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THE TIER WEALTH PLANNING REFERENCE SERIES

# RANDOM

*by TIER Wealth*

*A reference document on a planning topic we believe deserves more than a passing update.*

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IN THIS ISSUE

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# Alternative Minimum Tax in 2026

*Where the Rules Now Stand*

BY AARON HECTOR, CFP®, R.F.P., TEP

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June 5, 2026

ONE-YEAR ANNIVERSARY EDITION

# RANDOM

by TIER Wealth

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*Each issue of Random takes up a planning topic we believe warrants deeper work — then gives it the depth and care the subject deserves. Work worth keeping.*

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THIS ISSUE IS FOR

*Martin*

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*whose question on the Alternative Minimum Tax sparked this issue.*

# One Year On

One year ago — May 9, 2025 — we opened the doors at TIER Wealth with a simple intention: to help families navigate the four pillars of financial life — tax, investments, estate planning, and retirement — with the depth and care those decisions deserve.

A short note on the name. Earlier this year we asked clients to suggest a name for our newsletter and committed to use the winning entry. The name we chose was *TIER and now*. As we built the newsletter around the firm's four pillars, TIER Wealth co-founder Jen Schmid suggested that the "R" should stand for *Random* rather than *Retirement*: the place for firm news, work-in-progress, client questions, and useful ideas that do not otherwise have a natural home.

That idea also gave shape to this separate reference series. *Random by TIER Wealth* will not be limited to one category of planning. Each issue will take up a topic we believe is important, under-discussed, or capable of being made more useful through deeper work. The subject may change from issue to issue. The standard will not: choose a topic where we believe we can produce something of real and lasting value, then do the work properly.

This inaugural issue takes up the Alternative Minimum Tax. AMT may sound like a niche worry, but in its post-2024 form it sits at the intersection of every pillar we work in. It can punish good planning if approached badly; it can be navigated well if approached deliberately. We thought it deserved more than a blog post.

Thank you for spending year one with us. This is what year two looks like.

***Aaron Hector***

CALGARY · JUNE 5, 2026

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# Alternative Minimum Tax in 2026

## *Where the Rules Now Stand*

By AARON HECTOR, CFP®, R.F.P., TEP

### AT A GLANCE

AMT was substantially overhauled in 2024 and applies to taxation years beginning after 2023. From here, this issue describes the regime as it stands for 2026 and forward; references to the prior rules appear only in this summary. For most readers, AMT will not apply — the exemption is high enough that AMT now applies almost exclusively to taxpayers with large, tax-preferred events in a single year.

AMT becomes relevant with a major capital gain, Lifetime Capital Gains Exemption claim, significant in-kind donation of publicly listed securities, large stock-option exercise, or income and gains retained inside a non-exempt trust.

Seven chapters follow. **I** frames AMT in 2026 and who is caught. **II** walks through the federal calculation with a worked example. **III** covers provincial mechanics — the Ontario surtax and Quebec's parallel regime. **IV** compares capital-gains and LCGE rates under regular tax to AMT, and weighs a section 85 rollover as a structural alternative. **V** covers trust AMT with a case study. **VI** addresses recovery and inter-provincial mobility. **VII** is the planning checklist.

The core issue is timing. AMT paid in the trigger year recovers against regular tax over the following seven years. Where future regular tax is too low — retirement, a winding-down trust, a move to a lower-multiplier province — some of the cost becomes permanent.

The expensive mistakes are rarely caused by AMT itself. They come from discovering AMT after the transaction is done. Model first.

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# I What AMT is for

**A**MT exists to ensure a "reasonable" minimum amount of federal tax is paid in years where a taxpayer's combination of income sources, deductions, and credits would otherwise make their regular tax bill very low. It is a parallel calculation — computed where relevant for individuals on [Form T691](#) and for trusts on [Form T3 Schedule 12](#) — that tax software will typically screen for in the background. The AMT rules are found in [sections 127.5 through 127.55](#) of the *Income Tax Act*.

AMT only applies if the AMT calculation produces more federal tax than the regular calculation. In the vast majority of returns, the regular calculation wins and AMT is not in play.

## Who gets caught

AMT falls most heavily on high-income individuals with concentrated, tax-preferred events in a single year, particularly:

- Business owners claiming the LCGE on a sale of qualifying small business corporation shares or qualified farm/fishing property (the 2026 LCGE limit is \$1,275,000, indexed annually).
- Individuals realizing very large capital gains in one year, especially where capital loss carryforwards or other shelters bring regular tax down to a low effective rate.
- Executives exercising large equity compensation packages, particularly where the stock option deduction applies.
- High-income donors making very large in-kind gifts of publicly listed securities, where the 30% AMT inclusion on the donated-securities gain can — depending on the rest of the picture — generate AMT even with the 80% donation credit.

It is also worth noting that trust treatment under the AMT regime diverges enough from individual taxation that it warrants separate consideration — see [Chapter V](#).

## II How Federal AMT is calculated

For individuals, you start with taxable income from line 26000 of the return and adjust through three buckets — income items, deductions, and credits — to arrive at the AMT minimum amount that is compared to regular federal tax. The sections that follow walk through each bucket in turn, then the basic exemption and AMT rate that combine them, then a worked example showing how the math flows on a single fact pattern.

### Income adjustments: building adjusted taxable income

Adjusted taxable income (ATI) starts from regular taxable income and adds back the tax preferences that distinguish AMT from regular tax — principally tax-preferred treatment of capital gains, in-kind donations of publicly listed securities, employee stock option benefits, and dividend integration. Prior-year net capital loss carryforwards and ABILs are also treated asymmetrically.

	REGULAR TAX	AMT
Capital gains	50% inclusion	100% inclusion
LCGE-eligible capital gains (QSBC shares; qualified farm or fishing property)	0% (LCGE shelters)	30% inclusion
In-kind donations of publicly listed securities	0% inclusion	30% inclusion
Employee stock option benefits	50% s. 110(1)(d) deduction	Deduction denied
Canadian dividends	Gross-up + dividend tax credit	Cash amount; no gross-up, no credit
Net capital loss carryforwards and allowable business investment losses (ABILs)	Full	50% basis preserved — asymmetric against 100% current-year capital-gains inclusion

REGULAR VS AMT: INCOME ADJUSTMENTS · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

In detail:

- Capital gains are included at 100%, versus the 50% regular inclusion rate for individuals.
- Employee stock option benefits are included in full in ATI — the s. 110(1)(d) (and (d.1)) deduction that shelters 50% of the benefit for regular tax is denied for AMT.
- Capital gains eligible for the Lifetime Capital Gains Exemption (LCGE) are included at 30% in ATI, contrasted with 0% inclusion under regular tax (where the LCGE shelters the full gain). In effect, the LCGE shelters only 70% of the gain for AMT purposes.
- Capital gains on in-kind donations of publicly listed securities are included at 30%; regular tax retains 0% inclusion.
- Canadian dividends are stripped of their gross-up and dividend tax credit — they go into ATI at their cash amount with no integration adjustment.
- Other-year net capital loss carryforwards and allowable business investment losses (ABILs) remain less effective under the AMT calculation than current-year capital gains are taxable: current-year capital gains are included at 100%, while prior-year net capital losses and ABILs continue to operate on a 50%-based footing. This asymmetry means a year with large current gains offset against prior-year loss carryforwards can produce AMT well in excess of regular tax.

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***“ A year with large current gains offset against prior-year loss carryforwards can produce AMT well in excess of regular tax. ”***

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## Deductions: the 50% list (and what does not change)

A range of deductions are reduced to 50% of their regular value for AMT — items targeted because they significantly reduce the regular-tax base in ways AMT is designed to look through. Equally important is what is not in the 50% bucket: a range of ordinary-course deductions remain fully deductible at both stages, so they reduce regular taxable income and ATI by the same amount.

DEDUCTIONS FULLY ALLOWED FOR REGULAR TAX — ONLY 50% ALLOWED FOR AMT		
Employment expenses, other than expenses incurred to earn commission income	Union, professional, or like dues	Tradesperson's and apprentice mechanic tools
Clergy residence deduction	Canadian Armed Forces / police deduction	Northern residents deduction
Moving expenses	Child care expenses	Disability supports deduction
Enhanced CPP/QPP contribution deduction (employee)	CPP/QPP self-employment contribution deduction	PPIP / QPIP premiums on self-employment income (QC)
Interest and carrying charges (to earn income from property)	Investment counsel fees (s. 20(1)(b))	Non-capital loss carryforwards
Net capital loss carryforwards	Restricted farm / farm loss carryforwards	Limited partnership losses of prior years
DEDUCTIONS THAT MAINTAIN THEIR FULL AMOUNT FOR BOTH REGULAR TAX AND AMT		
RRSP contributions	RPP contributions	PRPP contributions
DPSP contributions	FHSA contributions	Spousal support paid
Pension income splitting deduction	Most other ordinary-course Division B deductions	

REGULAR VS AMT: DEDUCTIONS · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

In detail:

- The 50% list is set out in the upper block above. Investment counsel and management fees are limited under [paragraph 20\(1\)\(bb\)](#). The credit for base CPP/QPP contributions is separately 50%-limited within the credits step (below).
- RRSP contributions are not 50%-limited for AMT purposes, so they reduce both regular taxable income and ATI dollar-for-dollar. However, where the taxpayer remains AMT-bound, the current-year value of the deduction may be measured at the AMT rate rather than the regular marginal rate, with the remaining value dependent on future AMT recovery.

