

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Alternative Minimum Tax Exemption Amounts Increased

March 15, 2007

Department of Revenue  
Analysis of S.F. 1352 (Sieben)/ H.F. 1511 (Simon)

	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	(\$1,500)	(\$1,700)	(\$2,000)	(\$2,200)

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 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 amounts are indexed for inflation beginning in tax year 2007.

#### 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:** For tax year 2007 the proposal would increase the AMT exemption amounts from \$62,340 to \$68,000 for married joint filers, from \$31,170 to \$34,000 for married separate filers, and from \$46,760 to \$51,000 for single and head of household filers. The phase-out thresholds are the same as current law; however, the increase in the exemption results in the phase-out range being extended from \$150,000 to \$422,000 for married joint filers, from \$75,000 to \$211,000 for married separate filers, and from \$112,500 to \$316,500 for single and head of household filers. The exemption amounts are adjusted for inflation starting with tax year 2008. The exemption phase-out thresholds are not adjusted for inflation. The following tables show exemption and phase-out threshold amounts under the proposal for tax years 2007 to 2010.

**Proposal  
 Tax Year 2007**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$68,000	\$150,000	\$422,000
Married Separate	\$34,000	\$75,000	\$211,000
Single	\$51,000	\$112,500	\$316,500
Head of Household	\$51,000	\$112,500	\$316,500

**Proposal  
 Tax Year 2008**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$69,010	\$150,000	\$426,040
Married Separate	\$34,510	\$75,000	\$213,040
Single	\$51,760	\$112,500	\$319,540
Head of Household	\$51,760	\$112,500	\$319,540

**Proposal  
 Tax Year 2009**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$70,560	\$150,000	\$432,240
Married Separate	\$35,280	\$75,000	\$216,120
Single	\$52,920	\$112,500	\$324,180
Head of Household	\$52,920	\$112,500	\$324,180

**Proposal  
 Tax Year 2010**

<b>Filing Status</b>	<b>Exemption</b>	<b>Phase-Out Begins</b>	<b>Phase-Out Ends</b>
Married Joint	\$72,060	\$150,000	\$438,240
Married Separate	\$36,030	\$75,000	\$219,120
Single	\$54,040	\$112,500	\$328,660
Head of Household	\$54,040	\$112,500	\$328,660

**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 7,100 returns would receive a reduction in the Minnesota alternative minimum tax at an average of \$211 per tax return, including 2,300 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)

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