax                   | 10   | Main preference item is capital gains. Also, stock options, depreciation and depletion allowances.  |
| 1976                           | TRA                 | Greater of \$10,000 or 1/2 regular tax | Greater of \$10,000 or 1/2 regular tax | 15   | Certain itemized deductions added as preferences.   |
| 1978                           | Revenue Act of 1978 | NC <sup>3</sup>                        | NC                                     | 15   | Capital gains and itemized deductions moved to AMT.   |
| 1982                           | TEFRA               |  |  |  | Repealed  |
| <b>Alternative Minimum Tax</b> |                     |  |  |  |   |
| 1978                           | Revenue Act of 1978 | \$20,000                               | \$20,000                               | 10 on 0-40k<br>20 on 40k-80k<br>25 on 80k+ | Tax base is capital gains and certain itemized deductions.  |
| 1981                           | ERTA                | NC                                     | NC                                     | 10 on 0-40 k<br>20 on 40k+                 | Top AMT rate reduced 20 percent.  |
| 1982                           | TEFRA               | \$40,000                               | \$30,000                               | 20   | Preferences from add-on tax moved to AMT.   |
| 1986                           | TRA                 | NC                                     | NC                                     | 21   | Regular tax taxes all capital gains, restricts passive losses. AMT base is expanded to include deferral items. AMT credit for deferral items and exemption phase-out introduced.  |
| 1990                           | OBRA                | NC                                     | NC                                     | 24   | ----  |
| 1993                           | RRA                 | \$45,000                               | \$33,750                               | 26 on 0-175k <sup>4</sup><br>28 on 175k+   | ----  |
| 1998                           | TTREA               | NC                                     | NC                                     | NC   | Personal nonrefundable credits allowed against regular tax liability regardless of AMT for 1998. EITC and refundable child credit not reduced by AMT liability in 1998.   |
| 1999                           | TREA                | NC                                     | NC                                     | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2001. Credits allowed against regular tax only in 1999 and against regular tax and AMT for 2000, 2001. EITC and refundable child credit not reduced by AMT liability through 2001. |
| 2001                           | EGTRRA              | \$49,000 (2001-2004)                   | \$35,750 (2001-2004)                   | NC   | Use of child, adoption, and IRA credits regardless of AMT extended through 2010. EITC and refundable child credit not reduced by AMT liability through 2010.  |
| 2002                           | JCWAA               | NC                                     | NC                                     | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2003.  |
| 2003                           | JGTRRA              | \$58,000 (2003-2004)                   | \$40,250 (2003-2004)                   | NC   | ----  |
| 2004                           | AJCA                | NC                                     | NC                                     | NC   | Repealed 90 percent limitation on use of foreign tax credits.   |
| 2004                           | WFTRA               | \$58,000 (2005)                        | \$40,250 (2005)                        | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2005.  |
| 2005                           | TIPRA               | \$62,550 (2006)                        | \$42,500 (2006)                        | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2006.  |
| 2007                           | TIPA                | \$66,250 (2007)                        | \$44,350 (2007)                        | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2007.  |
| 2008                           | EESA                | \$69,950 (2008)                        | \$46,200 (2008)                        | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2008.  |
| 2009                           | ARRA                | \$70,950 (2009)                        | \$46,700 (2009)                        | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2009.  |
| 2010                           | 2010 Tax Act        | \$72,450 (2010)                        | \$47,450 (2010)                        | NC   | Use of all personal nonrefundable credits regardless of AMT extended through 2011   |
|                                |                     | \$74,450 (2011)                        | \$48,450 (2011)                        |  |   |

(1) The exemption for single filers also applies to heads of household. The exemption for married individuals filing a separate return is half that for joint filers.

(2) Rates apply to alternative minimum taxable income above exemption level.

(3) NC=no change.

(4) Exemption phases out starting at income of \$150,000, creating effective rates of 32.5 and 35 percent in the phase-out range.

Sources:

TRA 1969: Public Law 91-172, TRA 1976: Public Law 94-455, Revenue Act of 1978: Public Law 95-600, ERTA 1981: Public Law 97-34, TEFRA 1982: Public Law 97-248, TRA 1986: Public Law 99-514, OBRA 1990: Public Law 101-508, RRA 1993: Public Law 103-66, TTREA 1998: Public Law 105-277, TREA 1999: Public Law 106-70, EGTRRA 2001: Public Law 107-16, JCWAA 2002: Public Law 107-147, JGTRAA 2003: Public Law 108-27, AJCA 2004: Public Law 108-357, WFTRA 2004: Public Law 180-311, TIPRA 2005: Public Law 109-222, TIPA 2007: Public Law 110-166, EESA 2008: Public Law 110-343, ARRA 2009: Public Law 111-5, 2010 Tax Act: Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 111-312.

"The Individual AMT: Problems and Potential Solutions," by Leonard Burman, William Gale, Jeffrey Rohaly, and Benjamin Harris. Discussion Paper No. 5. Tax Policy Center, September 2002.