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THE TIER WEALTH PLANNING REFERENCE SERIES

RANDOM

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

IN THIS ISSUE

Alternative Minimum Tax After the Overhaul

Recovery, Mobility, Trusts, and Giving

BY AARON HECTOR, CFP®, R.F.P., TEP

RANDOM

by TIER Wealth

> *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

whose question on the Alternative Minimum Tax sparked this issue.

FROM THE EDITOR

The Issue That Went Second

When Issue I went out on September 11, I mentioned that this series was originally going to open with the Alternative Minimum Tax, and that the AMT issue would follow in the fall. Eleven weeks later, here it is.

This is the older of the two projects. Work on it began well before the optimal RESP funding paper (Issue I). It was inspired by a very specific and detailed question regarding AMT that I received two years ago that I couldn't answer at the time. So while I know the answers here arrive too late to be helpful for Martin, I do thank him for the inspiration. I hope this work answers difficult AMT questions for others.

Most taxpayers will never meet AMT. Since the 2024 overhaul, the exemption is high enough that it applies almost entirely to people with a large, tax-preferred event in a single year. For those people, AMT paid is not necessarily lost: it carries forward for seven years against future regular tax. Three questions decide how much of it comes back, and they get most of the attention in this issue.

The first is when AMT becomes permanent. Recovery needs regular tax to exceed the minimum amount, and the wrong kind of income cannot produce that. In our modelling, $150,000 of ordinary income per year clears a $100,000 carryforward in four years; funded with capital gains alone, the same carryforward never clears, because gains open little recovery room and, past a certain point, additional gains create new AMT rather than recovering the old. A fully allocating trust never generates regular tax at all, so its AMT is effectively permanent from the start.

The second is what happens when you move. The federal carryforward follows you, but the provincial portion is recovered at the new province's multiplier, not the old one. On $50,000 of federal AMT, a move from Newfoundland and Labrador to Alberta leaves $13,550 permanently unrecovered, while the reverse move recovers more provincial AMT than was ever paid. Quebec sits outside that system entirely: a provincial carryforward brought into Quebec is stranded unless a Revenu Québec administrative concession is claimed on Quebec's minimum tax form.

The third is charitable giving. A donation is not as big an AMT issue as many donors have been told, but it still needs to be reviewed carefully before significant gifts are made alongside significant amounts of tax-preferred income. Chapter VII has the details.

The common thread is that the expensive AMT mistakes are rarely caused by AMT itself. They come from discovering it after the transaction, the move or the gift is done.

Aaron Hector

CALGARY · NOVEMBER 25, 2026

FEATURE · ISSUE II

Alternative Minimum Tax After the Overhaul

Recovery, Mobility, Trusts, and Giving

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. 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.

Read this issue if you are selling a business, claiming the LCGE, exercising stock options, donating securities in-kind, investing heavily in flow-through shares, or holding assets in a trust.

Eight chapters follow. Chapter I frames AMT in 2026 and who is caught. Chapter II walks through the federal calculation with a worked example. Chapter III covers provincial mechanics, the Ontario surtax and Quebec's parallel regime. Chapter IV compares capital-gains and LCGE rates under regular tax to AMT, and weighs a section 85 rollover as a structural alternative. Chapter V covers trust AMT: a case study, the residues allocation cannot reach, and the deed language that pays for them. Chapter VI addresses recovery, inter-provincial mobility, and when recovery isn't worth it. Chapter VII takes up charitable giving: when gifts are safe, when they are not, and the routes around the problem. Chapter VIII 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

AMT 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 Lifetime Capital Gains Exemption (LCGE), which shelters from regular tax the gain on a sale of qualified small business corporation shares or qualified farm or fishing property, up to a lifetime limit ($1,275,000 for 2026, 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 (for regular tax it halves the taxable benefit on qualifying options; AMT denies it).
- 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 though AMT allows 80% of the regular donation credit (see Chapter VII). Donated flow-through shares follow a variant: the gain up to the shares' original cost is taxed as an ordinary capital gain (subsection 40(12)), and the 30% applies only to the gain above it.
- Flow-through share investors, where the resource-expense deductions renounced under flow-through agreements remain limited for AMT purposes. A heavy flow-through year can carry AMT exposure the regular-tax deduction conceals (see Chapter II).

Trust treatment under the AMT regime diverges enough from individual taxation that it warrants separate consideration (see Chapter V).

Where AMT came from

Canada's minimum tax traces to the May 23, 1985 federal budget, which promised one for 1986 under the heading "Improving the Fairness of the Tax System" in response to high-income earners legally paying little or no tax through stacked tax preferences (tax breaks piled one on another, such as the untaxed half of a capital gain). The model was American. The United States had enacted a minimum tax in the Tax Reform Act of 1969 after Treasury Secretary Joseph Barr, testifying before Congress's Joint Economic Committee on January 17, 1969, reported that 155 tax returns with incomes above $200,000 had paid no federal income tax at all, and warned of "the possibility of a taxpayer revolt." Canada's version borrowed the architecture: a parallel calculation, preference add-backs, an exemption, and a credit-back mechanism for later years.

For nearly four decades the Canadian design barely moved: a 17% rate at the start, set equal to the lowest federal bracket rate from 1988 and following it down to 15% by 2007, a $40,000 exemption that was never raised for inflation, and a slowly eroding base. The 2021 federal election platform committed to a minimum tax on top earners; Budget 2023 delivered the redesign: the 20.5% rate, the exemption lifted to the start of the fourth bracket, 100% capital-gains inclusion, and the halving of certain deductions and credits; Budget 2024 refined it, most visibly raising the charitable donation credit allowed against AMT to 80% from the proposed 50%. A personal AMT is not standard equipment in developed tax systems. Canada is one of relatively few countries that runs one, and the design remains recognizably descended from the US original.

Department of Finance Canada, *Securing Economic Renewal: Budget Papers* (May 23, 1985) · J.W. Barr, testimony before the Joint Economic Committee (January 17, 1969) · Tax Reform Act of 1969 · Full citations: Sources page

> *"A personal AMT is not standard equipment in developed tax systems. Canada is one of relatively few countries that runs one."*

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 (the first $181,440 of income that AMT leaves untaxed) and the 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, in whole or in part, the tax preferences (tax breaks that regular tax allows) 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 (the gross-up and dividend tax credit on Canadian dividends). Prior-year net capital loss carryforwards and allowable business investment losses (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	Deducted at half value, while current-year gains count in full

REGULAR VS AMT: INCOME ADJUSTMENTS · 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 and go into ATI at their cash amount with no integration adjustment. (Regular tax grosses a dividend up toward the company's pre-tax profit, then gives a credit for the corporate tax already paid; together these are called integration.)
- 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. (A net capital loss is an unused capital loss from another year, carried at half its amount, as taxable gains are, and generally deductible only against taxable capital gains. An ABIL is the deductible half of a loss on shares or debt of a qualifying Canadian-controlled private company; unlike other capital losses, it can be used against any income.) This asymmetry means a year with large current gains offset against prior-year loss carryforwards can produce AMT well in excess of regular tax.
- That asymmetry creates an ordering rule. When a current-year gain is being sheltered with losses, a net capital loss carryforward is cheaper for AMT than a non-capital loss carryforward (mainly unused business losses, deductible against any income): the net capital loss carryforward enters adjusted taxable income at its preserved 50% basis, leaving ATI at roughly half the gain, while a non-capital loss carryforward is 50%-limited, leaving ATI at roughly three-quarters of the gain. On a $400,000 gain fully sheltered for regular tax, that is $200,000 of ATI against $300,000 (for an individual above the $181,440 exemption, a federal minimum amount before credits of $3,805 against $24,305), with the provincial layer then applied separately, as described in Chapter III. Where the choice exists and both loss types sit on the shelf, use the net capital loss carryforward against the gain first. (See also the Quebec parallel in Arianne Charette's 2026 study of AMT and Quebec trusts, cited under Sources.)

