

# Who Pays The Individual AMT: State-by-State Estimates for 2006

On January 1, 2006, temporary higher exemptions from the individual Alternative Minimum Tax were allowed to expire. These higher AMT exemptions were enacted to keep the Bush reductions in the regular income tax rates from pushing large numbers of people into the AMT. But continuation of these higher AMT exemptions is very costly, and our political leaders are adamantly unwilling to find a way to cover that cost (other than with more debt).

If Congress and the Bush Administration do not act to extend the temporary AMT tax breaks, the number of American taxpayers paying the AMT will jump by over 15 million in 2006. This analysis projects the number of 2006 AMT taxpayers in each state under current law (that is, with the same lower exemptions that were in force before 2003) and under the current House and Senate plans to extend AMT relief.

## Why Increase the AMT Exemption?

The Alternative Minimum Tax allows a single large exemption, which was originally designed to ensure that low- and middle-income taxpayers will not be forced to pay the AMT. But the last permanent increase in the AMT exemption took effect in 1993, when the exemption for married couples was increased to \$45,000.

Temporary tax cuts enacted in 2003 increased the married exemption to \$58,000 for tax years 2004 and 2005. But under current law, the exemption drops back to \$45,000 starting in 2006. Inflation has sharply reduced the real value of the exemption since 1993; if the married AMT exemption had kept up with inflation since 1993, it would be almost \$63,000 in 2006. The Senate's AMT fix would restore the AMT exemption to approximately its real 1993 value, while the House AMT reform offers a slight increase over the temporary 2005 exemption amount.

## Which States Are Hit Hardest by the AMT?

The table on this page shows the ten states in which the highest percentage of residents will owe AMT if the temporary exemptions are not extended. (A table for all states is on page 2.)

Among the noteworthy findings of the analysis are that:

- In six states (New Jersey, Connecticut, New Hampshire, Massachusetts, Maryland and Wisconsin), more than 20 percent of taxpayers will be subject to the AMT in 2006 unless Congress takes steps to increase the AMT exemption.
- In the hardest-hit state, New Jersey, more than a quarter of all taxpayers will be subject to the AMT in 2006.

## States Hit Hardest By the AMT in 2006 Under Current Law

Rank	State	No. in AMT	% in AMT
1	New Jersey	1,038,400	26%
2	Connecticut	363,000	23%
3	New Hampshire	137,700	23%
4	Massachusetts	687,200	22%
5	Maryland	569,700	22%
6	Wisconsin	509,700	20%
7	Minnesota	420,300	18%
8	Rhode Island	91,500	18%
9	North Dakota	53,000	18%
10	New York	1,580,300	17%