## Credits: the 50% list, the 80% carve-out, and the foreign tax credit

Most non-refundable tax credits are limited to 50% of their regular value for AMT purposes, with two structural exceptions: the charitable donation tax credit is preserved at 80%, and the foreign tax credit is preserved through a separate AMT-specific calculation. Note also that the rate used to compute most federal non-refundable credits — 14% for 2026, following a transitional 14.5% for 2025 and 15% before that — applies on top of the 50% limit, further reducing the dollar value of the affected credits in the AMT calculation, independent of the 50% limitation.

	REGULAR TAX	AMT
Non-refundable credits limited to 50% of value: basic personal amount, age, pension, spousal/dependant, disability, medical expense, tuition, base CPP/QPP contribution credit, EI contribution credit	Full value at 14%	50% × value at 14%
Charitable donation tax credit	Full credit (14% / 29% / 33% rate structure)	80% of the regular credit
Foreign tax credit	Standard	Separate AMT-specific calculation under s. 127.54
Federal political contribution tax credit; investment tax credits; labour-sponsored funds tax credit	Full	Denied current year (recoverable through the AMT carryforward)

REGULAR VS AMT: CREDITS · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

In detail:

- Most non-refundable tax credits are limited to 50% of their regular value — including the basic personal amount (BPA), age, pension, spousal/dependant, disability, medical expense, tuition, and CPP/EI base contribution credits. Two important carve-outs: the charitable donation tax credit is allowed at 80%, and the foreign tax credit is preserved through a separate AMT-specific calculation under s. 127.54. A further nuance worth flagging: certain credits that are denied for current-year AMT purposes — notably the federal political contribution tax credit, investment tax credits, and the labour-sponsored funds tax credit — are eligible for recovery through the AMT carryforward mechanism.

## From ATI to AMT: the exemption and the rate

From ATI you then subtract the AMT basic exemption — \$181,440 for 2026, indexed annually to the start of the fourth federal tax bracket. If the result is zero or negative, there is no AMT.

If the result is positive, you apply the AMT rate of 20.5% (the rate matches the second federal bracket). From that, you subtract the AMT-adjusted non-refundable tax credits described above to arrive at the federal minimum amount. That figure is then compared to the regular federal tax otherwise payable; the excess, if any, is the federal AMT.

	REGULAR TAX	AMT
Tax rate above the exemption	Progressive 14% – 33%	20.5% flat
Basic exemption	Standard brackets and credits	\$181,440 for 2026

AMT EXEMPTION AND RATE · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

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*“ The federal AMT is the excess, if any, of the minimum amount over regular federal tax otherwise payable.”*

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## A worked example: the flow in numbers

A 55-year-old Alberta resident sells QSBC shares for a \$1,275,000 capital gain — within the 2026 LCGE limit — alongside \$50,000 of employment income and \$5,000 of investment carrying charges. The same set of inputs produces very different regular-tax and AMT results, driven entirely by the LCGE shelter on the regular side having no equivalent on the AMT side:

STEP	REGULAR TAX	AMT
Employment income	\$50,000	\$50,000
Capital gain inclusion	+\$637,500 (50% × \$1,275,000)	+\$382,500 (30% LCGE inclusion)
Less carrying charges	−\$5,000 (full)	−\$2,500 (50% allowed)
Net income	\$682,500	\$430,000
Less LCGE deduction	−\$637,500	(replaced by 30% inclusion)
Taxable income / ATI	\$45,000	\$430,000
Less basic exemption	—	−\$181,440
Excess subject to AMT rate	—	\$248,560
Apply rate	≈ \$6,300 (14% × \$45,000)	\$50,955 (20.5% × \$248,560)
Less BPA, base CPP, EI credits	≈ −\$2,700 (14% × value)	≈ −\$1,400 (14% × 50% × value)
Federal tax	≈ \$3,600	≈ \$49,555
Federal AMT (excess over regular)		≈ \$45,955
Alberta provincial AMT (35% × federal AMT)		≈ \$16,085
Total AMT add-on: federal + Alberta		≈ \$62,040

FEDERAL AMT WORKED EXAMPLE: LCGE ON QSBC SALE (ALBERTA) · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

The mechanics: the LCGE deduction that drives regular taxable income down to \$45,000 has no equivalent on the AMT side — LCGE-eligible gains are simply included at 30% — and the resulting \$430,000 of ATI flows through the basic exemption, the 20.5% AMT rate, and the AMT-adjusted credits to a minimum amount of roughly \$49,555. The comparison to regular federal tax of about \$3,600 produces the federal AMT additional tax of approximately \$45,955, with Alberta's 35% multiplier adding another \$16,085. The total AMT add-on of about \$62,040 is the AMT exposure on a gain that regular tax left entirely untouched.

The \$45,955 federal AMT and the \$16,085 Alberta AMT each become a seven-year carryforward against future regular tax in their respective systems — recoverable in full if the taxpayer generates sufficient regular tax in any of the next seven years, and permanently lost otherwise.

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## III How Provincial AMT is calculated

Provincial AMT is calculated separately and, outside Quebec, is generally determined by applying a prescribed provincial or territorial percentage to the federal additional tax for minimum tax purposes — the amount by which the federal minimum amount *exceeds* regular federal tax, not the gross minimum amount. The multiplier bites only on the excess: the extra tax AMT creates over and above what regular tax would otherwise have collected, not the whole AMT figure. The Alberta side of the [Chapter II](#) example shows it directly — 35% is applied to the \$45,955 federal AMT add-on to give \$16,085 of Alberta AMT; applied to the \$49,555 gross minimum amount it would overstate the result. Those percentages vary materially by jurisdiction. The full table follows, with the two jurisdictions that break the simple multiplier story — Ontario, where a provincial surtax can magnify the AMT add-on, and Quebec, which runs an entirely separate parallel regime — taken up after the table.

### The provincial and territorial multipliers

The table below shows the latest published provincial and territorial AMT multipliers available as of June 2026 — most are drawn from the 2025 Form 428 series; British Columbia's 40% figure is its separately published 2026 rate. The rate-equivalent column converts each multiplier into a directly comparable figure — provincial AMT expressed, before credits and the regular-tax comparison, as a percentage of adjusted taxable income above the federal AMT exemption (multiplier × the 20.5% federal AMT rate) — so the combined federal-plus-provincial figure can be read as 20.5% + the rate equivalent (about 25.5% in Ontario at base, 32.8% in Newfoundland and Labrador). Two cautions on reading those combined figures. First, the column expresses the multiplier as though it sat on the full gross minimum amount; in the Form 428 mechanic it sits only on the add-on — the excess over regular federal tax set out above — so the figures are a *comparative ceiling*, not the filed provincial amount, and the two coincide only where regular tax is negligible. Second, even read that way, this is the gross output of the AMT machine, not the all-in tax rate on a realized capital gain: that rate must be netted against the regular tax the gain would otherwise have attracted, and is set out separately in the capital-gains table in [Chapter IV](#).

PROVINCE / TERRITORY	MULTIPLIER	RATE EQUIVALENT	AMT ON \$50,000 FEDERAL	SOURCE
Ontario	24.63% / 38.42%	5.049% / 7.877%	\$12,315 / \$19,211	ON428 line 59; Worksheet ON428, line 72
Alberta	35%	7.175%	\$17,500	AB428 lines 64, 67
British Columbia	40% (2026)	8.200%	\$20,000	gov.bc.ca — 2026 B.C. minimum tax rate
Yukon	43.9% (current); 44.14% (carryover)	9.000% (current); 9.049% (carryover)	\$21,950	YT428 lines 55, 58
Northwest Territories	45%	9.225%	\$22,500	NT428 lines 57, 60
Nunavut	45%	9.225%	\$22,500	NU428 lines 58, 61
Saskatchewan	50%	10.250%	\$25,000	SK428 lines 65, 68
Manitoba	50%	10.250%	\$25,000	MB428 lines 63, 66
New Brunswick	57%	11.685%	\$28,500	NB428 lines 61, 64
Nova Scotia	57.5%	11.788%	\$28,750	NS428 lines 58, 61
Prince Edward Island	57.5%	11.788%	\$28,750	PE428 lines 61, 64
Newfoundland and Labrador	60%	12.300%	\$30,000	NL428 lines 68, 71
Quebec	(separate parallel calculation)	19% (on Quebec base)	\$45,916 (Quebec AMT) \$41,750 (federal AMT, net of abatment)	Form TP- 776.42-V

PROVINCIAL AMT MULTIPLIERS · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

#### QUEBEC NOTE

Quebec figures shown above are a modelling convention for comparison only. Quebec does not use a Form 428 multiplier; it runs a full parallel AMT calculation, and the actual result for any given fact pattern requires a Quebec-specific computation on Form TP-776.42-V. The 91.83% benchmark used in the recovery matrix is a *ratio between two independently computed AMT amounts* — not a statutory multiplier and not a universal Quebec-to-federal ratio. It holds only at the modelled benchmark; on a real return the figure moves with the income mix. See *How Quebec handles AMT* and *The Quebec abatement wrinkle* below.

