

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Alternative Minimum Tax Phase-out Threshold Indexed

March 15, 2007

Department of Revenue  
Analysis of H.F. 1367 (Liebling) / S.F. 1893 (Lynch)

	Yes	No
DOR Administrative Costs/Savings		X

### Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
			(000's)	
General Fund	(\$300)	(\$400)	(\$700)	(\$1,000)

Effective for tax years beginning after December 31, 2006.

## EXPLANATION OF THE BILL

**Current Law:** For computing the alternative minimum tax, the current AMT exemption amounts for tax year 2006 are: \$60,000 for married-joint filers, \$30,000 for married-separate filers, and \$45,000 for single and head of household filers. The exemption amounts are indexed for inflation starting with tax year 2007.

The exemption amounts are phased out at a rate of 25 % over the following threshold ranges: \$150,000 to \$390,000 for married-joint filers, \$75,000 to \$195,000 for married-separate filers, \$112,500 to \$292,500 for single and head of household filers. The exemption phase-out threshold ranges are not indexed for inflation. The following tables show exemption and phase-out threshold amounts under current law for tax years 2006 to 2010.

### Current Law Tax Year 2006

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$60,000	\$150,000	\$390,000
Married Separate	\$30,000	\$75,000	\$195,000
Single	\$45,000	\$112,500	\$292,500
Head of Household	\$45,000	\$112,500	\$292,500

### Current Law Tax Year 2007 (Exemption Indexed for Inflation)

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$62,340	\$150,000	\$399,360
Married Separate	\$31,170	\$75,000	\$199,680
Single	\$46,760	\$112,500	\$299,540
Head of Household	\$46,760	\$112,500	\$299,540

**Current Law**  
**Tax Year 2008**  
**(Exemption Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$63,270	\$150,000	\$403,080
Married Separate	\$31,640	\$75,000	\$201,560
Single	\$47,450	\$112,500	\$302,300
Head of Household	\$47,450	\$112,500	\$302,300

**Current Law**  
**Tax Year 2009**  
**(Exemption Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$64,690	\$150,000	\$408,760
Married Separate	\$32,350	\$75,000	\$204,400
Single	\$48,520	\$112,500	\$306,580
Head of Household	\$48,520	\$112,500	\$306,580

**Current Law**  
**Tax Year 2010**  
**(Exemption Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$66,060	\$150,000	\$414,240
Married Separate	\$33,030	\$75,000	\$207,120
Single	\$49,550	\$112,500	\$310,700
Head of Household	\$49,550	\$112,500	\$310,700

**Proposed Law:** This proposal will adjust the exemption phase-out threshold ranges for inflation starting in tax year 2007. For tax year 2007, the phase-out threshold increases from \$150,000 to \$155,860 for married joint filers, from \$75,000 to \$77,930 for married separate filers, and from \$112,500 to \$116,890 for single and head of household filers. As a result, the phase-out ranges are also extended. The following tables show the new phase-out threshold ranges adjusted for inflation for tax years 2007 to 2010. The exemption amounts are indexed for inflation as specified in current law.

**Proposal**  
**Tax Year 2007**  
**(Exemption & Phase-Out Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$62,340	\$155,860	\$405,220
Married Separate	\$31,170	\$77,930	\$202,610
Single	\$46,760	\$116,890	\$303,930
Head of Household	\$46,760	\$116,890	\$303,930

**Proposal**  
**Tax Year 2008**  
**(Exemption & Phase-Out Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$63,270	\$158,170	\$411,250
Married Separate	\$31,640	\$79,090	\$205,650
Single	\$47,450	\$118,630	\$308,430
Head of Household	\$47,450	\$118,630	\$308,430

**Proposal**  
**Tax Year 2009**  
**(Exemption & Phase-Out Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$64,690	\$161,720	\$420,480
Married Separate	\$32,350	\$80,860	\$210,260
Single	\$48,520	\$121,290	\$315,370
Head of Household	\$48,520	\$121,290	\$315,370

**Proposal**  
**Tax Year 2010**  
**(Exemption & Phase-Out Indexed for Inflation)**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$66,060	\$165,150	\$429,390
Married Separate	\$33,030	\$82,580	\$214,700
Single	\$49,550	\$123,870	\$322,070
Head of Household	\$49,550	\$123,870	\$322,070

**REVENUE ANALYSIS DETAIL**

- The House Income Tax Simulation (HITS 5.5) Model was used to estimate the tax year revenue impact.
- These simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2007. The model uses a stratified sample of 2004 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impact would be reflected in the following fiscal year.

**Number of Taxpayers:** For tax year 2007, an estimated 6,300 returns would receive a reduction in the Minnesota alternative minimum tax at an average of \$42 per tax return, including 400 returns which would no longer be subject to the AMT.

Source: Minnesota Department of Revenue  
 Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)