> *"Large current gains against prior-year losses can produce AMT well in excess of regular tax."*

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

A range of deductions are reduced to 50% of their regular value for AMT, 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 routine 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)(bb))	Non-capital loss carryforwards
Restricted farm / farm loss carryforwards	Limited partnership losses of prior years	
Net capital loss carryforwards follow neither block. They are not halved a second time for AMT. The claimed amount, already stated on a 50% inclusion basis, is deducted as-is in computing adjusted taxable income; the AMT rule simply does not scale it up to match the 100% current-year gain inclusion. See ***Regular vs AMT: Income Adjustments*** above and the loss-ordering discussion that follows it.		
DEDUCTIONS THAT MAINTAIN THEIR FULL AMOUNT FOR BOTH REGULAR TAX AND AMT		
RRSP contributions	RPP contributions	PRPP contributions
FHSA contributions	Spousal support paid	Pension income splitting deduction
Most other ordinary-course Division B deductions		
REGULAR VS AMT: DEDUCTIONS · 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 is still paying AMT (the minimum amount, not regular tax, still sets the federal tax bill), 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 (claiming the AMT back against regular tax in later years, covered below).

— **Resource expenses sit outside the 50% list, with their own harsher mechanic.** Under paragraphs 127.52(1)(e) and (e.1), deductions for resource expenses renounced under flow-through share agreements (and the financing costs of acquiring the shares) are allowed for AMT only up to the year's income from resource royalties and production; the excess is added back in full, not halved. For the passive flow-through investor with no other resource income, that is most of the deduction. Some policy history: draft legislation of August 12, 2024 would have allowed the AMT deduction for resource expenses in full, but *Budget 2025* (November 4, 2025) dropped the proposal, so the limitation stands, while *Bill C-15* simultaneously extended the Mineral Exploration Tax Credit to March 31, 2027 and expanded its critical-mineral counterpart. *Budget 2026* (November 5, 2026) proposes to extend both credits a further five years, to flow-through share agreements entered into on or before March 31, 2032. Its tax measures leave the AMT limitation untouched. More flow-through issuance now meets a less forgiving AMT regime.

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. 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

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*. One more point: 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

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. Prior years' investment income leaves no cumulative net investment loss at the end of 2026, so the whole gain is sheltered. 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)
Less enhanced CPP deduction	-$465 (full)	-$232.50 (50% allowed)
Net income	**$682,035**	**$429,767.50**
Less LCGE deduction	-$637,500	(replaced by 30% inclusion)
Taxable income / ATI	**$44,535**	**$429,767.50**
Less basic exemption	—	-$181,440
Excess subject to AMT rate	—	$248,327.50
Apply rate	$6,235 (14% × $44,535)	$50,907 (20.5% × $248,327.50)
Less BPA, CEA, base CPP, EI credits	-$2,723 (14% × value)	-$1,361 (14% × 50% × value)
Federal tax: regular / minimum amount	**$3,512**	**$49,546**
Federal AMT (excess over regular)		**$46,034**

FEDERAL AMT WORKED EXAMPLE: LCGE ON QSBC SALE · 2026

The basic personal amount, which shrinks from $16,452 as net income passes $181,440, is the $14,829 minimum because net income is above $258,482; the Canada employment amount is $1,501; the base CPP and EI credits and the enhanced (first additional) CPP deduction follow from the $50,000 of employment income; T691 allows each credit at half. The example assumes no cumulative net investment loss (CNIL). With no investment income on record, the $5,000 of carrying charges would create one, cut the capital gains deduction to $632,500 and raise federal AMT to about $46,769. Tax software computes the CNIL from the Form T936 history, so enter that history before comparing.

The mechanics: the LCGE deduction that drives regular taxable income down to $44,535 has no equivalent on the AMT side (LCGE-eligible gains are simply included at 30%), and the resulting $429,768 of ATI flows through the basic exemption, the 20.5% AMT rate, and the AMT-adjusted credits to a minimum amount of $49,546. The comparison to regular federal tax of $3,512 produces federal AMT of $46,034, AMT exposure on a gain that regular tax left almost untouched: the gain's only regular-tax effect is to cut the basic personal amount to its minimum, adding about $227. That federal figure is what carries into the provincial layer: for an Alberta resident, provincial AMT is 35% of the federal AMT, but the provincial machinery is separate, and it is Chapter III's subject.

The $46,034 federal AMT becomes a seven-year carryforward against future regular federal tax, recoverable only in years when regular federal tax exceeds the minimum amount, up to that excess, and permanently lost if not used within seven years. Provincial AMT, once computed, runs its own parallel carryforward in the provincial system.

Three terms, fixed meanings

- Minimum amount: the AMT-side tax figure, before the regular-tax comparison. The statute's own term (s. 127.51).
- Federal AMT: only the excess of the minimum amount over regular federal tax, which the Form 428 series calls the *additional tax for minimum tax purposes*.
- Provincial AMT (outside Quebec): the provincial percentage applied to that federal excess, not to the gross minimum amount.

The first is the law's term; the other two are this document's shorthand, anchored to the official mechanic named beside each.

III How Provincial AMT is calculated

Provincial AMT is calculated separately and, outside Quebec, is generally determined by applying a percentage set by each province or territory (the multiplier) to the federal AMT, which the Form 428 series (each province's or territory's tax form, filed with the federal return everywhere but Quebec: ON428 for Ontario, AB428 for Alberta) calls the *additional tax for minimum tax purposes*: the amount by which the federal minimum amount *exceeds* regular federal tax, not the gross minimum amount (the terminology box in Chapter II fixes these terms). The multiplier is calculated only on the excess: the extra tax AMT creates over and above what regular tax would otherwise have collected, not the whole AMT figure. Continuing the Chapter II example: Alberta applies its 35% multiplier to the $46,034 federal AMT, giving $16,112 of Alberta AMT and a combined current-year AMT cost of $62,146 ($46,034 federal plus $16,112 Alberta). Applied to the $49,546 minimum amount instead, the multiplier would overstate the result. Those percentages vary widely by jurisdiction. The full table follows, with the two jurisdictions that break the simple multiplier story (Ontario, where a provincial surtax can magnify provincial AMT, 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 November 2026. Most are drawn from the 2025 Form 428 series; British Columbia's 40% figure is its separately published 2026 rate, and Newfoundland and Labrador's is the 2026 output of the statutory formula set out below. One structural caution before carrying 2025-form figures into 2026 filings: at least some multipliers are formula-linked (lowest provincial rate over lowest federal rate, recalculated annually). British Columbia's is demonstrably so: 33.7% through 2024 (5.06% ÷ 15%), 34.9% for 2025 (5.06% ÷ 14.5%), and 40% for 2026 (5.60% ÷ 14%). The 2026 jump reflects *both* the federal denominator falling to 14% under *Bill C-4 and* the numerator rising to 5.60% in BC's Budget 2026 (February 17, 2026). Newfoundland and Labrador's is formula-linked too, and by statute rather than by inference. The *Income Tax Act, 2000* adds to provincial tax an amount equal to the *provincial percentage* multiplied by the federal additional tax for minimum tax purposes (s. 30), and defines that percentage as the province's lowest rate divided by the federal lowest rate, “rounded to the nearest one tenth” (s. 5). No fixed percentage appears anywhere in the province's minimum-tax provisions, and CRA's own forms show the formula working: NL428 printed 58% for 2024 (8.7% ÷ 15%) and 60% for 2025 (8.7% ÷ 14.5%), with the province's lowest rate unchanged at 8.7% across both. The multiplier moved because the federal denominator did. For 2026 the same arithmetic gives 8.7% ÷ 14% = 62.1%, and both legs are confirmed: *Bill C-4* received Royal Assent on March 12, 2026, and Budget 2026 left the province's 8.7% rate untouched. The province does not announce this figure and never has. It falls out of the formula and becomes visible only when CRA publishes the form, which for 2026 will not happen until early 2027. The table therefore prints the statutory result rather than the superseded 2025 figure. It also means 2025-form multipliers are provisional for more than one reason: the ratio moves when either leg

does. The rate-equivalent column expresses each multiplier as provincial AMT per dollar of adjusted taxable income above the federal exemption (multiplier × the 20.5% federal AMT rate), so the combined federal-plus-provincial figure can be read as 20.5% + the rate equivalent, which is exactly what the combined column computes: 27.675% in Alberta, 32.288% in Nova Scotia. Two cautions on those combined figures. First, in the Form 428 mechanic the multiplier sits only on the federal AMT (the excess over regular federal tax set out above), so the figures are an upper bound, not the filed provincial amount; the two coincide only where regular tax is negligible. Second, this is the AMT-side rate before regular tax is taken off, not the total tax rate on a realized capital gain: that rate must be netted against the forgone regular tax, and is set out separately in the capital-gains table in Chapter IV.

