

AMT Assistant Can Help You Figure Your AMT Exposure

Those taxpayers worried about getting hit by the alternative minimum tax this year now have a new, quick way to determine their exposure.

Last year thousands of taxpayers were surprised when they discovered that they were subject to the tax, which disallows a number of common deductions and exemptions. But as the new tax-filing season gets under way, the Internal Revenue Service is launching an online tool that will help eliminate the surprise factor. It takes your financial information and calculates whether the tax applies to you for your 2005 income. Instead of spending an hour working through a paper worksheet, most people can complete the whole process in about five to 10 minutes.

Called the **AMT Assistant**, the program can be found at apps.irs.gov/app/amt/. In order to complete it, taxpayers must answer several questions and copy data from their Form 1040. The program will tell you only if you definitively do not have to fill out the AMT form, not how much tax you owe.

The AMT is a controversial parallel tax that was designed in 1969 to ensure that the 155 wealthiest citizens couldn't avoid paying income taxes by taking multiple exemptions and deductions. But because the AMT isn't indexed for inflation, it affects a larger group of people with every passing year. This year four million taxpayers are expected to be hit with the AMT for their 2005 income, up from 3.5 million in 2004. Efforts are underway to modify the law, but if lawmakers fail to act, 21.6 million people will have to pay the AMT next year on their 2006 income.

AMT can be time consuming to compute. Taxpayers must compute their liability twice, first under the traditional tax system and then again under the more restrictive AMT system. The taxpayer owes the greater of the two amounts.

Most retail electronic tax-preparation software already automatically calculates whether you will be subject to the AMT. But up until now, paper filers were unable to easily calculate their exposure to the AMT.

On 2005 income, the AMT phases in for married couples with at least \$58,000 of taxable income, typically hitting taxpayers with large families or sizeable deductions. Such popular deductions as property taxes and state and local income taxes aren't allowed under the AMT, and taxpayers forced to pay it pay a higher tax bill than under the standard income-tax system.

Taxpayers with the highest incomes typically aren't subject to the AMT, because the tax they owe under the ordinary income tax is greater.

The IRS says it hopes the AMT Assistant will make the process simpler. It asks taxpayers to input data from Form 1040, which needs to be filled out to line 45. That is the point where the form instructs taxpayers to fill out a worksheet to determine if they are subject to the AMT. But instead of going to the worksheet, taxpayers can now go online and let the IRS do the calculating.

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The AMT Assistant first requires the taxpayer to answer a set of technical questions, such as whether they have had accelerated depreciation or any intangible drilling assets. Anyone who answers yes to these questions is automatically required to fill out the AMT tax paperwork regardless of other factors.

The other questions mostly involve recopying information from Form 1040.

The AMT Assistant avoids confusing worksheet questions, such as this one in the instructions for Line 12: "Is the amount on line 8 more than the amount on line 11? No: Skip lines 12 and 13; enter on line 14 the amount on line 10, and go to line 15. Yes: Subtract line 11 from line 8."