



# Alternative Minimum Taxpayers by State: 2009, 2010, and Projections for 2012

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## Summary

The alternative minimum tax (AMT) is a second federal income tax that operates along side the regular income tax. The AMT is intended to ensure that all taxpayers pay at least a minimum amount of tax on income. The AMT disallows or otherwise limits a variety of exemptions and deductions to achieve this objective. Specifically, personal exemptions, itemized deductions for state/local taxes, and miscellaneous itemized deductions account for 96% of the preference items that are subject to tax under the AMT but not subject to tax under the regular income tax. As a result, over certain income ranges, taxpayers who claim itemized deductions for state and local taxes, claim miscellaneous deductions, or have large families are more likely to fall under the AMT than taxpayers who do not have these characteristics.

In 2010, 4.02 million taxpayers were subject to the AMT, a slight increase from 3.88 million taxpayers in 2009. In 2010, New Jersey, Connecticut, the District of Columbia, and New York had the highest percentage of taxpayers subject to the AMT. Mississippi, Tennessee, Alabama, and South Dakota had the lowest percentage of taxpayers subject to the AMT.

In 2012, absent an increase of the AMT exemption amount, 32.4 million taxpayers will be subject to the AMT. At that time, whether a married taxpayer has itemized deductions for state and local taxes or miscellaneous deductions will become a much less important factor than it is at present in determining AMT coverage. This occurs because, whether they itemize their deductions or not, married taxpayers across a wide range of incomes will be subject to the AMT because personal exemptions are not allowed against the AMT.

The President's FY2013 Budget proposes an alternative budget baseline where the AMT is permanently indexed for inflation based on 2011 parameters. The estimated revenue loss, assuming the tax cuts enacted from 2001 to 2003 are extended for middle income taxpayers, would be \$1.9 trillion over the FY2013-FY2022 budget window.

This report will be updated as legislative action warrants or as new data become available.

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The alternative minimum tax for individuals (AMT) was originally enacted to ensure that high-income taxpayers paid a fair share of the federal income tax. However, the lack of indexation of the AMT coupled with the recent reductions in the regular income tax has greatly expanded the potential impact of the AMT.<sup>1</sup>

Temporary increases in the AMT exemptions expire at the end of 2011. The Urban-Brookings Tax Policy Center estimates that in 2012, 32.4 million taxpayers will be subject to the AMT.<sup>2</sup> Taxpayers with incomes in the \$200,000 to \$500,000 income range will be the hardest hit.<sup>3</sup>

Itemized deductions for state and local taxes (62.7%), personal exemptions (22.4%), and miscellaneous itemized deductions (11.4%) together account for 96% of the preference items that are subject to tax under the AMT but not subject to tax under the regular income tax.<sup>4</sup> As a result, over certain income ranges, taxpayers who claim itemized deductions for state and local taxes, claim miscellaneous deductions, and/or have large families are more likely to fall under the AMT than taxpayers who do not have these characteristics.

**Table 1** and **Table 2** show for 2009 and 2010 (the latest state-by-state data), respectively, the percentage of taxpayers in each state that were subject to the AMT. **Figure 1** maps the percentage of AMT taxpayers by state for the 2010 tax year. Nationally, 2.8% of taxpayers were subject to the AMT in 2010.

Of all the states, Mississippi, Tennessee, Alabama, and South Dakota had the smallest percentage of taxpayers subject to the AMT. In these four states, just over 1% of taxpayers were on the AMT in 2010. These are states in which either many taxpayers have relatively low incomes, or state and local taxes that are deductible from the federal income tax are relatively low. As a result of the combination of these factors, taxpayers in these states tend not to itemize their deductions and hence, are less likely to be subject to the AMT than taxpayers in other states.<sup>5</sup>

On the other hand, New Jersey, Connecticut, the District of Columbia, and New York were the states with the largest percentage of taxpayers subject to the AMT. In these four states, over 5% of taxpayers were affected by the AMT. For instance, in New Jersey, about 64 out of every 1,000 taxpayers fell under the AMT in 2010. In these states, many taxpayers have relatively high incomes and the state and local tax burden is also relatively high. The combination of these factors produces a larger number of itemizers and, consequently, a larger percentage of taxpayers being captured by the AMT.