(Ontario's two figures are its base 24.63% multiplier and its 38.42% full-surtax maximum, explained under "[The Ontario surtax wrinkle](#)" below. Quebec's 91.83% benchmark is derived under "[How Quebec handles AMT](#)" below. The separate federal amount shown in the Quebec row reflects the federal side of a \$50,000 gross federal AMT amount after the 16.5% Quebec abatement. The non-Quebec dollar figures are computed from a \$50,000 federal additional tax for minimum tax purposes.)

Two observations worth flagging. First, the geographic spread is enormous: a federal AMT amount of \$50,000 produces an additional \$17,500 of provincial AMT in Alberta but \$30,000 in Newfoundland and Labrador — a \$12,500 difference attributable purely to province of residence. Second, the percentages are not harmonized: Ontario sits at the low end at 24.63% (with the surtax interaction described below), Yukon distinguishes between current-year and carryover rates on Form YT428, and British Columbia publishes its 40% rate separately for 2026. Other provinces and territories sit at the percentages reflected in their Form 428s.

## The Ontario surtax wrinkle

Ontario's base AMT multiplier of 24.63% is the lowest in Canada, but a cross-province comparison requires some additional context: Ontario still imposes a provincial surtax on top of its regular provincial tax calculation.

A surtax is exactly what it sounds like — a tax on a tax. For 2026, Ontario imposes:

- a 20% surtax on Ontario tax exceeding \$5,818; and
- an additional 36% surtax on Ontario tax exceeding \$7,446.

Both surtaxes apply once the second threshold is crossed, producing a combined 56% surtax on Ontario tax above that level. The thresholds are measured against Worksheet ON428 line 3 — regular Ontario tax plus any Ontario AMT add-on — so the AMT calculation can itself trigger or extend the surtax, even where regular tax wouldn't have.

Ontario's 24.63% AMT multiplier produces a 5.05% base rate equivalent ( $24.63\% \times 20.5\% = 5.05\%$ ). That base figure, however, is only the floor; the surtax interaction with Worksheet ON428's line 72 minimum-tax calculation can push the effective Ontario AMT additional tax materially higher. To make the layered effect concrete, the table below shows the resulting Ontario additional tax across four cases. The first three rows assume the taxpayer's regular Ontario tax is below the surtax thresholds, so the thresholds are crossed (or not) by the AMT add-on itself; the fourth row shows the typical case for taxpayers with substantial existing income, where regular Ontario tax already sits above the second threshold and the entire AMT add-on faces the combined 56% surtax:

FEDERAL AMT	ONTARIO AMT (24.63%)	SURTAX POSITION	SURTAX	TOTAL ONTARIO ADDITIONAL TAX	EFFECTIVE MULTIPLIER
\$20,000	\$4,926	Below first threshold	\$0	\$4,926	24.63%
\$26,000	\$6,404	Above first, below second	\$117	\$6,521	25.08%
\$50,000	\$12,315	Above both thresholds	\$3,052	\$15,367	30.73%
\$50,000	\$12,315	Above both thresholds (pre-AMT)	\$6,896	\$19,211	38.42%

ONTARIO AMT SURTAX RANGE · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

That fourth-row position is in fact the typical case for clients with meaningful AMT exposure. The \$7,446 second-surtax threshold corresponds to only about \$105,000 of Ontario taxable income — a level most such clients have already cleared from regular income before any AMT-triggering event. There, every dollar of Ontario AMT faces the full 56% combined surtax, pushing the effective Ontario AMT multiplier to its theoretical maximum of  $24.63\% \times 1.56 = 38.42\%$  — roughly \$19,211 of Ontario AMT additional tax on a \$50,000 federal AMT (\$12,315 of base AMT plus approximately \$6,896 of incremental surtax). Rows 1–3 fit the narrower fact patterns where regular Ontario tax remains below the thresholds — LCGE claims on QSBC shares, large in-kind donations of publicly listed securities by a donor with otherwise modest income, or smaller standalone realizations.

Ontario is therefore genuinely the lowest base-multiplier jurisdiction, but not necessarily the lowest all-in current-year provincial AMT burden once surtax is taken into account.

## How Quebec handles AMT

Quebec is structurally different from every other province. While the rest of Canada uses a Form 428 mechanism that applies a provincial multiplier to the federal AMT figure, Quebec operates its own parallel AMT regime — a separate, self-contained calculation under [section 776.46](#) of Quebec's *Taxation Act* that parallels the federal calculation under [s. 127.51](#) but uses different parameters and produces its own independent carryforward stream.

A Quebec resident with an AMT issue may therefore need to contend with two separate AMT calculations: federal Form T691, which governs the federal minimum-tax carryforward, and Quebec Form TP-776.42-V, which governs Quebec's own AMT and carryforward mechanism. The two are calculated separately, paid separately, and recovered separately. Quebec's AMT is not a multiplier of the federal AMT in the way that the Form 428 mechanism works in other provinces.

The Quebec formula mirrors the federal:  $A \times (B - C) - D$ , where A is the AMT rate, B is adjusted taxable income, C is the basic exemption, and D is the basic minimum tax deduction (Quebec's terminology for what the federal system calls the basic minimum tax credit). The Quebec parameters differ in two important respects:

- Rate (A): 19% in Quebec, versus 20.5% federally.
- Basic exemption (C): \$183,680 for 2026, indexed annually. The federal exemption is set to the start of the fourth federal bracket and is on a different indexation path.

Quebec's harmonization with the federal AMT rules is set out in Information Bulletins 2023-4, 2023-7, 2024-6, and 2024-8. Quebec generally follows the federal approach on base inclusions and credit limitations:

- The same 50% disallowance of most deductions and credits applies (employment expenses, moving expenses, child care, carrying charges, non-capital loss carryforwards, limited partnership losses, base CPP/QPP, and so on).
- The federal 80% allowance for the charitable donation credit is matched in Quebec.
- The 100% allowance for GIS, social assistance, and workers' compensation deductions is matched in Quebec.
- Quebec's trust exemptions — graduated rate estates (GREs), employee ownership trusts, and certain trusts for the benefit of Indigenous groups — have been harmonized to the federal carve-outs.
- Capital gains are included at 100% for Quebec AMT; LCGE-eligible gains at 30%; and gains on in-kind donations of publicly listed securities at 30%, all matching the federal treatment.

There are also Quebec-only items. Where a Quebec deduction or credit has a federal equivalent, the same proportion applies; where there is no federal equivalent but a comparable Quebec measure exists, Quebec applies the analogous proportion. The Quebec tax credits for large cultural donations and cultural patronage donations, for example, are allowed at 80% — matching the federal treatment of charitable donations. The Capital régional et coopératif Desjardins credit (which has no federal equivalent) is specifically eligible for the Quebec AMT carryforward.

The Quebec carryforward is also seven years, applied against Quebec tax payable on TP-1 Schedule E line 13 — but recovery is limited. TP-776.42-V Part 2.1 allows the credit only to the extent regular Quebec tax exceeds the Quebec minimum amount for the recovery year (line 48.2); in any year Quebec AMT itself triggers, that headroom is zero or negative and no Quebec carryforward is recoverable at all. For a client with a recurring Quebec trigger — annual in-kind donations of public securities being the classic case — the carryforward can be blocked in every year of the seven-year window and expire unused. The mitigation is deliberate: structure at least one non-triggering year inside the window to open recovery headroom. The same general planning principle — line up future ordinary income to absorb the carryforward — otherwise applies in Quebec, but separately, against Quebec tax rather than federal tax.

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*“ Quebec AMT can trigger in a year when federal AMT does not. ”*

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The net structural picture for a Quebec resident triggering AMT: two parallel additional taxes (federal and Quebec), each calculated under its own rules, each generating its own seven-year carryforward, each applied against its own tax stream in recovery years.

Because Quebec runs its own parallel calculation rather than a multiplier of the federal figure, the two regimes can diverge at the threshold: Quebec AMT can trigger in a year when federal AMT does not. Three features drive the asymmetry — Quebec's lower regular-tax base (so there is less regular tax for the Quebec minimum amount to overtake), a Quebec-only AMT add-back tied to the deduction for workers, and a less-compressed gap between Quebec's regular and AMT rate schedules than exists federally. A salaried Quebec resident with a large capital gain — \$400,000 of employment income alongside a \$1,000,000 gain, for instance — can find Quebec AMT applies while federal AMT does not, the reverse of the intuition that the federal regime is always the binding constraint.

The provincial multiplier table above cannot show Quebec as a single multiplier, because there isn't one: Quebec runs a full parallel calculation whose output depends on the specific mix of income, deductions, and credits in the return. For the limited purpose of the inter-provincial recovery matrix in [Chapter VI](#), it is nonetheless useful to have one comparison figure, so we model one. A federal adjusted taxable income benchmark of approximately \$425,342 generates \$50,000 of federal minimum tax before credits and before the regular-tax comparison, at the 2026 federal rate of 20.5% and exemption of \$181,440. Re-run through Quebec's 2026 parameters — 19% and a \$183,680 exemption — the same benchmark produces approximately \$45,916 of Quebec AMT, or about 91.83% of the federal

benchmark. Two technical caveats attach to the figure beyond the general modelling warning flagged at the [Chapter III](#) table. First, on income heavily weighted toward LCGE-eligible gains the ratio can invert, with the federal carryforward exceeding the Quebec one. Second, the benchmark compares *gross* federal and Quebec minimum amounts: it takes no account of the 16.5% federal Quebec abatement that a Quebec resident actually receives against the federal leg (see "[The Quebec abatement wrinkle](#)" below), so it overstates the federal side relative to what a Quebec resident bears.