Province / Territory	Provincial Multiplier	Rate Equivalent	Combined Fed + Prov	AMT on $50,000 Federal	Source
Ontario*	24.63% / 38.42%	5.049% / 7.877%	25.549% / 28.377%	$12,315 / $19,211	*ON428* line 59; *Worksheet ON428*, line 72
Alberta	35%	7.175%	27.675%	$17,500	*AB428* lines 64, 67
British Columbia†	40%	8.200%	28.700%	$20,000	*gov.bc.ca*
Yukon‡	43.9%	9.000%	29.500%	$21,950	*Income Tax Act* (YT), ss. 6(38), 6(50)
Northwest Territories	45%	9.225%	29.725%	$22,500	*NT428* lines 57, 60
Nunavut	45%	9.225%	29.725%	$22,500	*NU428* lines 58, 61
Saskatchewan	50%	10.250%	30.750%	$25,000	*SK428* lines 65, 68
Manitoba	50%	10.250%	30.750%	$25,000	*MB428* lines 63, 66
New Brunswick	57%	11.685%	32.185%	$28,500	*NB428* lines 61, 64
Nova Scotia	57.5%	11.788%	32.288%	$28,750	*NS428* lines 58, 61
Prince Edward Island	57.5%	11.788%	32.288%	$28,750	*PE428* lines 61, 64
Newfoundland and Labrador††	62.1%	12.731%	33.231%	$31,050	*Income Tax Act, 2000* (NL), ss. 5, 30
Quebec§	—	19%	36.12%	$45,916 $41,750 (federal AMT net of abatement)	*Form TP-776.42-V*

PROVINCIAL AMT MULTIPLIERS · 2026

* Ontario: the second figure in each cell applies when the taxpayer is fully within the Ontario surtax (24.63% × 1.56 = 38.42%), computed on Worksheet ON428, line 72. See *The Ontario surtax wrinkle* below.

† British Columbia: 40% legislated for 2026 (B.C. Budget 2026, February 17, 2026).

‡ Yukon: 43.9% is the output of the formula in the *Income Tax Act* (YT), ss. 6(38) and 6(50), as amended by S.Y. 2025, c. 6: Yukon's second-bracket rate over the federal AMT rate (9.00% ÷ 20.5%), so the 2026 federal rate cut leaves it unchanged. It covers 2026 AMT and carryforwards of AMT from 2025 on. Carryforwards of AMT from 2024 and earlier are credited, through 2031, at Yukon's lowest rate over the federal lowest rate for the year of the claim (S.Y. 2025, c. 6, s. 6(1)): 45.71% / 9.371% / 29.871% for that part of a 2026 claim (6.40% ÷ 14%; 44.14% in 2025). The 2026 YT428 had not published at press time.

†† Newfoundland and Labrador: 62.1% is the output of the statutory formula in the *Income Tax Act, 2000*, ss. 5 and 30: the province's lowest rate over the federal lowest rate (8.7% ÷ 14%), rounded to the nearest one-tenth. The 2026 NL428 had not published at press time; the 2025 form prints 60% (8.7% ÷ 14.5%). KPMG's *Tax Facts 2026–2027*, current to April 30, 2026, independently prints 62.1%.

§ Quebec: no multiplier exists. Quebec runs a separate parallel calculation. Its row shows the modelling benchmark derived under "How Quebec handles AMT" below, but each unique fact situation will provide different Quebec results. A single comparable to federal AMT does not exist. The second figure, $41,750, is the $50,000 federal AMT after the Quebec abatement, a 16.5% reduction of federal tax for Quebec residents (see "The Quebec abatement wrinkle" below).

¶ Multiple jurisdictions: taxpayers allocating business income across provinces compute provincial AMT on Form T2203, Provincial and Territorial Taxes for Multiple Jurisdictions, rather than on the Form 428 series; this table and the Chapter VI recovery matrix (for moves between provinces) assume single-province residence.

Two observations. First, the geographic spread is enormous: a federal AMT amount of $50,000 produces an additional $17,500 of provincial AMT in Alberta but $31,050 in Newfoundland and Labrador, a $13,550 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 credits carryforwards of AMT from 2024 and earlier at a separate rate, recalculated each year (45.71% for claims in 2026, against 43.9% for AMT from 2025 on), 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 base Ontario AMT), 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% × 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 much higher. To make the layered effect concrete, the table below shows the resulting total Ontario AMT across four cases. The first three rows assume the

taxpayer has no regular Ontario tax, so the thresholds are crossed (or not) by base Ontario AMT 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 base Ontario AMT faces the combined 56% surtax:

FEDERAL AMT	ONTARIO AMT (24.63%)	SURTAX POSITION	SURTAX	TOTAL ONTARIO AMT (INCL. SURTAX)	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

That fourth-row position is the typical case for clients with significant AMT exposure. The $7,446 second-surtax threshold is measured on Ontario tax, not on income. For someone claiming only the basic personal amount, it is reached at about $112,000 of taxable income; further credits push that point higher. For most clients with real AMT exposure, the year's regular Ontario tax is already past it. 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% × 1.56 = 38.42%, or about $19,211 of total Ontario AMT on $50,000 of federal AMT ($12,315 of base Ontario AMT plus approximately $6,896 of incremental surtax). Rows 1–3 fit the narrower fact patterns where regular Ontario tax is nil or close to it: LCGE claims on QSBC shares, large in-kind donations of publicly listed securities by a donor with otherwise modest income, or smaller standalone realizations. Any regular Ontario tax uses up part of the thresholds first, which moves the result toward row 4.

Ontario is therefore 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, paid, 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 × (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 was announced in Information Bulletins 2023-4, 2023-7, 2024-6, and 2024-8, and enacted by the *Loi donnant suite à des mesures fiscales annoncées à l'occasion du discours sur le budget du 25 mars 2025 et à certaines autres mesures, L.Q. 2025, c. 35* (assented to December 12, 2025), amending Book V.1 of the *Taxation Act*. 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 *Taxation Act* carries most of the federal trust exemptions, including the one for graduated rate estates (GREs: a deceased person's estate, designated as such, for up to 36 months after death). In Information Bulletin 2024-6, Quebec announced that it would also match the federal exemptions for employee ownership trusts (trusts that hold a business for its employees) and certain trusts for the benefit of Indigenous groups, on the same application dates as the federal measures. Neither category is named in section 776.45 of the Act as published (current to October 15, 2026). Revenu Québec's 2025 trust return guide nevertheless lists employee ownership trusts as exempt. Whether Quebec's announcement extends to the Indigenous-group provisions enacted federally in 2026 remains to be confirmed.
- 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 additional credit for a first large cultural donation, for example, remains a live line 395 item allowed at 80%, matching the federal treatment of charitable donations. Its former companion, the cultural patronage credit, was abolished effective March 26, 2025, though an individual (or their estate) with a donation pledge registered with the Minister of Culture and Communications on or before March 25, 2025 continues to benefit for donations made under that

pledge, including donations made after the abolition date. The Capital régional et coopératif Desjardins credit survives, at a rate reduced in the 2025-2026 budget. All three examples point to one practical rule: confirm any Quebec-only credit's AMT treatment directly against *Form TP-776.42-V* and its guide, rather than reasoning by analogy from the federal rules.

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 (is payable, because the Quebec minimum amount is the larger figure), that excess 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 to structure at least one non-triggering year inside the window, so that regular Quebec tax exceeds the minimum amount and the carryforward has something to be applied against. 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.

"Quebec AMT can trigger in a year when federal AMT does not."

