

HOUSE RESEARCH

Bill Summary

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Subject: Alternative minimum tax repeal

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Overview

Repeals the individual alternative minimum tax, effective in tax year 2005. Allows alternative minimum tax credit amounts outstanding at the time of repeal to be applied against regular tax liability in tax years 2005 and 2006.

Section

1 **Alternative minimum tax credit.** Allows outstanding alternative minimum tax credits resulting from payment of alternative minimum tax (AMT) in 1989 through 2004 to be applied to liability net of nonrefundable credits in tax years 2005 and 2006, but only to the extent that regular tax liability exceeds the amount that the taxpayer would have owed under the AMT if the AMT had remained in effect.

Taxpayers subject to AMT are allowed to carry forward to future tax years a credit equal to the amount of AMT paid on deferral preferences in excess of regular tax. (Deferral preferences affect the timing of when tax is paid and include items like depletion and accelerated depreciation. Non-deferral preferences, such home mortgage interest, property taxes and private activity bond interest, do not qualify for the credit.) This credit may be claimed in future tax years, but only if the taxpayer's circumstances are such that he or she shifts off the AMT and back onto the regular tax. If that happens, the amount of credit allowed is limited to the amount by which the taxpayer's regular tax liability exceeds what they would owe under the 6.4% AMT.

2 **Alternative minimum tax repeal.** Repeals the alternative minimum tax effective in 2005,

Section

but leaves the AMT credit in effect for 2005 and 2006 only.