For practical purposes in 2026, Quebec's AMT structure is closely aligned with the federal regime, so a Quebec resident who triggers federal AMT will usually face a Quebec AMT issue on the same fact pattern — and frequently the larger of the two, since Quebec AMT carryforwards tend to run materially larger than the federal figure (commonly 10–30% more) on all but LCGE-dominated returns.

## The Quebec abatement wrinkle

If Ontario's surtax pushes the effective AMT rate up, Quebec's abatement pulls it down — and for the same structural reason it is easy to miss: the adjustment lives one layer away from the headline rate.

Federal AMT is computed identically for a Quebec resident and an Albertan: the same Form T691, the same 20.5% rate, the same Parts 1 through 5. Province of residence only enters at Part 6. A Quebec resident is entitled to the Quebec abatement — a refund of 16.5% of basic federal tax reflecting Quebec's opting out of certain federal programs. The question that matters for AMT is *which* basic federal tax the abatement is calculated against, and the answer cuts symmetrically on the way in and the way out.

At generation. Per Form T691 Part 6, footnote 14, the abatement is computed against the greater of regular basic federal tax or the AMT minimum amount. When federal AMT triggers, the minimum amount is the larger figure — so the abatement is calculated on the AMT-inflated base, not the pre-AMT base, and scales up alongside the AMT itself. The practical effect is a cushion: roughly 16.5% of every incremental dollar of federal AMT is handed straight back through the larger abatement. A Quebec resident triggering federal AMT bears an effective federal AMT rate of approximately  $20.5\% \times (1 - 16.5\%) = 17.12\%$ , not the headline 20.5%.

At recovery. The same mechanic operates in reverse when the federal minimum-tax credit (MTC) is later claimed. The MTC reduces regular federal tax dollar-for-dollar, but for a Quebec resident, that regular federal tax has already been reduced by the abatement — so when the MTC reduces basic federal tax by \$1, the abatement on that base shrinks by \$0.165 alongside it. Each dollar of MTC therefore yields only \$0.835 of net cash relief: a dilution equal in dollars to the original cushion but operating in the opposite direction.

PHASE	HEADLINE MECHANIC	QUEBEC RESIDENT'S NET EFFECT
At generation	$20.5\% \times (\text{income above exemption})$	Cushion: abatement absorbs 16.5% of federal AMT → effective rate ≈ 17.12%
At recovery	\$1 of MTC offsets \$1 of regular tax	Dilution: abatement shrinks 16.5% with it → each \$1 of MTC yields \$0.835 of cash

QUEBEC ABATEMENT EFFECT ON FEDERAL AMT · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

Worked example. A Quebec resident realizing a \$1,000,000 capital gain generates a federal AMT add-on that lifts basic federal tax to its minimum-amount figure. The abatement computed on that AMT-inflated base is \$27,634; the abatement that would have applied to the pre-AMT base is \$22,715. The difference — \$4,919 — is the abatement cushion: federal AMT the Quebec resident never effectively bears, because the larger abatement absorbs it.

Two cautions. First, both the cushion and the dilution operate within the federal calculation for the year in which they arise, separate from Quebec's own parallel AMT — addressed above — which the resident pays in its own right. Second, the cushion and the dilution are symmetric in dollars: both equal roughly 16.5% of the federal AMT amount, and over a Quebec-to-Quebec trigger-and-recovery cycle they broadly offset each other in nominal dollars, although the timing difference may still matter because the cushion is received in the trigger year and the dilution suffered later, at recovery. What matters in practice is based on province of residence: an inter-provincial mover may capture one without suffering the other, and the result depends on the direction of the move — taken up in [Chapter VI](#).

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## IV AMT on capital gains, LCGE, and section 85

The provincial multiplier table in [Chapter III](#) shows rate equivalents for comparing the gross AMT output across jurisdictions, before the regular-tax comparison. For the question most readers actually arrive with — *what does AMT do to a large capital gain?* — the useful figure is different: it nets the AMT against the regular tax the gain would otherwise have borne.

This chapter takes that question in three steps. First, it compares the marginal rate on an ordinary capital gain under regular tax and AMT, by province. Second, it isolates the LCGE-eligible case, where the regular-tax rate can be zero but AMT still applies. Third, it models a section 85 rollover as a structural alternative — not as a way to make tax disappear, but as a planning fork where the result depends on corporate tax, extraction tax, and whether the AMT carryforward would otherwise be recovered.

### Marginal capital-gains rates

At the top bracket, a capital gain attracts federal regular tax of 16.5% (half the gain taxed at 33%); federal AMT instead includes the whole gain at 20.5%, a 4.0-point federal top-up. The provincial AMT add-on is the provincial multiplier applied to that *same federal top-up* — not to the gross federal AMT — because Form 428 builds provincial minimum tax from the federal additional tax for minimum tax purposes, not from the gross minimum amount. Stacking the three components gives the all-in marginal rate.

The figures in the chart below are simplified, top-bracket rates, stated before the basic exemption and before credits — the rate on an incremental capital gain realized by a taxpayer already at the top of the rate schedule. They are deliberately marginal. A large *standalone* gain, with little other income, fills the brackets from the bottom and sits partly inside the federal exemption, so its *average* all-in rate is materially lower: a \$1,000,000 standalone capital gain in Alberta, with no other income, produces an all-in tax bill of roughly \$239,000 — an average rate well below the 29.40% marginal figure. The marginal figures are the right tool for comparing jurisdictions and for sizing the AMT cost of a gain layered on top of existing income; the standalone average is the right tool for a lump-sum realization in an otherwise quiet year.

PROVINCE / TERRITORY	REGULAR CAP-GAINS RATE (50% INCL.)	AMT CAP-GAINS RATE (100% INCL.)	AMT PREMIUM
Quebec	26.65%	36.12%	+9.47%
Newfoundland and Labrador	27.40%	33.80%	+6.40%
Nova Scotia	27.00%	33.30%	+6.30%
Prince Edward Island*	26.50%	32.80%	+6.30%
New Brunswick	26.25%	32.53%	+6.28%
Saskatchewan	23.75%	29.75%	+6.00%
Manitoba	25.20%	31.20%	+6.00%
Northwest Territories	23.53%	29.33%	+5.80%
Nunavut	22.25%	28.05%	+5.80%
Yukon	24.00%	29.76%	+5.76%
British Columbia	26.75%	32.35%	+5.60%
Ontario	26.76%	32.30%	+5.54%
Alberta	24.00%	29.40%	+5.40%

MARGINAL CAPITAL-GAINS TAX RATES: REGULAR VS AMT · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

\*PEI reflects the new 20% top bracket on taxable income over \$200,000, effective for the 2026 and future taxation years. The 57.5% AMT multiplier is unchanged.

Two construction notes. Ontario is shown at its full-surtax maximum, consistent with the upper figure in the multiplier table; below the surtax thresholds the Ontario premium is smaller. Quebec is built differently from every other row — not as a federal top-up but as its full parallel calculation: federal AMT net of the 16.5% Quebec abatement ( $\approx 17.12\%$ ) plus Quebec's own 19% on the whole gain — which is why Quebec carries comfortably the largest premium in the country.

## LCGE-eligible (QSBC) gains

A capital gain on qualified small business corporation shares — or on qualified farm or fishing property — that is sheltered by the Lifetime Capital Gains Exemption attracts no regular tax at all, yet the AMT still includes 30% of the gain. Federal AMT is therefore  $30\% \times 20.5\% = 6.15\%$  of the gain, with the provincial add-on layered on exactly as above. Because the regular rate is zero, the entire figure is AMT premium — the starkest case of AMT landing on a fully sheltered gain:

PROVINCE / TERRITORY	REGULAR RATE (LCGE-SHELTERED)	AMT RATE (LCGE-ELIGIBLE GAIN)
Quebec	0%	10.84%
Newfoundland and Labrador	0%	9.84%
Nova Scotia	0%	9.69%
Prince Edward Island	0%	9.69%
New Brunswick	0%	9.66%
Saskatchewan	0%	9.23%
Manitoba	0%	9.23%
Northwest Territories	0%	8.92%
Nunavut	0%	8.92%
Yukon	0%	8.85%
British Columbia	0%	8.61%
Ontario	0%	8.51%
Alberta	0%	8.30%

AMT ON LCGE-ELIGIBLE (QSBC) GAINS · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

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*“On a gain that good planning has made tax-free, the AMT figure is pure premium.”*

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The same labels apply — simplified, top-bracket, before the exemption and other credits — as do the same two construction notes (Ontario at its full-surtax maximum; Quebec as its parallel calculation, net of the abatement). Two scope limits matter: the rate applies only to the LCGE-eligible portion of the gain within the 2026 lifetime limit of \$1,275,000, and only where the exemption is actually available and unclaimed. Gain above the limit, or on non-qualifying property, is an ordinary capital gain and belongs in the table above.

