Overview

Increases the exemption amounts for the Minnesota alternative minimum tax to match those allowed under the federal alternative minimum tax.

Background. The regular income tax rates are applied to a base that equals federal taxable income (after subtraction of deductions and exemptions) plus and minus various Minnesota additions and subtractions. The alternative minimum tax rate is applied to a larger base that equals federal taxable income with various itemized deductions and federal preferences added back, minus a flat exemption amount. Taxpayers then must pay the greater of the alternative minimum tax or the regular tax.

1 Alternative minimum tax exemption amount. Increases Minnesota's alternative minimum tax (AMT) exemption amount to match the federal AMT exemption: $45,000 for married couples filing joint returns, $22,500 for married separate filers, and $33,750 for single and head of household filers. Under current law, Minnesota's exemption amounts are tied to the pre-1993 federal exemptions: $40,000, $20,000, and $30,000.