Note that absent legislative change (an AMT patch), whether a married taxpayer has itemized deductions for state and local taxes and/or miscellaneous deductions will become a less important factor in determining whether taxpayers are subject to the AMT. This will result because, if the

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<sup>1</sup> See CRS Report RL30149, *The Alternative Minimum Tax for Individuals*, by Steven Maguire.

<sup>2</sup> Urban-Brookings Tax Policy Microsimulation Model (version 0412-07), "T12-0170 – Number of AMT Taxpayers with and without an AMT Fix, 2011-2013," September 13, 2012. Data available at <http://www.taxpolicycenter.org/numbers/Content/PDF/T12-0170.pdf>.

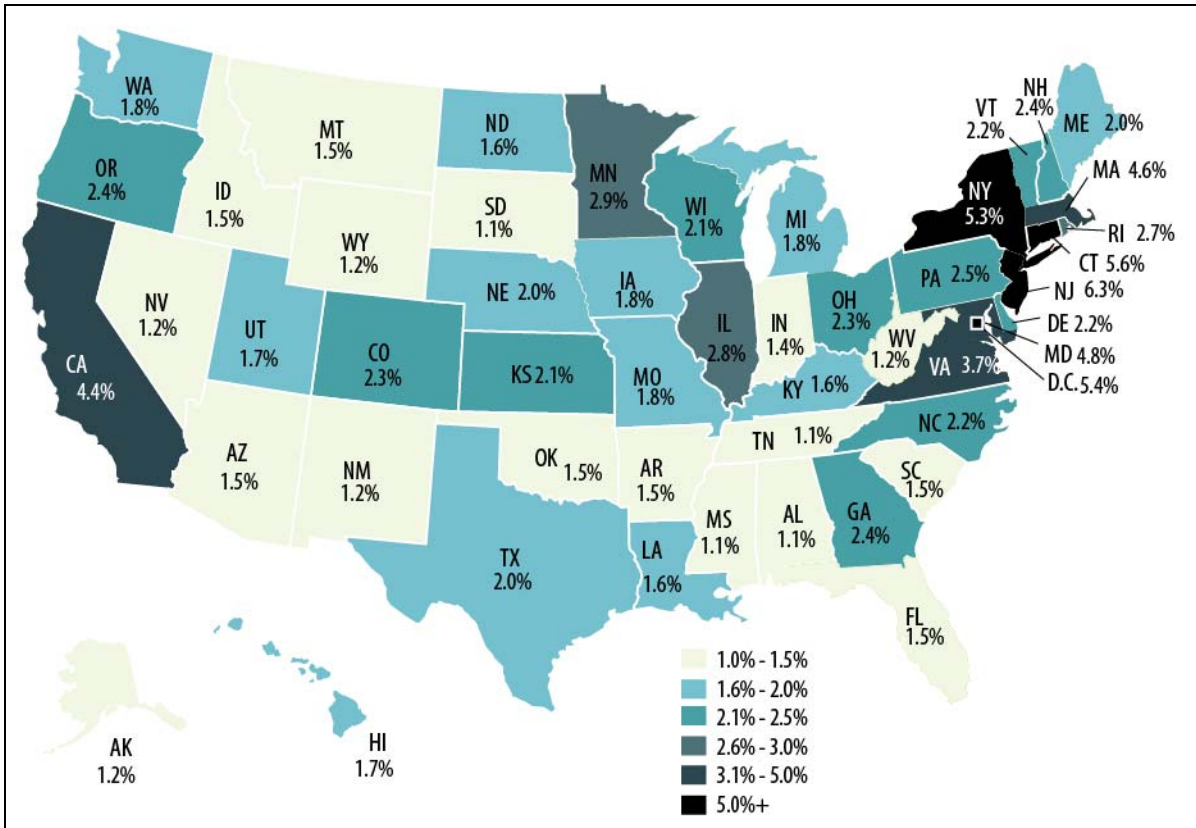
<sup>3</sup> U.S. Congress, Joint Committee on Taxation, "Present Law and Background Data related to the Federal Tax System in Effect for 2010 and 2011," JCX-19-10, March 22, 2010, p. 43.

<sup>4</sup> U.S. Congress, Joint Committee on Taxation, "Present Law and Background Relating to the Alternative Minimum Tax," JCX-38-07, June 25, 2007, p. 18.

<sup>5</sup> For more on the deductibility of state and local taxes, see CRS Report RL32781, *Federal Deductibility of State and Local Taxes*, by Steven Maguire.