## Section 85 rollover as an AMT alternative

For a taxpayer with significant unrealized capital gains, a section 85 rollover offers a structural way to avoid triggering individual AMT at the realization stage. Appreciated property is transferred to a Canadian-controlled private corporation at an elected amount, often at or near cost base, under [s. 85\(1\)](#), deferring the gain entirely. The corporation does not pay AMT — minimum tax is an individual-level regime — and because no gain has been recognized, no individual AMT carryforward is generated either.

The cost is everything that would have happened on a direct sale. Where the LCGE might otherwise have been available, it is not claimed on the rollover; if the corporation later sells the property, the LCGE generally will not shelter that corporate-level gain. Future extraction of the value from the corporation — through dividends, an eventual sale of corporate shares, or a wind-up — carries its own tax cost, and corporate-personal integration is imperfect and varies by province. On very large gains, the all-in tax through the corporate route can run higher than the direct AMT-affected route once recovery is factored in.

The rollover is most defensible where AMT would not otherwise be recoverable: a taxpayer with very low expected future ordinary income, a taxpayer leaving Canada, or one whose seven-year window will not realistically accommodate enough regular tax to absorb the carryforward. Where AMT is recoverable, the direct route is typically less expensive on a present-value basis even with the temporary tax cost.

Worked example: a \$10M non-LCGE gain in Alberta. The LCGE-eligible example earlier in this chapter understates the section 85 case, because a direct individual sale is already largely sheltered. The harder comparison is a large non-LCGE gain, where the value of the corporate route depends on whether the individual's AMT carryforward eventually recovers. Compare three outcomes for an Alberta resident realizing a \$10,000,000 capital gain with no LCGE available:

ROUTE	TAX COST	AFTER-TAX CASH	RESULT
Direct individual sale, AMT fully recovered	\$2,400,000	\$7,600,000	Direct route wins
Direct individual sale, AMT never recovered	\$2,889,786	\$7,110,214	Corporate route may win
Section 85 → Holdco sale → full extraction	\$2,576,600	\$7,423,400	Middle outcome

SECTION 85 VS. DIRECT SALE: \$10M NON-LCGE GAIN (ALBERTA) · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

In this example, the section 85 route is about \$176,600 worse than a direct sale if AMT is fully recovered, but about \$313,186 better if AMT is never recovered. The corporate route therefore wins where the seven-year window will not produce enough regular tax to absorb the federal AMT carryforward — and loses where it will.

*Assumptions:* Alberta resident in the top bracket; \$10M capital gain, ACB nil, no LCGE; corporate route uses an Alberta CCPC (or substantive CCPC) realizing the capital gain after rollover, with RDTOH fully recovered, the non-taxable half paid as a capital dividend, and the remainder extracted as non-eligible dividends. Time value, fees, valuation costs, and legal/accounting costs are ignored. Where an inter-provincial move is also in play, the corporate and personal residence facts may further change the result; that analysis must be modelled separately.

This is corporate-planning territory. The mechanics, the integration math, and the eventual extraction plan should be reviewed with professional tax and legal counsel before implementation.

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# V How AMT applies to trusts

Under the new [s. 127.55](#), graduated rate estates, employee ownership trusts, and certain trusts for the benefit of Indigenous groups are no longer subject to AMT at all, alongside the pre-existing exemptions for employee life and health trusts, mutual fund trusts, and prescribed master trusts.

Most personal-trust vehicles in regular client use, however, remain subject to AMT — alter ego trusts, spousal/common-law partner trusts, joint partner trusts, and ordinary inter vivos discretionary family trusts. For these, the AMT calculation is performed on [Form T3 Schedule 12](#) — the trust analog of Form T691 for individuals — with the result feeding the trust's federal tax computation on [Schedule 11](#) and the trust's [T3](#) return. Two practical points matter for these:

- They cannot deduct the basic exemption. Where an individual's first \$181,440 of adjusted taxable income is sheltered, a non-exempt trust starts the AMT calculation from dollar one of preference income.
- They commonly hold the items that the broader AMT base now captures most aggressively — retained capital gains, interest-bearing securities, foreign income, and the investment-counsel fees these portfolios typically generate.

The combined effect is that AMT can arise on a routine trust return at preference-income levels that would have been comfortably below the threshold for the individual beneficiary. The qualified disability trust is the one half-exception: it is not exempt from AMT but, unlike other non-exempt trusts, may claim the basic exemption.

The single most important planning lever — and often the simplest — is whether trust income is allocated out to beneficiaries or retained inside the trust.

## Case study: allocate vs retain

Consider an inter vivos family trust holding a \$5,000,000 portfolio: 75% global equity, 25% Canadian fixed income, with \$30,000 of annual investment-counsel fees. The portfolio generates the following in the year:

- \$30,000 of Canadian eligible dividends;
- \$50,000 of foreign income (with \$7,500 of foreign tax withheld at source);
- \$50,000 of Canadian interest; and
- \$400,000 of realized capital gains, reflecting a notable rebalancing event.

Total trust income before carrying charges is \$530,000. The trustees face a choice between allocating that income out to beneficiaries under s. 104(6) (Scenario 1) or retaining it inside the trust (Scenario 2). Same dollars, same portfolio, very different AMT outcomes.

Scenario 1: All income allocated out. The trust's allocation under s. 104(6) — designated on T3 Schedule 9 and reported to beneficiaries on T3 slips — reduces its net income to nil. Capital gains keep their character via s. 104(21), dividends via s. 104(19), foreign income via s. 104(22); each beneficiary then deals with their own personal AMT calculation on their T1, with the benefit of the \$181,440 individual exemption. For most beneficiaries at ordinary income levels, AMT will not trigger at all. The trust itself has no regular tax liability and no trust-level AMT exposure on these facts.

Scenario 2: All income retained. The trust retains all \$500,000 of economic income after the \$30,000 in carrying charges. For regular federal tax purposes, taxable net income is approximately \$311,400, and federal regular tax works out to approximately \$89,044 after the dividend and foreign tax credits.

The parallel AMT calculation starts from the same income components but with three key differences:

- capital gains are included at 100% rather than 50% (adding \$200,000 to the AMT base);
- Canadian eligible dividends are taken at their cash amount with no gross-up and no dividend tax credit; and
- only half of the \$30,000 in investment-counsel fees is deductible.

The resulting adjusted taxable income of \$515,000 runs through T3 Schedule 12: multiplied by the 20.5% federal AMT rate, then reduced by the foreign tax credit (preserved under s. 127.54), producing federal AMT of approximately \$98,075 — about \$9,031 more than regular tax. The trust pays the AMT amount this year, with that \$9,031 differential added to the seven-year minimum-tax carryforward.

	SCENARIO 1: ALLOCATE OUT	SCENARIO 2: RETAIN
Trust net income (regular)	\$0	\$311,400
Adjusted taxable income (AMT)	n/a	\$515,000
Federal regular tax	\$0	\$89,044
Federal AMT (after FTC)	n/a	\$98,075
Federal tax paid by trust	\$0	\$98,075
AMT carryforward generated	—	\$9,031

TRUST AMT ALLOCATION EXAMPLE · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

The difference is not subtle. In Scenario 1, the AMT exposure simply does not arise at the trust level — the income flows to beneficiaries who each have their own exemption to absorb it. In Scenario 2, the trust pays approximately \$98,000 of federal tax this year and carries forward a \$9,031 minimum-tax credit that depends on future regular trust tax to recover.

## Twenty-one-year disposition events

The 21-year deemed disposition rule under [s. 104\(4\)\(b\)](#) compounds the AMT exposure described above. Most personal trusts face a deemed disposition of capital property every 21 years from the date of creation. Alter ego trusts, spousal/common-law partner trusts, and joint partner trusts are different: their first major deemed-disposition event is generally tied to the death of the settlor or relevant spouse/common-law partner rather than the ordinary 21-year anniversary. For a discretionary family trust that has held appreciated assets over that period, the resulting one-year capital gain can be very large, and lands on a return that has no basic exemption to absorb it.

The standard planning response is to distribute capital to beneficiaries before the deemed disposition under [s. 107\(2\)](#), rolling the unrealized gain out to the beneficiary on a tax-deferred basis. Where that path is unavailable — typically because the trust deed restricts capital distributions, or because the contemplated beneficiaries are unsuitable recipients — it may still be possible, where the deed and allocation mechanics permit, to allocate and designate the resulting taxable capital gain to beneficiaries after the deemed disposition. That can move the AMT issue down to the individual level, where personal exemptions and tax positions may absorb it.

Where neither path is available and the trust retains the deemed gain, the AMT calculation can dominate the year's tax bill at very material magnitudes. A trust with \$3,000,000 of accrued gain, for example, produces roughly \$3,000,000 of adjusted taxable income on the deemed disposition alone, against which the trust has no basic exemption. Trustees approaching a 21-year date should model the deemed disposition under both regular-tax and AMT rules well in advance, so that any preferred response can be implemented in time.