A Quebec resident triggering AMT therefore faces 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 (6% of work income, up to $1,450), and a narrower gap between Quebec's regular and AMT rates than the federal one. 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. To set Quebec beside the other provinces' multipliers, it is nonetheless useful to have one illustrative figure, so we model one. A federal adjusted taxable income benchmark of approximately $425,342 generates a federal minimum amount of $50,000 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 a Quebec minimum amount of approximately $45,916 before credits, 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, the benchmark compares gross minimum amounts, not carryforwards. A carryforward is the minimum amount less regular tax, so the ratio of the Quebec carryforward to the federal one depends on the return: about 91% on a return driven by an LCGE-eligible gain, and well above 100% on large ordinary capital gains, as the next paragraph shows. Second, the benchmark 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 often the larger of the two. On a 2026 return with capital gains and no other income, the Quebec carryforward overtakes the federal one at roughly $610,000 of non-LCGE gains, runs about 28% above it at $1 million and about 50% above at $5 million; with $200,000 of other income alongside a $1 million gain, it is about five times the federal one. On smaller gains, and on LCGE-heavy returns, the federal carryforward is the larger. These figures use Quebec's 19% rate and $183,680 exemption, and count non-refundable credits at half their value, as Quebec's minimum tax does.

The Quebec abatement wrinkle

If Ontario's surtax pushes the effective AMT rate up, Quebec's abatement pulls it down. It is easy to miss for the same structural reason: the adjustment sits 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. Basic federal tax is federal tax after personal credits, the dividend tax credit and any AMT carryforward claimed, but before the foreign tax credit and the abatement itself. The question that matters for AMT is *which* basic federal tax the abatement is calculated against, and the answer is symmetric at generation and at recovery.

At generation. Per Form T691 Part 6, footnote 14, the abatement is computed against the greater of regular basic federal tax or the 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% × (1 − 16.5%) = 17.12%, not the headline 20.5%.

At recovery. The same mechanic operates in reverse when the carryforward is later claimed. The amount claimed is the federal minimum-tax credit (MTC), line 40427 of the return; it is not the basic minimum tax credit in the formula above. 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. 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% × (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

Worked example. A Quebec resident realizing a $1,000,000 capital gain generates federal AMT that lifts basic federal tax to its minimum-amount figure. The abatement computed on that AMT-inflated base is $27,517; the abatement that would have applied to the pre-AMT base is $22,589. The difference, $4,928, 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.

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 (moving property into a corporation in exchange for shares, at an agreed value that is often the property's cost base, so no gain is taxed yet) as a structural alternative. The rollover does not make tax disappear. The result depends on corporate tax, extraction tax (the personal tax paid when value is later taken out of the corporation), and whether the AMT carryforward (AMT paid, claimable against regular tax for seven years) 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%); the minimum amount instead includes the whole gain at 20.5%, a 4.0-point federal top-up. Provincial AMT is the provincial multiplier applied to federal AMT (not to the minimum amount), because Form 428 builds provincial minimum tax ("minimum tax" is the Income Tax Act's name for AMT) from the federal *additional tax for minimum tax purposes*, not from the minimum amount. Stacking the three components gives the all-in marginal rate. The gap between the AMT rate and the regular rate is the AMT premium: the extra tax AMT adds on a gain beyond what regular tax would charge, in the year of the gain and before any later recovery.

The figures in the table 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 much lower: a $1,000,000 standalone capital gain in Alberta, with no other income, produces an all-in tax bill of $238,068 (inclusive of AMT), 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% INCLUSION)	AMT CAP-GAINS RATE (100% INCLUSION)	AMT PREMIUM
Quebec	26.65%	36.12%	+9.47%
Newfoundland and Labrador	27.40%	33.88%	+6.48%
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

* 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. It is not a federal top-up but its full parallel calculation: federal AMT net of the 16.5% Quebec abatement (≈17.12%) plus Quebec's own 19% on the whole gain. That 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% × 20.5% = 6.15% of the gain, with provincial AMT 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%	9.97%
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

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

The same labels apply: simplified, top-bracket, before the exemption and other credits. So 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 taxpayer still has exemption room and claims it on the gain. Gain above the limit, or on non-qualifying property, is an ordinary capital gain and belongs in the table above.

Budget 2026 (November 5, 2026) proposes a second exemption, the Canada Growth Incentive: up to $15 million of gains per individual for each business, on qualifying shares issued from budget day onward and held for at least 36 months. Gains exempted under it would count at 30% for AMT, the same as LCGE gains, so this section's arithmetic would carry over. It is not yet law and cannot apply to a 2026 sale.

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 corporation, typically a Canadian-controlled private corporation (CCPC), in exchange for shares, at an elected amount (the value the owner and the corporation jointly choose and report, generally between cost base and market value), often at or near cost base, under *s. 85(1)*, deferring the gain entirely. The corporation does not pay AMT (minimum tax applies to individuals and trusts, never to corporations), 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. In the full-deferral version modelled here, no gain is recognized on the rollover and no LCGE is claimed. A higher elected amount could recognize part of the gain and potentially permit an LCGE claim, but would also require a fresh AMT calculation. 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 (the aim that income earned through a company and paid out as dividends bears about the same total tax as income earned personally) 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. For a taxpayer leaving Canada, timing matters: value still in the corporation at departure is caught by the deemed disposition of the Holdco shares on emigration under *s. 128.1(4)*, and that gain counts in full for AMT in the departure year. Where sufficient AMT can be recovered, the direct route is generally less expensive before accounting for the timing of recovery. A delayed recovery, transaction costs or other implementation differences can change the result.

Worked example: a $10M non-LCGE gain in Alberta. The LCGE-eligible worked example in Chapter II 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	AGAINST THE CORPORATE ROUTE
Direct individual sale, AMT fully recovered	$2,357,748	$7,642,252	$176,952 less tax
Direct individual sale, AMT never recovered	$2,884,068	$7,115,932	$349,368 more tax
Section 85 → Holdco sale → full extraction	$2,534,700	$7,465,300	Reference

SECTION 85 VS. DIRECT SALE: $10M NON-LCGE GAIN (ALBERTA) · 2026

The AMT premium on the direct sale is $526,320. The direct sale wins if more than $349,368 of that premium, about 66%, is recovered within the seven-year window. The corporate route wins if less is recovered.

Assumptions: resident of the jurisdiction shown (Alberta in the example), under 65, with no other income in 2026 and only the basic personal amount; $10M capital gain, ACB nil, no LCGE; graduated rates (the rising bracket rates individuals pay) on every route. The corporate route uses an Alberta CCPC (or substantive CCPC) realizing the capital gain after rollover, with the Holdco sale and all extraction completed in 2026: the full capital dividend is paid first, then non-eligible dividends of all remaining cash, and RDTOH those dividends cannot recover is a cost of the route. Extracting in a single year is itself an assumption, because spreading the dividends over several years changes the graduated-rate result. Other income in the sale year also matters: each $100,000 of other ordinary income cuts federal AMT on the gain by $12,500 and the Alberta breakeven (the share of the AMT premium that must be recovered for the two routes to cost the same, p*, set out in the next paragraph) by about one percentage point, to about 60% at $500,000. 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.

The Alberta example generalizes, but not uniformly: the balance between the routes moves with each province's AMT premium, dividend rates, and corporate rates. The table below runs the same $10,000,000 fact pattern through all thirteen jurisdictions and adds the deciding variable, p*: the share of the AMT premium that must be recovered within the seven-year window for the direct sale to cost the same as the corporate route. Recover more than p* and the direct sale wins. Recover less and the corporate route wins. Where recovery is all or nothing, p* can also be read as the breakeven probability of recovery.

Reading the last column. p* is the share of the direct sale's extra AMT that must be recovered within seven years for the two routes to cost the same. A low p* favours the direct sale; a high p* favours the corporate route.

