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We provide a prompt, professional, personal one-on-one tax preparation service from the comfort of your home or office. We are competitively priced; in addition we offer a number of additional services as well as comprehensive information from our web site – <http://www.taxlogic.com>.

## **Alternative Minimum Taxable Income (AMTI)**

AMTI is the heart of minimum taxation. It is through this figure that excessive tax savings are recaptured. AMT tax rules have been devised to ensure that at least a minimum amount of income tax is paid by high-income corporate and non corporate taxpayers (including estates and trusts) who reap large tax savings by making generous use of certain tax deductions and exemptions. Without the AMT, some of these taxpayers might be able to escape income taxation entirely. In essence, the AMT functions as a recapture mechanism, reclaiming some of the tax breaks primarily available to high-income taxpayers, and represents an attempt to maintain tax equity.

The new law, the “Economic Growth and Tax Relief Reconciliation Act of 2001”, provides temporary, but immediate, relief from the individual AMT by increasing the exemption to \$49,000 for joint filers (a \$4,000 increase), \$24,500 for married taxpayers filing separately (a \$2,000 increase) and \$35,750 for head of households and single filers (a \$2,000 increase) in 2001 through 2004.

For 2001, nonrefundable personal credits can offset both regular (after reduction by the foreign tax credit and alternative minimum tax. Other provisions in this legislation, although not directly affecting the AMT, eliminate its adverse impact on the child tax credit, the adoption credit, credit for child and dependent care, credit for the elderly, education credits, and mortgage interest credit.

To facilitate this change, the AMT entry from Form 6251 has been moved up to the tax and credits section of page 2 of the 1040, line 41, immediately following the entry for tax, line 40.

You must file Form 6251 and attach to your 1040, if your income was more the amounts stated above and you claimed or received any of the following items:

1. Accelerated depreciation.
2. Stock by exercising an incentive stock option, and you did not dispose of the stock in the same year.
3. Tax-exempt interest from private activity bonds.
4. Intangible drilling, circulation, research, experimental or mining costs.
5. Amortization of pollution-control facilities or depletion.
6. Income (or loss) from tax-shelter farm activities or passive activities.
7. Percentage-of completion income from long-term contracts.
8. Interest paid on a home mortgage not used to buy, build or substantially improve your home.
9. Investment interest expense reported on Form 4952.
10. Net operating loss deduction.
11. Alternative minimum tax adjustments from an estate. Trust, electing large partnership, or cooperative.
12. Section 1202 exclusion.
13. Subtraction of any refund of state and local taxes included in gross income.

Form 6251 should be filled in for a child under age 14 if the child's adjusted gross income from Form 1040, line 34, exceeds the child earned income by more than \$5,350.

Here's hoping you have a happy and prosperous New Year. We would be happy to give you more information on the alternative minimum tax and help you to understand the financial issues that affect you at our site [www.taxlogic.com](http://www.taxlogic.com).