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Will They or Won't They – patch the AMT?

Northern Chapter of the VSCPA
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Agenda

- Overview
- Current state of AMT patch
- AMT Adjustments
- AMT Credit
- 2010 Changes to the AMT calculation

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Overview

- When does AMT even apply?
  - Start worrying when:

Filing Status	If you have AMTI income over:
• MFS	75,000
• Single or HH	112,500
• MFJ & SS	150,000

  - & If AMTI is less than $175K w/effective rate less than 26%; or
  - If AMTI is more than $175K w/effective tax rate less than 28%; or
  - Net long term capital gain and/or qualified dividends
- IRS tool to quickly calculate applicability of AMT http://www.irs.gov/businesses/small/article/0,,id=150703,00.html

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Current State of “Patch”

- Tax Relief Act of 2010 (not yet passed)
  - The AMT exemption amounts for 2010 will be $47,450 for individuals and $72,450 for married taxpayers filing jointly;
  - 2011, they will be $48,450 for individuals and $74,450 for married taxpayers filing jointly.
  - 2010 and 2011, personal credits will be allowed against the AMT.

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AMT Adjustments

- Difference between adjustments & preferences
- Definitely need to crunch the numbers if you have:
  - Accelerated Depreciation
  - Stock by exercising an incentive stock option and you did not dispose of the stock in the same year
  - Interest paid on a home mortgage NOT used to buy, build or substantially improve your home
  - Investment interest expense reported on Form 4952
  - Net operating loss deduction
  - Alternative minimum tax adjustments from an estate, trust, electing large partnership or cooperative
  - Any general business credit in Part I on Form 3800
  - Credit for prior year minimum tax

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Calculating the AMT Credit

- Credit can only be generated by temporary timing differences
- Most common permanent differences are:
  - Itemized deductions
  - Standard deduction
  - Personal exemptions
- Calculated as difference between AMT as computed and AMT without temp differences
- Can only be claimed in a year when timing difference reverses AND taxpayer is subject to regular tax
- Additional issues for MTC older than three years

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2010 Changes to AMT Limitation

2010 Small Business Jobs Act

- Previous law limited general business credits to regular tax in excess of TMT
- New law “treats” TMT as zero
- Credits generated under new law can be carried back five years

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