

[TAX TALK]

BY CAROL TICE

STEER CLEAR

HOW YOU CAN AVOID PAYING THE AMT NOW AND LATER

Will you run afoul of the Alternative Minimum Tax? A bill passed in May raising the AMT exemption may help you avoid paying the AMT.

Without the new law, the AMT exemption this year would have been \$33,750 of taxable income for singles and \$45,000 for married couples. The one-year fix for 2006 hikes those exemptions to \$42,500 and \$62,550, respectively, sparing an estimated 19 million taxpayers from the AMT.

If your income is in the \$150,000 to \$500,000 range, you're at high risk of having to pay the AMT, says John Bataglia, a tax director at Deloitte Tax LLP. But careful planning can help lessen the bite.

Congress will likely pass more temporary fixes in 2007, says Ross Rizzo, partner and director of taxes for accounting firm Salibello & Broder LLP. Based on that forecast, a few tips:

▲ If your income is rising, you might miss the AMT this year but have to pay it next year. In that case, 2006 is the time to prepay deductions disallowed under the AMT, including state, local and property taxes.

▲ If you can't avoid the AMT this year, record as much income as you can in 2006.

Under the regular income tax, high earners might pay 35 percent, but the top AMT bracket is only 28 percent.

▲ Exercising company stock options could affect income, possibly bumping you into the AMT, where qualified stock-option income is taxed.

Seattle writer CAROL TICE reports on business and finance for The Seattle Times, Seattle Magazine and other leading publications.