## Trustee takeaways

Several practical points follow from the example:

- Allocating income out is the simplest and most reliable shield against trust-level AMT, where the trust deed permits and beneficiary tax positions cooperate.
- Retention does not always trigger AMT. In a year with smaller realized capital gains, the same trust might fall on the regular-tax side of the comparison. But the margin is now narrow enough that small variations in the year's income mix — particularly the size of realized capital gains — can tip the calculation either way, and the compliance obligation to run the calculation exists in any case.

- The seven-year carryforward provides relief, but only if future years generate enough regular trust tax to absorb the credit. For trusts winding down, distributing capital, or with declining future income, recovery is uncertain and the AMT differential can become a permanent cost.
- Capital-gain realization timing matters more than it did. Where retention is required by the trust's structure or terms, spreading dispositions across multiple years rather than concentrating them in one can keep ATI from pushing past the regular-tax threshold in any single year.
- The decision is annual, not structural. Trustees can choose allocation versus retention each year based on the actual income mix and beneficiary positions, and that flexibility is now part of the planning toolkit.

For alter ego, spousal/common-law partner, and joint partner trusts in particular — where the settlor or relevant spouse/common-law partner typically expects to receive trust income and is already paying tax on it personally — allocation is often the default answer and will typically avoid trust-level AMT, though the beneficiary's own AMT position still matters. The harder cases are discretionary family trusts with non-tax reasons to retain income (asset protection, control, beneficiary-age considerations) or where beneficiary tax positions make allocation costly.

One technical aside that has come up repeatedly: the 100% AMT inclusion on capital gains is independent of the regular-tax inclusion rate. Regular tax inclusion for individuals and trusts is 50%; AMT inclusion is 100%. The 2024 federal proposal to lift the regular inclusion rate to two-thirds was **cancelled in March 2025** before it took effect, so the regular rate remains at 50%; AMT inclusion would have stayed at 100% in either case.

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## VI Recovering AMT paid

If you do trigger AMT in a year, the amount paid is not lost. The excess of AMT over regular tax can be carried forward for seven taxation years and applied against regular federal tax in any later year in which AMT does not otherwise apply. The recovery question — whether enough regular-tax capacity will materialize within that window — sets the planning frame for the chapter.

### What recovery costs

The simplified federal-only illustration below isolates the recovery mechanics before provincial tax, credits, benefits, and other planning variables.

Imagine a taxpayer who generates \$1,000 of new federal AMT each year — a modest amount, but a recurring one. Assuming the same income pattern continues year over year, how much additional ordinary income — say from an RRSP withdrawal in a designated recovery year — would be needed to recover \$1,000 of accumulated carryforward?

For a taxpayer in the top federal bracket (33%), every additional dollar of ordinary income adds \$0.33 to regular tax and \$0.205 to AMT, swinging the difference between them in favour of regular tax by 12.5 cents on the dollar. To consume \$1,000 of prior carryforward, regular tax in the recovery year must exceed AMT by that amount. Against the established pattern — which produces \$1,000 of AMT *above* regular tax each year — the additional income must first reverse that \$1,000 deficit and then create \$1,000 of room above it:

$$(\text{Income required}) \times 12.5\% = \$2,000$$

$$\text{Income required} = \$16,000$$

In other words, \$16 of additional ordinary income is required to recover every \$1 of annual federal AMT — at the top bracket, manufacturing recovery from a continuing deficit. Two factors change that cost: the taxpayer's marginal bracket, and whether the AMT trigger is still active.

MARGINAL FEDERAL BRACKET	WHEN AMT TRIGGERS HAVE ENDED	WHEN AMT TRIGGERS PERSIST
33% (top)	\$8	\$16
29%	\$12	\$24
26%	\$18	\$36

AMT RECOVERY COST FRAMEWORK · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

The right column is the manufacturing case derived above; the left applies where the AMT trigger has ceased — no deficit to reverse, so only one shift is required and the cost is halved. Within any bracket, the figures scale linearly with the AMT amount. At the 20.5% bracket and below, additional income produces no positive shift in the comparison, and recovery requires either crossing into a higher bracket or a year in which Regular > AMT arises for other reasons.

One important qualification. All figures above assume *deliberate* recovery — engineering ordinary income to create or expand recovery room. A taxpayer whose AMT triggers have ceased simply recovers carryforward automatically against whatever Regular-minus-AMT gap arises in any future year, with no additional income required. For someone who shifts into a low-income retirement year with no preference items, regular tax will typically exceed AMT comfortably and existing carryforward will be applied against that natural gap, year by year, until either the carryforward or the seven-year window runs out.

Provincial AMT add-ons follow the same analytical structure with their own rate gaps; the federal ratio sets the conceptual floor.

## Inter-provincial mobility: you can win or lose on a move

There is a quieter wrinkle in the recovery mechanism worth flagging for taxpayers contemplating a provincial move between AMT trigger and recovery. You can win or lose on a move, depending on the direction — and where the move is in your control, the order of events is a planning lever.

For taxpayers outside Quebec, the mechanism is straightforward. The federal AMT carryforward is tracked at the federal level on Form T691. In any future recovery year, the provincial portion is computed by applying the current province's AMT multiplier to the federal carryforward being claimed — not the multiplier of the province where the original AMT was paid. The federal portion of the recovery is unaffected by a move; the variability lies entirely in the provincial component, and there is no rule reverting to the prior province's multiplier.

That creates a real asymmetry. Consider a taxpayer with \$50,000 of federal additional tax for minimum tax purposes from a single trigger event:

- Stays put: Provincial recovery will generally match what was paid, dollar for dollar, assuming sufficient regular-tax capacity in the recovery year. Exceptions can arise where the province's AMT percentage changes over time or where the current-year and carryover multipliers differ, as they do in Yukon.
- High-multiplier to low-multiplier (e.g., Newfoundland and Labrador to Alberta): Provincial AMT paid was  $\$50,000 \times 60\% = \$30,000$ . Future recovery in Alberta is  $\$50,000 \times 35\% = \$17,500$ . The \$12,500 spread is permanently lost.
- Low-multiplier to high-multiplier (e.g., Ontario to Newfoundland and Labrador): Provincial AMT paid was  $\$50,000 \times 24.63\% = \$12,315$ . Future recovery in NL is  $\$50,000 \times 60\% = \$30,000$  — materially more provincial recovery than was originally paid.

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***“A \$12,500 difference attributable purely to province of residence.”***

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The planning instinct follows directly. Where the triggering transaction is discretionary — LCGE claim, stock option exercise, large in-kind donation of publicly listed securities — and a provincial move is realistically contemplated within the seven-year carryforward window, the order of events can change the after-tax outcome by thousands of dollars. The planning question becomes whether the timing of the triggering transaction and any anticipated move can be coordinated so that recovery occurs in the more favourable province. Triggering in a low-multiplier jurisdiction and recovering in a high-multiplier one is the favourable direction; where recovery occurs in the lower-multiplier province, the reverse can create a permanent additional tax cost.

Two caveats. Recovery still requires sufficient regular provincial tax in the new jurisdiction to absorb the carryforward within the seven-year window — a move into retirement or a low-ordinary-tax province can leave it stranded regardless of multiplier — and absorbing a large carryforward in any single year still requires enough current-year regular tax to apply it against. Moves involving Quebec — in either direction — sit outside this framework and are addressed separately below.

For taxpayers planning a move, the following matrix shows the net percentage-point change in provincial AMT recovery as a result of changing residency. For non-Quebec jurisdictions, each cell is computed as destination carryover multiplier minus origin current-year multiplier, expressed as a percentage of the federal AMT carryforward. The Quebec row and column require separate modelling and are explained in the notes below. Positive figures = the destination province recovers more provincial AMT than was originally paid in the origin province (taxpayer gains on the spread); negative figures = the destination recovers less than was paid (taxpayer suffers a permanent loss). Same-province cells show "—" since no move occurs.