PROVINCE / TERRITORY	DIRECT SALE, AMT RECOVERED	DIRECT SALE, AMT NEVER RECOVERED	CORPORATE ROUTE	BREAKEVEN P*
Northwest Territories	$2,314,891	$2,880,197	$2,419,512	81%
Quebec	$2,628,668	$3,543,599	$2,898,456	71%
Alberta	$2,357,748	$2,884,068	$2,534,700	66%
Ontario	$2,631,814	$3,171,478	$2,851,876	59%
Saskatchewan	$2,340,553	$2,925,353	$2,619,295	52%
Nunavut	$2,187,672	$2,752,978	$2,474,227	49%
British Columbia	$2,623,004	$3,168,817	$2,903,459	49%
Newfoundland and Labrador	$2,687,938	$3,319,912	$3,030,316	46%
New Brunswick	$2,584,330	$3,196,421	$2,918,670	45%
Manitoba	$2,486,333	$3,071,134	$2,833,308	41%
Nova Scotia	$2,661,568	$3,275,608	$3,042,280	38%
Yukon	$2,352,758	$2,913,776	$2,714,554	36%
Prince Edward Island	$2,612,011	$3,226,051	$3,048,709	29%

SECTION 85 PROVINCIAL BREAKEVEN TABLE: $10M NON-LCGE GAIN · 2026

Same assumption block as the Alberta example; the Alberta row replicates the worked example above to the dollar. Reading note: at a 66% breakeven, an Alberta seller who expects to recover less than about two-thirds of the AMT premium within seven years should prefer the corporate route. Read as odds, that is an all-or-nothing chance of recovery below about two-in-three. Construction notes: provincial tax is computed on each return at 2026 graduated rates, with each jurisdiction's basic personal amount (Manitoba's is phased out at these incomes; Yukon's follows the federal amount). PEI's 49.07% top non-eligible rate is its published rate under the 20% bracket over $200,000. Newfoundland and Labrador's top bracket begins above $1,141,275 and its basic personal amount is $13,094 for 2026. Yukon uses its 43.9% multiplier. Ontario's surtax is computed on the return: at these incomes its 24.63% AMT multiplier bears the full 56% surtax, 38.42% effective, and the $900 Ontario Health Premium is included; Quebec's health services fund contribution (at most $1,000, the same on every route) is not. In New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, where the provincial corporate rate exceeds 12%, a single-year extraction cannot recover all RDTOH once the full capital dividend is paid: $62,162 (NB, NS) and $93,243 (PE, NL) is stranded and counted as a cost of the corporate route. T691 shows no AMT in the extraction year in any jurisdiction. Ontario Budget 2026 (March 26, 2026) cuts the non-eligible dividend tax credit rate from 2.9863% to 1.9863% effective January 1, 2027, lifting the top non-eligible rate from 47.74% to about 48.89%. Corporate-route extraction occurring in 2027 or later therefore carries roughly 1.15 points more Ontario extraction cost than this 2026-parameterized table shows, and an Ontario breakeven of about 51%. Quebec Information Bulletin 2026-3 (April 29, 2026) similarly proposes to reduce the Quebec non-eligible dividend tax credit from 3.42% to 2.69% of the grossed-up dividend for dividends after 2026 (not yet legislated), adding about 0.84 points to Quebec extraction cost (a top non-eligible rate of about 49.54%, and a Quebec breakeven of about 67%). Rates are the 2026 statutory rates, checked against CRA's 2026 tables and the provincial statutes.

The geography is not intuitive. The strongest corporate-route cases are the Northwest Territories (where non-eligible extraction at 36.82% is the cheapest in the country, so the corporate route costs little even when recovery would have happened), Quebec, where unrecovered AMT is the most expensive in the country and insurance against it is correspondingly valuable, and Alberta. The weakest are Prince Edward Island, Yukon, Nova Scotia, and Manitoba, with breakevens from about 29% to 41%: there, the direct route wins unless well under half of the premium is recovered. And p* asks only how *much* of the premium must be recovered. Chapter VI sharpens the question to recovery *at an acceptable price*, under "When recovery isn't worth it."

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.

One more layer belongs in that review. The modernized general anti-avoidance rule, *s. 245* as amended effective 2024, adds an economic-substance consideration and a 25% penalty. The penalty does not apply to a transaction that was disclosed to the CRA under the reportable or notifiable transaction rules (*ss. 237.3* and 237.4), including the optional disclosure in s. 237.3(12.1). Whether a section 85 rollover undertaken primarily to avoid AMT could attract GAAR is an open practitioner question. The rollover's bona fide deferral purpose helps (deferral is what section 85 is *for*), but a transaction whose dominant articulated purpose is stepping around a minimum-tax regime invites the question in a way that a garden-variety incorporation does not. This issue does not resolve that debate. It belongs in the professional review already recommended.

> 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.

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. Unlike an individual, who pays rising bracket rates (graduated rates), these trusts pay the top rate (33% federally) on every dollar of income they keep; only graduated rate estates and qualified disability trusts get graduated rates. 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 its first dollar.
- 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 levels of adjusted taxable income that would have been comfortably below the threshold for the individual beneficiary. The qualified disability trust (created on death for a beneficiary eligible for the disability tax credit) is the one half-exception: it is not exempt from AMT but, unlike other non-exempt trusts, may claim the basic exemption.

> ***The trusts named here***
>
> - Settlor: the person who creates the trust and puts property into it.
> - Alter ego trust: set up by a settlor aged 65 or older, who is entitled to all its income for life; no one else may receive income or capital during that time.
> - Joint partner trust: the same for a couple: only the settlor and their spouse or common-law partner may benefit until the second death.
> - Spousal or common-law partner trust: the spouse or partner is entitled to all the income for life, and no one else may receive capital during that time.
> - Discretionary family trust: set up during the settlor's lifetime (*inter vivos*); the trustees decide which family members receive income and capital.
>
> *The first three trust types are the **life-interest trusts** of this chapter.*

The single most important planning lever, and often the simplest, is whether trust income is allocated out to beneficiaries or retained inside the trust. *Allocated out* means paid or payable to beneficiaries in the year, so the trust deducts it and they report it; *retained* means kept in the trust and taxed there.

Case study: allocate vs retain

Consider an Alberta-resident 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 large 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, however, is not quite clean. Allocation drives *regular* net income to nil, but the AMT calculation does not follow it all the way down: only half of the $30,000 in investment-counsel fees is deductible for AMT, so the disallowed $15,000 survives as adjusted taxable income (ATI) inside a trust that has allocated out every dollar of economic income (what it actually earned). With no basic exemption to absorb it, that residue produces approximately $3,075 of federal AMT (20.5% × $15,000) plus approximately $1,076 of Alberta AMT (35% of the federal AMT), about $4,151 of trust-level tax in a year when the trust's regular tax is zero. The amount recurs every year the fee structure persists, and because an always-allocating trust never generates regular tax to recover against, the carryforward it creates is effectively permanent.

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 a minimum amount of approximately $98,075, about $9,031 above regular tax. In the fixed terms of Chapter II, that $9,031 excess is the federal AMT: the trust pays the $98,075 this year, the $9,031 joins the

seven-year federal carryforward, and Alberta's 35% multiplier adds approximately $3,161 of Alberta AMT in its own provincial stream.

	SCENARIO 1: ALLOCATE OUT	SCENARIO 2: RETAIN
Trust net income (regular)	$0	$311,400
Adjusted taxable income (AMT)	$15,000	$515,000
Regular federal tax	$0	$89,044
Minimum amount (after foreign tax credit)	$3,075	$98,075
Federal tax paid by trust (the greater of the two)	**$3,075**	**$98,075**
Federal AMT (the excess, carried forward seven years)	$3,075	$9,031
Alberta AMT (35% of the federal AMT)	$1,076	$3,161
Combined AMT cost (federal + Alberta)	**$4,151**	**$12,192**

TRUST AMT ALLOCATION EXAMPLE

The difference is large, but it needs precise wording. Scenario 1 shields the trust except for the 50%-limited items: the income reaches beneficiaries with exemptions of their own, while the disallowed half of the counsel fees leaves a residue that is small in dollars but permanent. Scenario 2 costs the trust roughly $98,000 of federal tax now and a $9,031 carryforward dependent on future regular trust tax. Allocation remains the right default. It just does not get the trust all the way to zero.

There is also a documented exception to the default itself: beneficiaries already at top marginal rates, and loss carryforwards inside the trust. Take the case-study trust holding its $400,000 realized gain alongside a $200,000 net capital loss carryforward. Allocated out, a top-bracket Alberta beneficiary pays about $96,000 of regular tax (24.00%, per the Chapter IV table). Retained, the loss eliminates regular trust tax, and the AMT calculation (gain at 100%, loss at its preserved 50% basis) leaves $200,000 of adjusted taxable income and about $55,350 of trust AMT ($41,000 federal plus $14,350 Alberta). Retention reduces current-year tax by roughly $40,650 even if the AMT carryforward never recovers, before considering the value of the $200,000 net capital loss carryforward consumed in doing so. (See also the Quebec parallel in Charette (2026), cited under Sources.)