Source: ITEP Microsimulation Tax Model

**Number of AMT Payers in 2006 by State,  
Under Current Law, the House Bill & the Senate Bill**

	# of taxpayers in the AMT			Changes from current law		% changes	
	Current Law	House Bill	Senate Bill	House	Senate	House	Senate
<b>TOTAL</b>	<b>20,239,400</b>	<b>4,557,300</b>	<b>3,846,900</b>	<b>-15,682,100</b>	<b>-16,392,500</b>	<b>-77%</b>	<b>-81%</b>
Alabama	197,300	21,000	17,800	-176,300	-179,500	-89%	-91%
Alaska	46,400	4,500	3,500	-41,900	-42,900	-90%	-92%
Arizona	252,500	53,500	48,600	-199,000	-203,900	-79%	-81%
Arkansas	142,700	19,600	16,900	-123,100	-125,800	-86%	-88%
California	2,428,800	783,900	678,100	-1,644,900	-1,750,700	-68%	-72%
Colorado	252,100	49,500	41,900	-202,600	-210,200	-80%	-83%
Connecticut	363,000	109,900	92,600	-253,100	-270,400	-70%	-74%
Delaware	46,900	10,400	7,900	-36,500	-39,000	-78%	-83%
District of Columbia	41,600	17,000	15,700	-24,600	-25,900	-59%	-62%
Florida	833,400	162,900	139,800	-670,500	-693,600	-80%	-83%
Georgia	445,300	92,200	81,900	-353,100	-363,400	-79%	-82%
Hawaii	81,900	13,900	12,000	-68,000	-69,900	-83%	-85%
Idaho	83,900	12,000	10,600	-71,900	-73,300	-86%	-87%
Illinois	855,400	170,600	142,000	-684,800	-713,400	-80%	-83%
Indiana	484,600	55,900	39,600	-428,700	-445,000	-88%	-92%
Iowa	198,100	27,400	20,900	-170,700	-177,200	-86%	-89%
Kansas	196,400	35,600	31,200	-160,800	-165,200	-82%	-84%
Kentucky	226,700	39,500	32,400	-187,200	-194,300	-83%	-86%
Louisiana	198,000	35,700	30,200	-162,300	-167,800	-82%	-85%
Maine	68,100	15,300	13,700	-52,800	-54,400	-77%	-80%
Maryland	569,700	142,200	116,600	-427,500	-453,100	-75%	-80%
Massachusetts	687,200	197,300	146,300	-489,900	-540,900	-71%	-79%
Michigan	781,100	121,500	99,700	-659,600	-681,400	-84%	-87%
Minnesota	420,300	82,300	70,600	-338,000	-349,700	-80%	-83%
Mississippi	134,400	20,200	16,200	-114,200	-118,200	-85%	-88%
Missouri	389,600	67,000	52,600	-322,600	-337,000	-83%	-86%
Montana	41,100	7,900	7,300	-33,200	-33,800	-81%	-82%
Nebraska	97,700	18,900	15,000	-78,800	-82,700	-81%	-85%
Nevada	141,800	22,000	17,300	-119,800	-124,500	-85%	-88%
New Hampshire	137,700	23,400	17,600	-114,300	-120,100	-83%	-87%
New Jersey	1,038,400	332,100	283,400	-706,300	-755,000	-68%	-73%
New Mexico	108,400	15,700	13,800	-92,700	-94,600	-86%	-87%
New York	1,580,300	580,300	518,900	-1,000,000	-1,061,400	-63%	-67%
North Carolina	555,200	120,900	103,700	-434,300	-451,500	-78%	-81%
North Dakota	53,000	4,900	3,900	-48,100	-49,100	-91%	-93%
Ohio	838,500	172,400	148,400	-666,100	-690,100	-79%	-82%
Oklahoma	174,000	28,700	25,500	-145,300	-148,500	-83%	-85%
Oregon	214,400	52,000	43,200	-162,400	-171,200	-76%	-80%
Pennsylvania	993,200	180,200	144,000	-813,000	-849,200	-82%	-85%
Rhode Island	91,500	22,100	18,100	-69,400	-73,400	-76%	-80%
South Carolina	206,700	34,200	30,400	-172,500	-176,300	-83%	-85%
South Dakota	41,900	3,800	2,900	-38,100	-39,000	-91%	-93%
Tennessee	219,600	26,200	20,400	-193,400	-199,200	-88%	-91%
Texas	1,109,500	164,300	132,800	-945,200	-976,700	-85%	-88%
Utah	131,300	25,800	19,200	-105,500	-112,100	-80%	-85%
Vermont	43,600	10,300	8,100	-33,300	-35,500	-76%	-81%
Virginia	560,100	117,500	104,300	-442,600	-455,800	-79%	-81%
Washington	398,000	38,700	29,500	-359,300	-368,500	-90%	-93%
West Virginia	108,300	14,400	10,100	-93,900	-98,200	-87%	-91%
Wisconsin	509,700	87,200	71,600	-422,500	-438,100	-83%	-86%
Wyoming	23,100	3,500	2,700	-19,600	-20,400	-85%	-88%

Note: All figures assume extension of the allowance of non-refundable credits against the AMT, as provided by both the House & Senate separately from the AMT exemption increases shown in the table. The Senate bill increases the AMT exemption by more than the House bill. All figures are rounded to the nearest 100. Totals include other areas.

Source: Institute on Taxation and Economic Policy Tax Model, March, 2006.

Citizens for Tax Justice, March 2006