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AMT Will Hit 100M People, Warns IRS Commissioner

This isn't a world ending prediction, but it seems staggering all the same. It was bad enough when we learned that [30 million](#) taxpayers face alternative minimum tax (AMT) right now. Now triple that number and add another 10 million.



The AMT can drive up your tax bill much more quickly—and arbitrarily—than a tax rate increase. For many individuals, AMT is considerably more important than the endless debates about top tax rates. Who exactly is warning that 100 million people will be impacted this filing season? The Commissioner of the IRS, that's who.

In fact, Acting Commissioner of the IRS Steven Miller warned in this [letter](#) that if Congress fails to extend the AMT patch before Dec. 31st:

1. Nearly 30 million additional taxpayers will become subject to the AMT on their 2012 income tax returns.
2. Most taxpayers may not be able to file their 2012 tax returns until late in March of 2013, or even later.
3. More than 60 million taxpayers might be prevented from filing their tax returns while the IRS is reprogramming its computers.

4. 80 million to 100 million taxpayers (out of 150 million total filers) may be unable to file.

If you think this sounds preposterous, think again. Like taxpayers, the IRS hates Congressional inactivity and the uncertainty and last minute fixes it foments. Congress isn't making the IRS' work any easier.

The AMT was enacted in 1969 to catch fat cats claiming large and seemingly obscure special kinds of tax deductions. As the years passed the AMT took on a life of its own. Today, the AMT has grown to cover almost everything. See [10 Things To Know About Taxes On Damages](#).

And predicting how AMT works isn't easy. You can't eyeball your exposure. You compute regular tax and AMT and pay whichever is **higher**. It truly is an **alternative** tax system.

The IRS Commissioner isn't the only one who's worried. A Congressional Research Service [report](#) (RL30149) makes the dire prediction that 30 million taxpayers—one out of every five—will be hit by AMT in 2012. Want more sobering numbers? Just chart this progression:

- **1997**: 605,000 taxpayers, about 1% of all taxpayers paid AMT.
- **2009**: 3.8 million taxpayers, 2.7% of all taxpayers paid AMT.
- **2012**: Over 30 million taxpayers will pay AMT or have AMT limits on tax credits.
- **2020**: 58 million taxpayers will be hit by AMT.

Congress acted in December of 2010 with a [two-year patch](#) that covered only 2010 and 2011. A quick fix for the AMT would be another patch for 2012 and 2013. That would be better than nothing. We can't expect too much right now.

But we clearly need more extensive AMT relief. For most of us, the practical dollar effects of AMT are far more than a 5% rate spread. Besides, AMT sometimes seems arbitrary, as where successful plaintiffs in lawsuits pay AMT on fees paid to their lawyers. See [Three Rules For Hiring Contingent Fee Lawyers](#).

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