When allocation doesn't shield the trust

The Scenario 1 residue generalizes. Three patterns produce trust-level AMT in trusts that allocate every dollar of income out, and all three share the same root: an item the AMT calculation halves while the regular calculation allows in full.

— Any 50%-limited expense. Investment-counsel fees, interest, and other carrying charges create adjusted taxable income from dollar one in a fully allocating trust. The regular calculation deducts the full expense before measuring the income available to allocate; the AMT calculation adds half of it back, and the trust has no exemption to absorb the difference.

- Prescribed rate loan trusts. The standard income-splitting structure is exposed through its own interest deduction. A trust earning $100,000 of interest income, paying $80,000 of prescribed-rate interest to the lending spouse, and allocating the remaining $20,000 to beneficiaries has regular net income of nil, but only $40,000 of the interest paid is deductible for AMT, so adjusted taxable income is $40,000, producing approximately $8,200 of federal AMT plus approximately $2,870 in Alberta, recurring annually for as long as the structure runs.
- Designations under s. 104(13.1) and (13.2). A trust that allocates income but elects to have it taxed in the trust, to use up loss carryforwards, has two problems: no basic exemption, and the losses themselves are 50%-limited. A trust applying a $100,000 non-capital loss against $100,000 of interest income pays no regular tax but faces adjusted taxable income of $50,000 and approximately $10,250 of federal AMT.

An always-allocating trust never generates regular trust tax, so these AMT amounts are effectively permanent, not timing differences. Where the pattern is material and recurring, deliberate periodic retention becomes the recovery strategy: a year of intentional retention generates regular trust tax against which the accumulated carryforward can finally be applied. It is the reverse of this chapter's allocation-first message. One compliance note applies to all three patterns: run *T3 Schedule 12* even on nil-income returns. The return that looks like it has nothing to report is precisely the one where the residue hides.

BILL C-15 RETROACTIVITY

The 50% AMT limit on s. 20(1)(bb) investment-counsel fees is retroactive to taxation years beginning after 2023. Royal Assent for Bill C-15 came March 26, 2026, two filing seasons after the first affected year. Trusts and individuals who filed 2024 or 2025 returns on the pre-amendment reading may need to amend; CRA is not proactively reassessing, and told CPA Canada in April 2026 that it is not offering automatic interest relief; affected taxpayers can ask for relief case by case under the taxpayer relief provisions. Because Quebec announced in Information Bulletin 2026-3 (April 29, 2026) that it will harmonize with the C-15 adjusted-taxable-income changes, including the s. 20(1)(bb) limit, from the same dates (the Quebec legislation has not yet been enacted), the same 2024/2025 amendment question is expected to extend to Quebec returns and their trust equivalents. (Bill C-15; Quebec Information Bulletin 2026-3; Investment Executive, April 16, 2026, reporting CRA's reply to CPA Canada.)

WHO WRITES THE CHEQUE?

A fully allocating trust that owes AMT may have neither the liquidity nor, absent express deed language, the legal authority to pay it: every dollar of income has gone out to beneficiaries, and taxes are ordinarily an income expense. New deeds should expressly authorize encroachment on capital to pay taxes. s. 108(4) confirms that providing for payment of income tax out of trust property does not, by itself, offside a spousal, joint partner, or alter ego trust's qualifying status. (See also Charette (2026), cited under Sources.)

Deed-review checklist for AMT

- Authority to retain income: the deliberate-retention recovery lever above requires it.
- Authority to allocate and designate income: the s. 104(6), (13.1), and (13.2) mechanics.
- Capital encroachment to pay tax.
- Power to distribute property to beneficiaries tax-deferred (s. 107(2)) ahead of deemed-disposition dates.
- Power to borrow, or to sell assets, to fund a tax liability.
- Fee-payment language: income versus capital.

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: the trust is treated as having sold the property at market value, so accrued gains are taxed although nothing was sold. 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. No AMT is charged on that terminal event: under *paragraph 127.55(e)*, the minimum tax does not apply to any of these trusts (paragraph 104(4)(a) or (a.1)) for the taxation year that includes its death-triggered deemed-disposition day. The ordinary 21-year anniversary disposition has no such exemption. Because provincial AMT rides the federal trigger, the exemption flows through automatically outside Quebec, and Quebec's Act carries the same death-year exemption (s. 776.45(e)). 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. The rollout is generally not available to a non-resident beneficiary, and Budget 2026 proposes to extend that denial to property distributed, on or after November 5, 2026, to a corporation or partnership with a non-resident shareholder or partner. 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. 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, subject to the 50%-limited-item residue above, which allocation cannot reach.
- 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 the minimum amount below regular trust tax 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 a planning tool.
- Qualified disability trusts carry one structural advantage: they remain subject to AMT but, alone among non-exempt trusts, may claim the $181,440 basic exemption, comfortably enough to absorb the allocation residues described above at any realistic scale.
- The death-year deemed disposition does not trigger AMT, but the gain alone does not recover it either. Paragraph 127.55(e) switches off the AMT charge for a life-interest trust in the year of its death-triggered disposition. The carryforward limit in s. 120.2 still applies in that year. The trust can deduct old carryforwards only to the extent that its regular tax exceeds its minimum amount, which is still computed for this purpose. Each dollar of capital gain adds 16.5 cents of regular federal tax and 20.5 cents of minimum amount, so the deemed gain alone opens no room. Room opens only where the trust also keeps fully taxed income, such as interest or recapture, of more than about 32% of the gain. Fee-residue carryforwards should not be expected to recover in that year.
- The fee residue can be eliminated at its source. Embedded-fee funds deduct the MER inside the fund, so no s. 20(1)(bb) item ever appears on the trust return; commission-based pricing capitalizes

cost to adjusted cost base rather than generating a current deduction to halve; and the corporate route (Chapter IV) moves the portfolio outside the minimum tax entirely. One caveat: this is a tax-mechanics observation, not a recommendation for higher-cost or less-transparent fee structures. Investment cost, fiduciary duty, transparency, and suitability govern the choice; the AMT residue is one input. (See also Charette (2026), cited under Sources.)

For alter ego, spousal/common-law partner, and joint partner trusts (where the settlor or relevant spouse typically receives the trust income and already pays tax on it personally), allocation is usually the default 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), or beneficiary tax positions that make allocation costly.

VI Recovering AMT paid

If you do trigger AMT in a year, the amount paid can be recovered in later years, within limits. The federal AMT (the excess of the minimum amount over regular federal tax) can be carried forward for seven taxation years under *s. 120.2* and applied against regular federal tax, but only to the extent regular tax exceeds the minimum amount for the recovery year. Partial recovery is the normal case. The amount by which a year's regular federal tax exceeds its minimum amount is that year's recovery room, the most carryforward the year can absorb. A year with less recovery room than the carryforward absorbs only that much, and the balance rolls forward within the window. The recovery question, whether enough recovery room will open 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, benefits, and other planning variables; credits enter only where they set the point at which the minimum amount turns positive (see the "Zero or positive" box below).

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 (a year the taxpayer plans to use the carryforward in), 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 the minimum amount, 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 the minimum amount by that much. Adding income on purpose to create that room is what this paper calls manufacturing recovery. The answer depends on whether the AMT trigger is still producing new minimum tax. If it is, the additional income must first reverse this year's $1,000 deficit and then create $1,000 of room above it:

HOW MUCH INCOME IS REQUIRED TO RECOVER $1,000 OF MINIMUM TAX

SCENARIO A

No new AMT this year

Starting gap	Regular tax and minimum amount level
Room to create	$1,000
Room per extra $1 of income	12.5¢ (33% - 20.5%)
Calculation	$1,000 ÷ 12.5%

Income required **$8,000**

SCENARIO B

The trigger is still active

Starting gap	Minimum amount $1,000 above regular tax
Room to create	$1,000 to reverse this year's AMT + $1,000 to recover = $2,000
Room per extra $1 of income	12.5¢ (33% - 20.5%)
Calculation	$2,000 ÷ 12.5%

Income required **$16,000**

Federal only, top bracket (33%), minimum amount positive in the recovery year.

$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).

