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2010 PLANNING: ALTERNATIVE MINIMUM TAX FOR INDIVIDUALS

As you know, the alternative minimum tax (AMT) is trapping more middle income taxpayers. If government forecasts are correct, 27 million taxpayers, or about one-fifth of all taxpayers, will be affected by the AMT in 2010, many of them middle income taxpayers. At a tax rate of at least 26 percent imposed on AMT items, in addition to your regular tax bill, your AMT could be substantial. In view of the serious risk of AMT exposure, careful planning to reduce your overall tax bill is critical.

Although the AMT is a significant concern, tax planning should not focus solely on eliminating AMT liability. Due to the complexity of the interrelationship of the AMT and regular tax systems, concentration on lowering minimum tax liability alone could easily result in an unwanted increase in your regular income tax liability.

In general, the best way to handle AMT liability is careful planning involving coordination of future regular income tax and AMT, using accurate projections of income, expenses, and deductions over multiple years with several alternative scenarios. An overall plan must then be devised to manage your AMT liability without raising regular tax liability.

We believe that a thorough analysis of your current and projected tax situation could minimize or eliminate your exposure to AMT liability. Please contact our office to make an appointment to discuss this important tax planning opportunity.

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