AMT is not modified, then across a broad range of the income spectrum a large portion of married taxpayers will be subject to the AMT. This is true whether they itemize their deductions or not because personal exemptions are not allowed against the AMT.

**Figure I. Percentage of Taxpayers in Each State Subject to AMT in 2010**



**Source:** CRS representation of data from Department of the Treasury, Internal Revenue Service, available at <http://www.irs.gov/uac/SOI-Tax-Stats—Historic-Table-2>, visited November 27, 2012.

**Notes:** Table 2 reports the data used to generate this graphic.

The potentially expanding impact of the AMT has been mitigated through temporary increases in the basic exemption for the AMT and temporary changes that allow taxpayers to use nonrefundable personal tax credits to reduce their AMT liabilities. In December 2007, The Tax Increase Prevention Act of 2007 (TIPA, P.L. 110-166) patched the AMT for the 2007 tax year. In October 2008, The Tax Extenders and Alternative Minimum Tax Relief Act (which was included with the Emergency Economic Stabilization Act of 2008, P.L. 110-343), extended the AMT patch for the 2008 tax year.

In the 111<sup>th</sup> Congress, P.L. 111-5, The American Recovery and Reinvestment Act of 2009, included a one-year patch for the 2009 tax year. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (TRUIRJA, P.L. 111-312), patched the AMT for 2010 and 2011 tax years. Under TRUIRJA, the 2010 exemptions amounts are \$47,450 for individuals and \$72,450 for joint filers. For 2011, the exemption amounts increase to \$48,450 and \$74,450, respectively. In 2012 and beyond, absent legislative change, the AMT exemption reverts to \$45,000 for joint returns (\$35,750 for unmarried taxpayers), and some nonrefundable tax credits are not allowed against AMT liability.

Because the AMT patch expired at the end of 2011, in 2012 roughly 32.4 million taxpayers will likely be subject to the AMT if no patch is enacted.<sup>6</sup> An increase of this magnitude will affect taxpayers in every state, regardless of whether taxpayers in that state itemize and deduct their state/local taxes and/or miscellaneous deductions from their federal tax returns.

For example, 31,896 taxpayers in Tennessee were subject to the AMT in 2010. Thus, Tennessee taxpayers accounted for 0.78% of the total AMT returns filed in the United States that year. However, if that percentage of total AMT returns remains constant, then in 2012 roughly 360,226 (0.78% times 32.4 million) taxpayers in Tennessee could be affected by the AMT.

**Table 3** shows the potential number of AMT returns by state in 2012 if the patch to the AMT is not extended. The CRS calculations are an extrapolation based on the assumption that the ratio of AMT taxpayers in each state to total AMT taxpayers in the entire country will remain the same in 2012 as it was in 2010. The methodology makes assumptions that could be challenged, but still provides a reasonable estimate of the potential impact of the AMT in 2012 absent legislative changes.<sup>7</sup>

The President's FY2013 alternative budget baseline proposes a permanently indexed AMT based on the 2011 parameters. The revenue loss is \$1.9 trillion with the assumption that the tax cuts enacted from 2001 to 2003 are also extended for all but the highest income earners.<sup>8</sup> These proposed tax cuts are not extended to joint filers with income over \$250,000, single filers with income over \$200,000, and heads of household with income over \$225,000.

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<sup>6</sup> Urban-Brookings Tax Policy Microsimulation Model (version 0412-07), "T12-0170 – Number of AMT Taxpayers with and without an AMT Fix, 2011-2013," September 13, 2012.

<sup>7</sup> For example, if the AMT is not patched, many more taxpayers in lower income cohorts would be subject to the AMT. Thus, the share of AMT taxpayers in states with relatively lower average income could be greater than projected in this report.

<sup>8</sup> U.S. Treasury, General Explanation of the Administration's 2013 Budget Proposal, February 2012, p. 197.

