

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Abrams and others

**Subject:** Alternative minimum tax (AMT) exemption amount and charitable contribution deduction

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### Overview

Phases-in an increase in the alternative minimum tax (AMT) exemption amount from tax year 2004 to tax year 2009, and indexes the exemption in following years. The exemption would increase from \$40,000 for married couples filing joint returns and \$30,000 for unmarried filers under current law to \$50,000 for married joint filers and \$37,500 for unmarried filers in 2009. Phases-out the income limitation on deduction of charitable contributions under the AMT from 2004 to 2006, when contributions would be fully deductible.

#### Section

- 1 Alternative minimum tax; charitable contribution deduction.** Phases out the limitation on the charitable contribution deduction in Minnesota's AMT, so that contributions will be fully deductible beginning in tax year 2006. Under current law, contributions in excess of one percent of adjusted gross income are allowed as a deduction. The bill reduces the limit to one-half of one percent of adjusted gross income in tax years 2004 and 2005.
- 2 Alternative minimum tax exemption amount.** Increases the AMT exemption amount in several steps, with the exemption amount equaling \$50,000 for married couples filing joint returns, \$25,000 for married separate filers, and \$37,500 for unmarried filers in tax year 2009. Provides for the exemption to be indexed annually for inflation beginning in tax year 2010. Under current law the exemption equals \$40,000 for married joint filers, \$20,000 for married separate filers, and \$30,000 for unmarried filers. The table summarizes the proposed

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increases in the exemption.

**Proposed AMT Exemption Amounts**

	Married couples filing joint returns	Unmarried filers
Tax years 2004-2005	\$42,000	\$31,500
Tax year 2006	\$44,000	\$33,000
Tax year 2007	\$46,000	\$34,500
Tax year 2008	\$48,000	\$36,000
Tax year 2009	\$50,000	\$37,500