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30 Million Taxpayers Face Alternative Minimum Tax Right Now

‘Millions will be hit’ sounds like a TV or movie teaser. The revered but dry Congressional Research Service is not known for such lines. Still, all the blather about tax rates next year isn’t the whole story. There is Alternative Minimum Tax—known as AMT. And it’s going to get worse—*this* year as well as next.



Sons of Anarchy Motorcycle Club (Photo credit: Wikipedia)

We Need a Patch. In “[Sons of Anarchy](#),” the FX television series about a gun-running motorcycle club, a merger of clubs—called a “patch-over”—can keep clubs alive. Any patch-over triggers a huge party. Many American taxpayers need an alternative minimum tax (AMT) patch for their very survival. But will it happen?

The AMT was enacted in 1969 to catch huge and unusual tax deductions—things like drilling expenses from oil deals. But gradually the AMT expanded to cover almost everything. You can’t eyeball your exposure. You compute regular tax and AMT and pay whichever is higher.

The CRS [report](#) (RL30149) is focused on AMT, only one of the taxmageddon issues facing all of us this year-end including the Bush tax cuts and roughly fifty “extender” provisions. In 2010, Congress patched

the AMT after IRS Commissioner [Doug Shulman](#) practically begged Congress to fix it. But the [two-year patch](#) covered only 2010 and 2011. A quick fix for the AMT would be yet another patch.

For most of us, the practical dollar effects of AMT are far more than a mere 15% and 20% capital gain rate spread, or between a 35% and 39.6% top rate on ordinary income. AMT is the best example of a stealth tax, like a silent motorcycle club stealing into your territory, destroying your bikes, and burning down your clubhouse. The AMT does it all.

The CRS report says 30 million taxpayers, roughly one-fifth of taxpayers, will be hit by the AMT in 2012. Want more sobering numbers?

- **1997:** 605,000 taxpayers, about 1% of all taxpayers paid AMT.
- **2009:** 3.8 million taxpayers, 2.7% of all taxpayers paid AMT.
- **2012:** Over 30 million taxpayers will pay AMT or have AMT limits on tax credits.
- **2020:** 58 million taxpayers will be hit by AMT.

With these frightening numbers, I sure hope Patch-Over Redux is coming. We got one at the end of 2010, but this year is harder to handicap. Expect a cliffhanger.

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