**8538. How is alternative minimum taxable income (AMTI) computed?**

Alternative minimum taxable income (AMTI) is taxable income, with adjustments made in the way certain items are treated for AMT purposes and increased by tax preference items.[[1]](#footnote-1)

Except as otherwise provided below and in Q 8539 and Q 8540, the provisions that apply in determining the regular taxable income of a taxpayer also generally apply in determining the AMTI of the taxpayer.[[2]](#footnote-2) In addition, references to a non-corporate taxpayer’s adjusted gross income (AGI) or modified AGI in determining the amount of items of income, exclusion, or deduction must be treated as references to the taxpayer’s AGI or modified AGI as determined for regular tax purposes.[[3]](#footnote-3)

The following chart is a non-exclusive comparison of the different treatment of certain items in the computation of regular income tax as compared to the computation of AMT:[[4]](#endnote-1)

|  |  |  |
| --- | --- | --- |
| Item | Regular Income Tax Computation | AMT Computation |
| Standard deduction (taxpayer does not itemize) | Allowed | Not allowed |
| Phase out of itemized deductions | Phased out if AGI exceeds applicable thresholds | No phase out |
| Medical Expenses | Allowed as itemized deductions to the extent they exceed 10% of AGI | Same. |
| Taxes | State income taxes, property taxes, etc. allowed as itemized deduction | Not allowed |
| Home Mortgage Interest | Allowed | Allows only acquisition indebtedness including loan to improve principal residence or second home. Interest attributed to refinanced amounts in excess of original loan not allowed. |
| State Tax Refund | Included in gross income if previously deducted as itemized deduction | Since state taxes are not allowed as a deduction, refunds are not included in income. Amount of regular income entered as a negative amount. |
| Interest expense related to tax-exempt interest income | Not allowed | Allowed if interest expense is related to tax-exempt private activity bonds |
| Miscellaneous itemized deductions | Allowed to the extent they exceed 2% of AGI assuming the taxpayer itemizes | Not allowed |
| Qualified stock options | Exercise of a qualified stock option not taxable | Difference between amount paid to acquire the stock and the FMV of the stock is included as AMTI income |
| Tax-exempt income | Not included in gross income | Included in AMTI income |

1. . IRC Sec. 55(b)(2). [↑](#footnote-ref-1)
2. . Treas. Reg. §1.55-1(a). [↑](#footnote-ref-2)
3. . Treas. Reg. §1.55-1(b). [↑](#footnote-ref-3)
4. IRC Secs. 56, 58. [↑](#endnote-ref-1)