Three factors change that cost: whether the recovery year's minimum amount is zero or positive, the taxpayer's marginal bracket, and whether the AMT trigger (the item that caused the AMT, such as a large gain, an LCGE claim, an in-kind gift or an option exercise) is still active.

Zero or positive: what it means

- The minimum amount is the tax the AMT calculation produces. AMT is owed only when it is larger than regular tax.
- It is zero when income measured the AMT way (adjusted taxable income) is below the $181,440 exemption, or only a little above it, where tax credits absorb the rest: up to about $187,000 for someone claiming only the basic personal amount. That covers most taxpayers in most years.
- It is positive above that point. On its own, that doesn't mean AMT is owed: at high incomes without large gains, regular tax usually stays higher.
- Why it matters here: a carryforward can be used only against regular tax above the minimum amount. While the minimum amount is zero, it can absorb all the federal tax on extra income, so taking extra income to use it up costs only a few cents a dollar of provincial tax: 3 cents or less in Alberta. Once the minimum amount is positive, it rises by about 20.5 cents for each extra dollar, so the carryforward can absorb only the gap, 12.5 cents at the top bracket. The rest is paid in cash: about 31 cents of each extra dollar at Alberta's top rates. The table later in this chapter works out both.

RECOVERY YEAR	MARGINAL FEDERAL BRACKET	WHEN AMT TRIGGERS HAVE ENDED	WHEN AMT TRIGGERS PERSIST
Minimum amount zero	14%	$7	—
Minimum amount zero	20.5%	$5	—
Minimum amount zero	26%	$4	—
Minimum amount zero	29%	$3	—
Minimum amount positive	26%*	$18	$36
Minimum amount positive	29%	$12	$23
Minimum amount positive	33% (top)	$8	$16

AMT RECOVERY COST FRAMEWORK

Dollars of additional ordinary income per dollar of federal AMT recovered, rounded to the nearest dollar (unrounded: $7.14, $4.88, $3.85 and $3.41 in the zero-minimum rows; $18.2 / $36.4, $11.6 / $23.1 and $8 / $16 in the positive-minimum rows). The persisting-trigger figures reverse a continuing deficit equal to the amount recovered, as in the example above. The halving is in what is counted, not the price: half of that income stops the year's new AMT and half recovers carryforward, so $16 buys $2 at the top bracket ($8 apiece), as in the left column; but while triggers persist, that first half must be spent again every year just to stand still. The 29% zero-minimum row covers only ATI of $181,440 to about $187,000 and opens at most about $1,600 of room; both 29% rows include the basic personal amount phase-out, and the 14% row assumes regular tax is already positive. *Positive-minimum rows, and the whole persisting-trigger column, need preference items (the tax breaks AMT adds back); in the 26% bracket, enough to push ATI past the point at which the minimum amount turns positive while regular taxable income stays below $181,440.

Once the minimum amount is positive, the right column is the manufacturing case derived above; the left applies where the AMT trigger has ceased: no deficit to reverse, so the added income only has to open recovery room and the cost is halved. Where the minimum amount is positive, added income at the 20.5% bracket and below opens no recovery room, and recovery requires a higher bracket or a year in which regular tax exceeds the minimum amount for other reasons. While the minimum amount remains zero, the arithmetic changes: each added dollar of ordinary income opens recovery room at the full regular federal rate. For a taxpayer claiming only the basic personal amount, that continues to about $187,000 of ATI, beyond the $181,440 statutory exemption, because the taxpayer's credits offset the minimum amount first. Within any row's income band, the figures scale linearly with the AMT amount.

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 recovery room 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 the minimum amount comfortably and existing carryforward will be applied against that natural recovery room, year by year, until either the carryforward or the seven-year window runs out.

There is also a second lever, easy to miss because the first is so prominent. Recovery room opens not only by *adding ordinary income* but by *removing preference items*: a year without large realized gains, in-kind donations, or option exercises is a year in which regular tax exceeds the minimum amount on the existing income base, and the carryforward absorbs against that natural recovery room. Quebec's regime makes the point explicit (the blocked-recovery discussion in Chapter III turns on structuring at least one non-triggering year inside the window), but the same logic applies federally. The cheapest recovery year is often not the one with more income; it is the one with fewer triggers.

One more point: once the recovery year's minimum amount is positive, recovery income should be ordinary income. Capital gains there are counterproductive. Each dollar of gain adds 16.5 cents of regular tax at the top bracket but 20.5 cents to the minimum amount, narrowing the very gap the carryforward needs.

> ***A recurring pattern from practice***
>
> An investor selling down one large holding realizes gains on a portion every year. It is prudent portfolio management with an unintended tax result. Each year's gains, stacked with the account's investment-counsel fees (only half deductible for AMT), trigger a fresh round of AMT; each fresh trigger blocks recovery of the prior years' carryforwards, because regular tax never exceeds the minimum amount while the program runs. It is the individual analog of Quebec's recurring-donor problem, where yearly gifts block recovery every year: the carryforwards build, the seven-year clocks run, and the oldest balances start expiring unused. The mitigation is the same in both cases: bunch the realizations into fewer, larger years, then recover in the clean (trigger-free) years between.

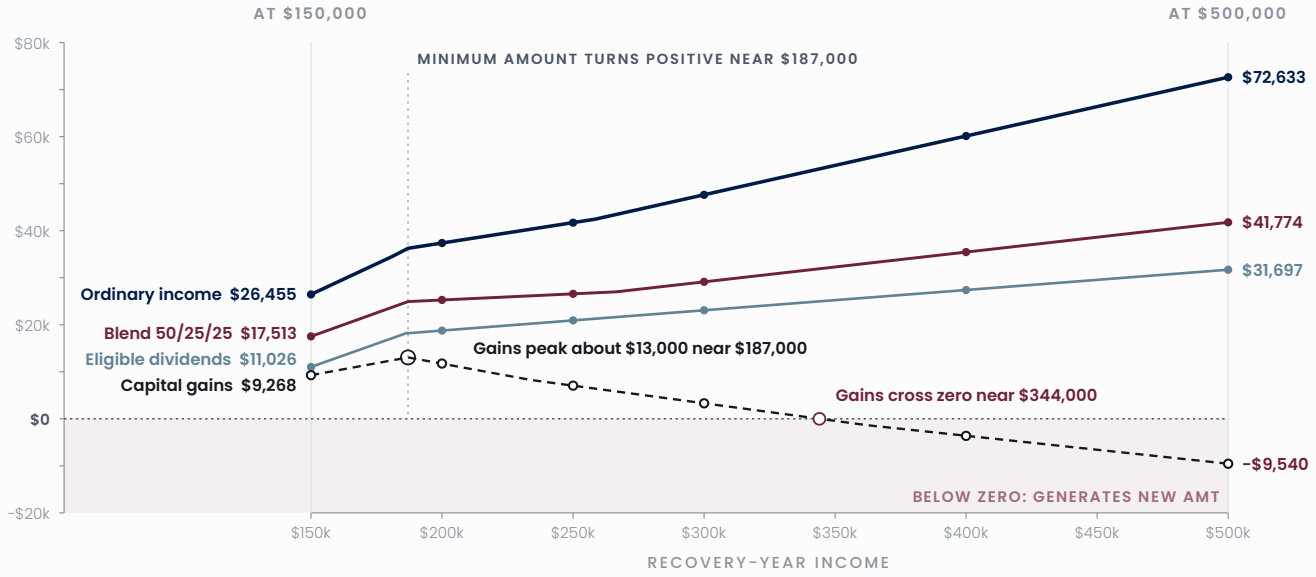
Outside Quebec, the provincial side follows the federal one. Each province gives back its own percentage of the federal carryforward used that year (line 40427), up to the provincial tax left after provincial credits and the dividend tax credit. Any provincial amount that cannot be used that year is lost. In Ontario the amount given back also lowers the tax the surtax is charged on, so recovery is worth between 24.63% and 38.42% of the federal credit. Quebec recovers separately against Quebec tax, as Chapter III describes.