NEW PROVINCE → ↓ FORMER PROVINCE	ON	AB	BC	YT	NT	NU	SK	MB	NB	NS	PE	NL	QC
ON	—	+10.37% / -3.42%	+15.37% / +1.58%	+19.51% / +5.72%	+20.37% / +6.58%	+20.37% / +6.58%	+25.37% / +11.58%	+25.37% / +11.58%	+32.37% / +18.58%	+32.87% / +19.08%	+32.87% / +19.08%	+35.37% / +21.58%	-24.63% to -38.42% / 0.00%
AB	-10.37% / +3.42%	—	+5.00%	+9.14%	+10.00%	+10.00%	+15.00%	+15.00%	+22.00%	+22.50%	+22.50%	+25.00%	-35.00% / 0.00%
BC	-15.37% / -1.58%	-5.00%	—	+4.14%	+5.00%	+5.00%	+10.00%	+10.00%	+17.00%	+17.50%	+17.50%	+20.00%	-40.00% / 0.00%
YT	-19.27% / -5.48%	-8.90%	-3.90%	—	+1.10%	+1.10%	+6.10%	+6.10%	+13.10%	+13.60%	+13.60%	+16.10%	-43.90% / 0.00%
NT	-20.37% / -6.58%	-10.00%	-5.00%	-0.86%	—	0.00%	+5.00%	+5.00%	+12.00%	+12.50%	+12.50%	+15.00%	-45.00% / 0.00%
NU	-20.37% / -6.58%	-10.00%	-5.00%	-0.86%	0.00%	—	+5.00%	+5.00%	+12.00%	+12.50%	+12.50%	+15.00%	-45.00% / 0.00%
SK	-25.37% / -11.58%	-15.00%	-10.00%	-5.86%	-5.00%	-5.00%	—	0.00%	+7.00%	+7.50%	+7.50%	+10.00%	-50.00% / 0.00%
MB	-25.37% / -11.58%	-15.00%	-10.00%	-5.86%	-5.00%	-5.00%	0.00%	—	+7.00%	+7.50%	+7.50%	+10.00%	-50.00% / 0.00%
NB	-32.37% / -18.58%	-22.00%	-17.00%	-12.86%	-12.00%	-12.00%	-7.00%	-7.00%	—	+0.50%	+0.50%	+3.00%	-57.00% / 0.00%
NS	-32.87% / -19.08%	-22.50%	-17.50%	-13.36%	-12.50%	-12.50%	-7.50%	-7.50%	-0.50%	—	0.00%	+2.50%	-57.50% / 0.00%
PE	-32.87% / -19.08%	-22.50%	-17.50%	-13.36%	-12.50%	-12.50%	-7.50%	-7.50%	-0.50%	0.00%	—	+2.50%	-57.50% / 0.00%
NL	-35.37% / -21.58%	-25.00%	-20.00%	-15.86%	-15.00%	-15.00%	-10.00%	-10.00%	-3.00%	-2.50%	-2.50%	—	-60.00% / 0.00%
QC	-67.20% / -53.41%	-56.83%	-51.83%	-47.69%	-46.83%	-46.83%	-41.83%	-41.83%	-34.83%	-34.33%	-34.33%	-31.83%	—

INTER-PROVINCIAL AMT RECOVERY MATRIX — PROVINCIAL COMPONENT · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

Negative figures indicate potential unrecovered provincial AMT when recovery occurs in the destination province; positive figures indicate a more favourable recovery spread. Ontario cells show base / full-surtax outcomes; Quebec cells are explained in the methodology notes.

#### READING THE MATRIX — A WORKED EXAMPLE

A Saskatchewan resident triggers \$50,000 of federal AMT in a year of large capital gains. Provincial AMT in the trigger year is  $\$50,000 \times 50.00\% = \$25,000$ . The taxpayer later relocates to Alberta and recovers the federal carryforward against regular tax there; the provincial portion of the recovery uses Alberta's multiplier:  $\$50,000 \times 35.00\% = \$17,500$ . The \$7,500 shortfall is the permanent provincial cost of the move, equal to  $\$50,000 \times (35.00\% - 50.00\%) = \$50,000 \times -15.00\%$ . That figure appears in the SK → AB cell of the matrix above (origin row SK, destination column AB). The reverse direction — triggering in Alberta and recovering in Saskatchewan — yields the +15.00% value in the AB → SK cell, or a \$7,500 gain on the spread.

## Reading and methodology notes:

- Origin rows use the current-year additional-tax multiplier; destination columns use the carryover multiplier. For every jurisdiction except Yukon these are identical, so the matrix is symmetric across the diagonal. Yukon's 43.9% applies in trigger years and 44.14% in recovery years, which produces the small asymmetric figures in the YT row and column.
- Ontario row and column ("ON" positions). Ontario cells show two figures separated by a slash. The first is the base case using Ontario's 24.63% multiplier. The second reflects Ontario's maximum all-in additional-tax effect when the taxpayer is fully within the 56% surtax range —  $24.63\% \times 1.56 = 38.42\%$  — as described in "[The Ontario surtax wrinkle](#)." In a trigger year, the origin Ontario figure can fall anywhere within that range depending on the taxpayer's other Ontario tax exposure; in a recovery year, the destination Ontario figure can similarly range because the carryover reduces Ontario tax before surtax is calculated. The two values bracket the realistic outcomes; the actual result depends on the surtax position of the specific return. The ON → QC cell extends the same convention: the stranding range is shown alongside the unchanged 0.00% Revenu Québec concession result.
- Quebec column ("XX → Quebec") shows two figures separated by a slash. The first is the default Form 428-framework outcome: Quebec does not use the non-Quebec provincial carryover mechanism, so the origin province's AMT recovery would otherwise be stranded. The second reflects Revenu Québec's administrative concession in [IMP. 752.12-1/R1](#). Under the benchmark used in this matrix, the imputed Quebec AMT equivalent is 91.83% of the federal AMT benchmark, which exceeds every non-Quebec origin multiplier shown. Accordingly, the administrative cap reduces to the AMT actually paid in the origin province, producing full recovery in the modelled case (0.00% net spread). The actual result depends on the Quebec shadow-AMT computation required by the bulletin and is not automatic.
- Quebec row ("Quebec → XX") uses the modelled Quebec multiplier-equivalent of 91.83% described in "[How Quebec handles AMT](#)." That figure is calculated using a simplified rate-and-exemption benchmark — built before credits and before the federal-vs.-AMT comparison — not a statutory multiplier or a universal Quebec carryforward ratio. The row shows the destination Form 428 recovery multiplier minus the modelled Quebec recovery that is walked away from on a move out of Quebec. Quebec computes its own AMT independently, so the actual value of a stranded Quebec carryforward varies with the underlying fact pattern. The row is intended as a comparative benchmark, not a universal filing result.
- The matrix assumes 100% recovery within the seven-year window and stable provincial multipliers; the two caveats above apply equally to every cell. For Quebec rows and columns, the assumption is that the taxpayer does not return to Quebec within the carryforward window — a return would partially or fully reverse the stranding analysis.
- The matrix isolates the *provincial* carryforward spread. For non-Quebec moves the federal portion of recovery is unchanged by residency, so the matrix is complete on its own terms.

## Moves to or from Quebec

Moves involving Quebec sit outside the Form 428 multiplier framework: Quebec calculates and recovers its own independent AMT through Form TP-776.42-V and Schedule E of the TP-1, while the federal AMT carryforward continues to be tracked separately through Form T691 and line 40427 of the T1.

A Quebec carryforward generated before departure is stranded but dormant — it cannot be claimed through the destination province's Form 428 mechanism, but the seven-year clock keeps running and the balance remains recoverable against any future Quebec return. For a taxpayer with realistic prospect of returning to Quebec it is a contingent tax asset to be tracked, not written off.

An inbound move into Quebec is governed by Revenu Québec's administrative concession in [IMP. 752.12-1/R1](#), which permits a deduction in computing Quebec tax equal to the lesser of (a) the provincial or territorial AMT actually paid in the origin jurisdiction and (b) the shadow Quebec AMT that would have applied to the original income had the taxpayer been resident in Quebec at the time. The concession is not applied automatically by tax software. Because Quebec does not run the Form 428 multiplier mechanism, the origin-province provincial AMT is stranded by default, and the deduction must be claimed by separate request to Revenu Québec, supported by the shadow Quebec-AMT computation the bulletin requires. A practitioner who assumes the software has captured it will leave the recovery on the table.

## Federal Quebec abatement overlay

MOVE PATTERN	FEDERAL ABATEMENT EFFECT	MAGNITUDE
QC trigger → non-QC recovery	Cushion captured at trigger; no Quebec dilution on recovery	+16.5% of federal AMT/MTC base
Non-QC trigger → QC recovery	No cushion at trigger; recovery diluted in Quebec	-16.5% of federal AMT/MTC base
QC → QC	Cushion and dilution broadly offset	0%, before timing effects
Non-QC → non-QC	No Quebec abatement	0%

FEDERAL QUEBEC ABATEMENT OVERLAY · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

*The overlay is shown on the same base as the matrix: per \$1 of federal AMT/MTC. At generation, the Quebec abatement applies to the federal AMT add-on; at recovery, the dilution applies to the federal MTC. Where the federal MTC is fully recoverable, the two amounts share the same base — so the overlay rows can be added directly to the corresponding matrix cells, as in the Alberta ↔ Quebec example below.*

On a \$50,000 federal AMT amount, the abatement overlay is approximately \$8,250. A Quebec resident who triggers federal AMT and later recovers outside Quebec preserves that \$8,250 cushion. A non-Quebec resident who triggers federal AMT and later recovers in Quebec loses approximately \$8,250 of cash recovery through abatement dilution, assuming the federal MTC is otherwise recoverable.

### Worked example: Alberta ↔ Quebec

MOVE	PROVINCIAL MATRIX EFFECT	FEDERAL ABATEMENT OVERLAY	COMBINED
QC → AB	-56.83%	+16.50%	-40.33%
AB → QC, no concession	-35.00%	-16.50%	-51.50%
AB → QC, concession applied	0.00%	-16.50%	-16.50%

ALBERTA ↔ QUEBEC COMBINED EFFECT · 2026 · Source: Hector, *Random by TIER Wealth*, Issue I (June 5, 2026)

Before the IMP. 752.12-1/R1 concession (explained above) is applied, the federal abatement overlay flips which direction is more costly: AB → QC at -51.50% is more costly than QC → AB at -40.33%, the opposite of what the provincial matrix alone suggests. With the concession successfully claimed, AB → QC improves to -16.50%, leaving the federal dilution as the principal remaining drag and making it the least costly of the three modelled paths.