**Table I. Number of Alternative Minimum Taxpayers by State, Tax Year 2009**

Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total	Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total
	U.S.A.	141,458,638	3,844,217	2.7%					
47	Alabama	2,048,831	23,895	1.2%	38	Montana	472,039	7,027	1.5%
48	Alaska	357,870	4,103	1.1%	24	Nebraska	846,101	16,546	2.0%
35	Arizona	2,670,661	41,699	1.6%	44	Nevada	1,243,552	15,412	1.2%
41	Arkansas	1,211,644	17,578	1.5%	15	New Hampshire	659,001	14,979	2.3%
7	California	16,384,130	685,141	4.2%	1	New Jersey	4,236,533	265,495	6.3%
17	Colorado	2,331,974	51,537	2.2%	46	New Mexico	912,316	10,695	1.2%
2	Connecticut	1,711,715	93,729	5.5%	3	New York	9,116,699	477,166	5.2%
20	Delaware	420,472	8,865	2.1%	19	North Carolina	4,144,875	87,720	2.1%
4	District of Columbia	312,067	16,133	5.2%	37	North Dakota	322,972	4,839	1.5%
34	Florida	8,910,654	141,118	1.6%	16	Ohio	5,409,661	120,055	2.2%
13	Georgia	4,447,966	106,477	2.4%	39	Oklahoma	1,585,616	23,342	1.5%
30	Hawaii	648,846	11,122	1.7%	14	Oregon	1,732,774	40,127	2.3%
40	Idaho	657,773	9,617	1.5%	12	Pennsylvania	6,058,513	150,253	2.5%
11	Illinois	6,008,183	160,561	2.7%	10	Rhode Island	501,586	13,669	2.7%
42	Indiana	2,951,362	41,535	1.4%	36	South Carolina	2,024,495	30,931	1.5%
31	Iowa	1,392,004	23,816	1.7%	50	South Dakota	385,157	4,238	1.1%
21	Kansas	1,310,164	27,442	2.1%	51	Tennessee	2,794,712	29,024	1.0%
33	Kentucky	1,841,152	29,892	1.6%	25	Texas	10,784,887	206,222	1.9%
28	Louisiana	1,960,107	33,875	1.7%	32	Utah	1,124,569	19,029	1.7%
23	Maine	624,567	12,249	2.0%	18	Vermont	316,053	6,791	2.1%
5	Maryland	2,751,233	132,676	4.8%	8	Virginia	3,685,674	130,531	3.5%
6	Massachusetts	3,171,888	141,581	4.5%	29	Washington	3,144,952	54,351	1.7%
26	Michigan	4,534,729	81,589	1.8%	43	West Virginia	778,130	9,764	1.3%

Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total	Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total
9	Minnesota	2,541,797	70,575	2.8%	22	Wisconsin	2,728,034	55,952	2.1%
49	Mississippi	1,241,390	14,012	1.1%	45	Wyoming	269,357	3,305	1.2%
27	Missouri	2,683,562	47,551	1.8%		Other Areas*	1,053,639	18,386	1.7%

**Source:** Department of the Treasury, Internal Revenue Service, available at <http://www.irs.gov/uac/SOI-Tax-Stats—Historic-Table-2>, visited November 27, 2012.

**Notes:** \* Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by members of the armed forces stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. government employees.



**Table 2. Number of Alternative Minimum Taxpayers by State, Tax Year 2010**

Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total	Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total
	U.S.A.	144,002,309	4,063,557	2.8%					
49	Alabama	2,102,251	24,756	1.2%	36	Montana	474,851	7,461	1.6%
47	Alaska	373,765	4,611	1.2%	23	Nebraska	854,072	17,578	2.1%
38	Arizona	2,718,609	42,604	1.6%	46	Nevada	1,263,928	15,725	1.2%
41	Arkansas	1,224,333	18,363	1.5%	14	New Hampshire	663,922	16,327	2.5%
7	California	16,683,781	745,665	4.5%	1	New Jersey	4,285,543	274,572	6.4%
16	Colorado	2,369,949	56,282	2.4%	45	New Mexico	913,001	11,441	1.3%
2	Connecticut	1,727,550	97,467	5.6%	4	New York	9,272,053	493,556	5.3%
18	Delaware	427,754	9,760	2.3%	20	North Carolina	4,202,766	93,665	2.2%
3	District of Columbia	322,864	17,546	5.4%	32	North Dakota	330,462	5,545	1.7%
39	Florida	9,631,252	150,725	1.6%	17	Ohio	5,437,370	126,117	2.3%
15	Georgia	4,589,611	110,177	2.4%	35	Oklahoma	1,590,384	25,139	1.6%
30	Hawaii	653,371	11,670	1.8%	13	Oregon	1,743,270	43,418	2.5%
40	Idaho	663,291	9,990	1.5%	12	Pennsylvania	6,129,987	157,469	2.6%
10	Illinois	6,043,865	169,384	2.8%	11	Rhode Island	509,091	14,141	2.8%
42	Indiana	2,981,543	43,960	1.5%	37	South Carolina	2,051,823	32,218	1.6%
29	Iowa	1,399,927	25,149	1.8%	48	South Dakota	393,777	4,658	1.2%
21	Kansas	1,307,115	28,445	2.2%	50	Tennessee	2,846,579	31,896	1.1%
33	Kentucky	1,856,466	30,957	1.7%	25	Texas	10,995,576	222,513	2.0%
34	Louisiana	1,990,904	33,033	1.7%	31	Utah	1,134,626	19,841	1.7%
24	Maine	625,057	12,776	2.0%	19	Vermont	317,921	7,109	2.2%
5	Maryland	2,787,356	136,214	4.9%	8	Virginia	3,729,464	139,136	3.7%
6	Massachusetts	3,203,128	150,339	4.7%	26	Washington	3,169,103	59,502	1.9%

Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total	Rank	State	Number of Returns	AMT Returns	AMT Returns as % of Total
28	Michigan	4,606,814	83,515	1.8%	43	West Virginia	783,239	10,121	1.3%
9	Minnesota	2,561,055	75,458	2.9%	22	Wisconsin	2,741,669	58,950	2.2%
51	Mississippi	1,283,495	14,270	1.1%	44	Wyoming	276,444	3,568	1.3%
27	Missouri	2,688,872	48,856	1.8%		Other Areas*	1,067,410	19,919	1.9%

**Source:** Department of the Treasury, Internal Revenue Service, available at <http://www.irs.gov/uac/SOI-Tax-Stats—Historic-Table-2>, visited November 27, 2012.

**Notes:** \* Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by members of the armed forces stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. government employees.

**Table 3. Estimated Number of Alternative Minimum Tax Taxpayers by State, Tax Year 2012**

State	AMT Returns in 2010	Potential AMT Returns in 2012 (CRS)	State	AMT Returns in 2010	Potential AMT Returns in 2012 (CRS)
U.S.A.	4,063,557	32,400,000			
Alabama	24,756	197,387	Montana	7,461	59,489
Alaska	4,611	36,765	Nebraska	17,578	140,155
Arizona	42,604	339,695	Nevada	15,725	125,380
Arkansas	18,363	146,414	New Hampshire	16,327	130,180
California	745,665	5,945,418	New Jersey	274,572	2,189,248
Colorado	56,282	448,754	New Mexico	11,441	91,223
Connecticut	97,467	777,135	New York	493,556	3,935,275
Delaware	9,760	77,820	North Carolina	93,665	746,820
District of Columbia	17,546	139,900	North Dakota	5,545	44,212
Florida	150,725	1,201,777	Ohio	126,117	1,005,570
Georgia	110,177	878,475	Oklahoma	25,139	200,441
Hawaii	11,670	93,049	Oregon	43,418	346,185
Idaho	9,990	79,653	Pennsylvania	157,469	1,255,549
Illinois	169,384	1,350,551	Rhode Island	14,141	112,751
Indiana	43,960	350,507	South Carolina	32,218	256,884
Iowa	25,149	200,521	South Dakota	4,658	37,140
Kansas	28,445	226,801	Tennessee	31,896	254,317
Kentucky	30,957	246,830	Texas	222,513	1,774,165
Louisiana	33,033	263,382	Utah	19,841	158,198
Maine	12,776	101,867	Vermont	7,109	56,682
Maryland	136,214	1,086,076	Virginia	139,136	1,109,374
Massachusetts	150,339	1,198,699	Washington	59,502	474,428

State	AMT Returns in 2010	Potential AMT Returns in 2012 (CRS)	State	AMT Returns in 2010	Potential AMT Returns in 2012 (CRS)
Michigan	83,515	665,891	West Virginia	10,121	80,698
Minnesota	75,458	601,650	Wisconsin	58,950	470,027
Mississippi	14,270	113,779	Wyoming	3,568	28,449
Missouri	48,856	389,544	Other Areas*	19,919	158,820

**Source:** CRS Calculations based on Department of the Treasury, Internal Revenue Service data, available at <http://www.irs.gov/uac/SOI-Tax-Stats—Historic-Table-2>, visited November 27, 2012.

**Notes:** \* Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by members of the armed forces stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. government employees.

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