



FEDERATION OF AMERICAN CONSUMERS AND TRAVELERS - NEWS RELEASE -

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Understanding the Alternative Minimum Tax

EDWARDSVILLE, IL, October 18, 2010 - Vicki Rolens, Managing Director of the Federation of American Consumers (FACT), says that many taxpayers are understandably confused by the Alternative Minimum Tax (AMT).

“This is a tax,” she says, “which was introduced more than 40 years ago, targeting the ultra-rich. For many years, unless you were among the ultra-rich, you really didn’t need to understand the AMT; it simply didn’t apply to you.”

Since the AMT became law, of course, many things have changed -- including the definition of “rich” -- and in 2010 almost anyone could be a potential target for the tax.

“The main problem,” says Rolens, “is that the income triggers weren’t indexed for inflation. So ... as inflation rose, more and more middle-income individuals and families were drawn into the AMT net. According to reports we’ve read, unless Congress raises income limits, more than 20 million taxpayers could be required to pay the tax.”

Here, roughly, is how the AMT works:

The AMT establishes a different (“alternative,” if you will) set of rules for calculating your income tax. In the simplest of terms, the rules determine a minimum amount of tax that someone with your income should be required to pay, and then takes steps to make certain that you do pay *at least* that amount.

By and large, taxpayers or their preparers must compute tax owed under both the regular and AMT systems, after which they are liable for whichever amount is higher. Under the AMT, no deduction is allowed for personal exemptions and the standard deduction is disallowed. In addition, state and local taxes are not deductible.

“It’s really complex,” says Rolens, “and FACT urges consumers to obtain qualified professional help in dealing with the matter. It’s better than preparing and filing your taxes in the usual way, then learning from IRS that you fall under the AMT requirements.”

Rolens says consumers can learn more about the AMT by visiting <http://www.irs.gov/businesses/small/article/0,,id=150703,00.html>.

This news release has been issued by the Federation of American Consumers and Travelers (FACT), a consumer organization formed under the not-for-profit corporation laws of the District of Columbia in 1984. FACT serves more than 1 million consumers nationwide. Additional information on FACT may be found in FACTnewsreleasesconsumerhotlinemedicalinsurancedentaldiscountsprescriptiondrugsavingsalternativeminimumtaxamt

the Encyclopedia of Associations, and by visiting the association's Web site (www.usafact.org). Informative, unbiased news bulletins are regularly disseminated by FACT to help its members remain current on matters which might seriously impact their lives. The association does not offer support to -- and does not receive support from -- any political party or movement. In addition to publishing consumer-related reports, the association provides more than 30 benefits for its members, ranging from medical insurance and dental discounts to prescription drug savings and scholarships. FACT's administrative office is located at 318 Hillsboro Avenue, Edwardsville, IL 62025