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## VII Planning points

**A** MT now hits a narrower group of taxpayers but with higher stakes when it does. For the clients it affects, the lasting cost usually comes from timing and location rather than the rules themselves. Use this checklist before any significant tax-preferred transaction and when planning recovery.

### *Model before you trigger*

- Run the full AMT calculation — federal and provincial — on any year involving a large LCGE claim, major in-kind donation of publicly listed securities, large stock option exercise, or concentrated capital gain, especially when offset by losses or other shelters.
- Don't read LCGE-sheltered gains as cost-free. The 30% AMT inclusion can create an AMT premium once it pushes the minimum-tax calculation past the exemption and above regular tax.
- For large non-LCGE gains, compare the direct route against a [s. 85](#) rollover. The corporate path can be better when seven-year AMT recovery looks uncertain.
- Ontario clients: model the surtax interaction. In substantial AMT cases, the effective Ontario AMT multiplier can rise from 24.63% to about 38.42%, so Ontario is not always as low-cost as the base multiplier suggests.

### *Sequencing and recovery capacity*

- Align triggering events with years that have — or will have — enough ordinary income to absorb the carryforward. A big trigger followed by low-income years is the fastest way AMT becomes permanent.
- If an inter-provincial move is likely within seven years, coordinate timing: trigger in the lower-multiplier province and recover in the higher-multiplier one where possible. The reverse direction can create a permanent provincial shortfall.
- Track federal and provincial — or Quebec — carryforwards separately. A move into Quebec may require the [IMP. 752.12-1/R1](#) concession to be claimed manually if recovery of non-Quebec minimum tax is sought.

### *Trusts*

- Review all non-exempt trusts — alter ego, spousal/common-law partner, joint partner, and discretionary family trusts — under the current rules. Retained gains, interest, and investment counsel fees are now more expensive inside the trust.

- Default to allocating income and realized gains out to beneficiaries where the deed and their tax positions allow. Retention should be intentional, not automatic.
- Model any approaching deemed-disposition date — 21-year or death-triggered — early. Consider s. 107(2) distributions or post-disposition allocation if the deed permits.

### *Charitable gifting*

- Large in-kind donations of public securities can still produce AMT despite the 80% credit. Model the net position.
- Properly allocated testamentary charitable gifts generally do not create new AMT on the terminal return under s. 127.55(c), and prior AMT carryforwards can still be applied against that return's regular tax.

### *Post-trigger management*

- Treat the AMT carryforward as a seven-year asset with an expiry date. Build a simple recovery schedule and review it annually.
- For any planned move to or from Quebec, model both the provincial-matrix effect and the federal abatement cushion/dilution before the move.
- In high-risk recovery situations — retirement, trust wind-down, or a move to a low-multiplier province — decide deliberately whether paying the premium now is still the lowest-cost path or whether restructuring is warranted.

## §

## Sources and references

*Note on author-derived analysis: This document contains several author-derived analyses released in this issue on June 5, 2026, including the Inter-Provincial AMT Recovery Matrix, the Quebec AMT Equivalent Benchmark of 91.83%, the Ontario surtax-AMT interaction analysis (24.63%–38.42% effective range), and the AMT Recovery Cost Framework. These syntheses are derived from the primary sources listed below; the sources themselves do not publish these figures directly.*

*Acknowledgment: With thanks to Aravind Sithamparapillai, CFP®, for his review of the Ontario surtax section.*

### Statutory authorities

- *Income Tax Act*, RSC 1985, c 1 (5th Supp), particularly:
- ss. 127.5 through 127.55 (Alternative Minimum Tax regime), including s. 127.51 (AMT calculation), s. 127.52 (adjusted taxable income), s. 127.531 (basic minimum tax credit), s. 127.54 (foreign tax credit for AMT), and s. 127.55 (non-application — including paragraph 127.55(c) for the year of death and the trust exemptions);
- s. 120.2 (minimum tax carryover);
- s. 110(1)(d) and (d.1) (employee stock option deductions, denied for AMT);
- s. 111(1)(b) (net capital loss deductions);
- paragraph 20(1)(bb) (investment counsel and management fees);
- s. 104(4)(b) (21-year deemed disposition of trust capital property);
- s. 104(6) (deduction for trust income payable to beneficiaries);
- s. 104(19) (designation of taxable dividends to beneficiaries);
- s. 104(21) and (21.2) (designation of taxable capital gains to beneficiaries);
- s. 104(22) (designation of foreign-source income to beneficiaries);
- s. 107(2) (tax-deferred distribution of capital property to beneficiaries);
- s. 122 (trust tax-rate rules, including top-rate taxation for most trusts).
- *Bill C-69, Budget Implementation Act, 2024, No. 1*, Royal Assent June 20, 2024 (federal AMT overhaul).
- *Bill C-15, Budget 2025 Implementation Act, No. 1*, Royal Assent March 26, 2026 (retroactive treatment of paragraph 20(1)(bb) at 50% for AMT purposes for taxation years beginning after 2023).
- *Bill C-4, Making Life More Affordable for Canadians Act*, Royal Assent March 12, 2026 — reduction of the lowest federal personal income tax rate to 14.5% for 2025 and 14% for 2026 and subsequent taxation years (basis for the credit-rate discussion in the AMT non-refundable credit calculation).

- *Taxation Act* (Quebec), CQLR c I-3, ss. 752.12 and 752.14 (Quebec minimum-tax carryover framework) and s. 776.46 (Quebec alternative minimum tax calculation).

## Federal government publications and forms

- Canada Revenue Agency, *Form T691, Alternative Minimum Tax*.
- Canada Revenue Agency, *Form T3 RET, T3 Trust Income Tax and Information Return*.
- Canada Revenue Agency, *Form T3 Schedule 9, Income Allocations and Designations to Beneficiaries* (for trusts).
- Canada Revenue Agency, *Form T3 Schedule 11, Federal Income Tax* (for trusts).
- Canada Revenue Agency, *Form T3 Schedule 12, Minimum Tax* (for trusts).
- Canada Revenue Agency, *Indexation Adjustment for Personal Income Tax and Benefit Amounts — 2026* indexed federal tax brackets and indexed amounts, including the \$181,440 fourth-bracket threshold (which sets the federal AMT exemption) and the \$1,275,000 LCGE exemption limit.
- Department of Finance Canada, Budget 2023 — *Tax Measures: Supplementary Information* (March 28, 2023) — original federal AMT overhaul proposals.
- Department of Finance Canada, Budget 2024 — *Tax Measures: Supplementary Information* (April 16, 2024) — refinements to the AMT proposals, including the 80% charitable donation credit treatment and the GRE / EOT / Indigenous-group-trust exemptions.
- Prime Minister of Canada, *Prime Minister Carney Cancels Proposed Capital Gains Tax Increase* (March 21, 2025) — cancellation of the proposed two-thirds capital gains inclusion rate increase (federal AMT inclusion of capital gains continues at 100%).

## Provincial and territorial Form 428 series

Canada Revenue Agency, 2025 taxation year — last updated 2026-01-20.

- ON428 (5006-C) and Worksheet ON428 (5006-D) — Ontario.
- AB428 (5009-C) — Alberta.
- BC428 (5010-C) — British Columbia.
- SK428 (5008-C) — Saskatchewan.
- MB428 (5007-C) — Manitoba.
- NB428 (5004-C) — New Brunswick.
- NS428 (5003-C) — Nova Scotia.
- PE428 (5002-C) — Prince Edward Island.
- NL428 (5001-C) — Newfoundland and Labrador.
- YT428 (5011-C) — Yukon.
- NT428 (5012-C) — Northwest Territories.
- NU428 (5014-C) — Nunavut.

## Provincial government publications

- Revenu Québec, *Form TP-776.42-V, Alternative Minimum Tax of Individuals* (revenuquebec.ca).
- Ministère des Finances du Québec, *Information Bulletin 2023-4* (June 27, 2023), *Information Bulletin 2023-7* (December 19, 2023), *Information Bulletin 2024-6* (May 31, 2024), and *Information Bulletin 2024-8* (October 25, 2024) — Quebec harmonization with the federal AMT overhaul, including the 19% rate, \$175,000 base exemption (2024), indexed amounts for 2025 (\$179,990) and 2026 (\$183,680), and the harmonized base, credit, and trust-exemption treatment.
- Revenu Québec, *Interpretation Bulletin IMP. 752.12-1/R1* (March 31, 2016) — administrative concession allowing carryover of non-Quebec provincial AMT for taxpayers moving into Quebec.
- Ontario Ministry of Finance, *2024 Fall Economic Statement* — multiplier recalibration from 33.67% to 24.63% (effective 2024).
- British Columbia Ministry of Finance, *Personal Income Tax page* (gov.bc.ca) — 2026 minimum tax rate of 40%.
- Prince Edward Island, *Provincial Personal Income Tax page* (Department of Finance and Affordability) and *Bill No. 23, An Act to Amend the Income Tax Act* (Legislative Assembly of Prince Edward Island, 3rd Session, 67th General Assembly) — new 20% top personal income tax bracket on taxable income over \$200,000, effective for the 2026 and future taxation years.

COLOPHON

# On this issue

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Each future issue is intended to address a single planning topic with the depth and care the subject deserves.



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