



## **Robert W. Wood** THE TAX LAWYER

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### Patching The AMT Means Less Anarchy

In “[Sons of Anarchy](#),” an FX television series about a gun-running motorcycle club, viewers vicariously experience the risks and rewards of a “patch over.” One motorcycle gang merges into another, usually to gird against encroachments from other gangs threatening the club’s security and territories for nefarious enterprises. The leather “cuts” they wear emblazoned with frightening insignias may need patching with a logo post-merger, but they never give one up except in death.

A patch over may not be the best solution and can involve dangers and risks from rival gangs, outside law enforcement and internal rivalries. But a patch over may save the club and enable its members to ride another day. And in “Sons of Anarchy,” any patch over is followed by a celebration of mythic proportions, entailing drinking, sex and ritual fighting.

For American taxpayers, a considerably larger group than members of motorcycle clubs, the alternative minimum tax (AMT) patch is of equal gravitas. It is surely the most important of the key tax changes Congress must make between November 15, 2010 and New Years. After all, as any red-blooded American taxpayer knows, AMT controls much.

For most of us, the practical dollar and cents 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.

We do not yet have an AMT patch. Yet key tax-writers with more power than the “Sons of Anarchy” writing team have committed that the patch over will occur. That means it’s not too soon to start planning your patch over party, however sedately or wildly you choose to celebrate it.

In a [November 9, 2010 letter](#) to the IRS Commissioner Douglas Shulman, bipartisan tax policy leaders have committed to an AMT patch that will allow personal credits against AMT and set AMT exemption amounts for 2010 at:

- \$47,450 for individuals; and
- \$72,450 for couples filing jointly.

The [American Recovery and Reinvestment Act of 2009](#) increased the AMT exemption amounts, but only as a temporary fix. Much like the estate tax debacle, absent Congressional action, the 2010 AMT exemption amounts go back to paltry 2000 levels. See [Estate Tax Steps For This Year](#). That means \$33,750 for unmarried individuals; \$45,000 for married couples filing jointly and surviving spouses; and \$22,500 for married individuals filing separately.

How bad is that? More than 21 million people will be subject to higher taxes in 2010 unless we get the patch.

**Promised Patch Over.** Don’t worry club members, you can keep riding. The leaders of your gang wrote the IRS Commissioner that they will patch up their differences and fix this. Who are your gang leaders? Senate Finance Committee Chairman Max Baucus (D-MT), House Ways and Means Committee Chairman Sander Levin (D-MI), Finance Ranking Member Chuck Grassley (R-IA) and Ways and Means Ranking Member Dave Camp (R-MI).

They made quite a promise, one worthy of an election campaign if ever I heard one. They’ll make sure that **“not one additional taxpayer faces higher taxes in 2010 due to the onerous AMT.”**

**The Details?** The legislation will allow personal credits against the AMT and set the AMT exemption amounts for 2010 at \$47,450 for individuals and \$72,450 for married taxpayers filing jointly.

Stay tuned.

For more about AMT, see:

[The American Recovery and Reinvestment Act of 2009: Information Center](#)

[IRS Topic 556 – Alternative Minimum Tax](#)

[Congress to Stop \\$66 Billion Tax Rise, Lawmakers Say](#)

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