Recovery capacity by income type

Knowing what recovery costs is half the planning question. The other half is which income to use, and the kinds of income (the funding sources) are not interchangeable. The chart below shows what each funding source recovers from $150,000 to $500,000 of recovery-year income, for a taxpayer carrying a large carryforward and otherwise ordinary credits. Look at the lines: ordinary income's capacity nearly triples across the range, while capital gains peaks near $187,000 and then falls below zero. With only the basic personal amount, that peak is the $181,440 exemption plus about $5,600: AMT allows half of that credit, which offsets the 20.5% AMT rate on about $5,600 (Chapter II). The exemption and the basic personal amount are both indexed each year, so the peak rises with them. The table beneath it gives the six income levels marked on the chart. The blend is half ordinary income, a quarter eligible dividends and a quarter capital gains.

Recovery capacity, $150k → $500k

Annual recoverable federal minimum-tax credit across the income range · federal only, 2026



Recovery capacity by income type (federal) · 2026

At six recovery-year income levels, the dollars of federal carryforward each kind of income can absorb in the year:

RECOVERY-YEAR INCOME	100% ORDINARY	100% ELIGIBLE DIVIDENDS	100% CAPITAL GAINS	BLEND 50/25/25
$150,000	$26,455	$11,026	$9,268	$17,513
$200,000	$37,386	$18,759	$11,740	$25,274
$250,000	$41,710	$20,915	$7,052	$26,569
$300,000	$47,633	$23,071	$3,302	$29,118
$400,000	$60,133	$27,384	-$3,614	$35,446
$500,000	$72,633	$31,697	-$9,540	$41,774

RECOVERY CAPACITY BY INCOME TYPE (FEDERAL) · 2026

Federal only; 2026 parameters; basic-personal-amount-only credit profile, as for a taxpayer whose remaining credits are unremarkable. Eligible dividends enter regular tax grossed up with the dividend tax credit and enter AMT at cash with the credit denied; capital gains at 50% regular / 100% AMT inclusion. The blend is 50% ordinary, 25% eligible dividends, 25% capital gains. Negative figures mean the income mix generates new AMT in the recovery year rather than recovering old.

In this illustration, ordinary income is the funding source that scales best. Below about $187,000, where the minimum amount is still zero, it opens recovery room at the full regular federal rate; in the top bracket, once the minimum amount is positive, it opens roughly 12.5 cents per dollar (about 8.6 cents in the 29% bracket), against about 4.3 cents for eligible dividends and 6.3 cents for the 50/25/25 blend. Capital gains run backward: the gains line peaks at about $187,000 of gains, where the minimum amount turns positive, at roughly $13,000 of room, crosses zero near $344,000, and beyond that point more gains create new AMT rather than recovering old. In this illustration, $150,000 of ordinary income a year clears a $100,000 carryforward in four years. Capital gains alone do not clear it within the seven years allowed. Even at the best level, about $187,000 of gains a year, they recover about $91,000.

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

There is a quieter wrinkle in the recovery mechanism for taxpayers contemplating a provincial move between AMT trigger and recovery. You can win or lose on a move, depending on the direction. 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 an asymmetry. Consider a taxpayer with $50,000 of federal AMT from a single trigger event:

- Stays put: Provincial recovery will generally match what was paid, dollar for dollar, assuming sufficient recovery room in the recovery year. Exceptions can arise where the province's AMT percentage changes over time (British Columbia's move from 34.9% for 2025 to 40% for 2026, and Newfoundland and Labrador's from 60% to 62.1% on the same statutory mechanism, mean a 2025 trigger in either province recovers richer than it was paid) or where the current-year multiplier (the Chapter III AMT multiplier, applied when AMT is paid) and the carryover multiplier (the percentage applied to the federal credit claimed in a recovery year; normally the same figure) differ, as they do in Yukon: AMT paid for 2019 to 2024 at 42.67% is credited at 45.71% when claimed in 2026, against 43.9% for AMT from 2025 on. Ontario runs the other way: AMT paid for 2019 to 2023 at 33.67% is credited at only 24.63% from 2025 on, a permanent loss of about 9 points even without a move.
- High-multiplier to low-multiplier (e.g., Newfoundland and Labrador to Alberta): Provincial AMT paid was $50,000 × 62.1% = $31,050. Future recovery in Alberta is $50,000 × 35% = $17,500. The $13,550 spread is permanently lost.
- Low-multiplier to high-multiplier (e.g., Ontario to Newfoundland and Labrador): Provincial AMT paid was $50,000 × 24.63% = $12,315. Future recovery in NL is $50,000 × 62.1% = $31,050, more provincial recovery than was originally paid.

> *"A $13,550 difference attributable purely to province of residence."*

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 unused 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%	+19.27% / +5.48%	+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%	+37.47% / +23.68%	−24.63% to −38.42% / 0.00%
AB	−10.37% / +3.42%	—	+5.00%	+8.90%	+10.00%	+10.00%	+15.00%	+15.00%	+22.00%	+22.50%	+22.50%	+27.10%	−35.00% / 0.00%
BC	−15.37% / −1.58%	−5.00%	—	+3.90%	+5.00%	+5.00%	+10.00%	+10.00%	+17.00%	+17.50%	+17.50%	+22.10%	−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%	+18.20%	−43.90% / 0.00%
NT	−20.37% / −6.58%	−10.00%	−5.00%	−1.10%	—	0.00%	+5.00%	+5.00%	+12.00%	+12.50%	+12.50%	+17.10%	−45.00% / 0.00%
NU	−20.37% / −6.58%	−10.00%	−5.00%	−1.10%	0.00%	—	+5.00%	+5.00%	+12.00%	+12.50%	+12.50%	+17.10%	−45.00% / 0.00%
SK	−25.37% / −11.58%	−15.00%	−10.00%	−6.10%	−5.00%	−5.00%	—	0.00%	+7.00%	+7.50%	+7.50%	+12.10%	−50.00% / 0.00%
MB	−25.37% / −11.58%	−15.00%	−10.00%	−6.10%	−5.00%	−5.00%	0.00%	—	+7.00%	+7.50%	+7.50%	+12.10%	−50.00% / 0.00%
NB	−32.37% / −18.58%	−22.00%	−17.00%	−13.10%	−12.00%	−12.00%	−7.00%	−7.00%	—	+0.50%	+0.50%	+5.10%	−57.00% / 0.00%
NS	−32.87% / −19.08%	−22.50%	−17.50%	−13.60%	−12.50%	−12.50%	−7.50%	−7.50%	−0.50%	—	0.00%	+4.60%	−57.50% / 0.00%
PE	−32.87% / −19.08%	−22.50%	−17.50%	−13.60%	−12.50%	−12.50%	−7.50%	−7.50%	−0.50%	0.00%	—	+4.60%	−57.50% / 0.00%
NL	−37.47% / −23.68%	−27.10%	−22.10%	−18.20%	−17.10%	−17.10%	−12.10%	−12.10%	−5.10%	−4.60%	−4.60%	—	−62.10% / 0.00%
QC	*Fact-dependent: see the Quebec row note*												—

INTER-PROVINCIAL AMT RECOVERY MATRIX: PROVINCIAL COMPONENT · 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. Provincial AMT in the trigger year is $50,000 × 50.00% = $25,000. The taxpayer later moves to Alberta and recovers the federal carryforward there; the provincial portion uses Alberta's multiplier: $50,000 × 35.00% = $17,500. The $7,500 shortfall is the permanent provincial cost of the move: $50,000 × −15.00%, the SK → AB cell (origin row SK, destination column AB). The reverse move, AB → SK, shows +15.00%, a $7,500 gain.

Reading and methodology notes:

- Origin rows use the current-year multiplier; destination columns use the carryover multiplier, both at 2026 rates. For 2026 triggers the two legs are identical in every jurisdiction, so outside the Quebec row and column each cell is the mirror of the cell across the diagonal with the sign reversed. Two vintage carve-outs. Yukon credits federal minimum-tax credit attributable to taxation years ending before 2025 at its lowest rate over the federal lowest rate for the year of the claim, 45.71% for 2026 (6.40% ÷ 14%; 44.14% in 2025), so a legacy balance recovering in Yukon in 2026 adds 1.81 points to every figure in the YT destination column. And British Columbia's multiplier moved from 34.9% for 2025 to 40% for 2026, so a 2025-vintage BC carryforward paid at 34.9% recovers at the recovery-year 40% from 2026 onward, a favourable 5.1-point vintage spread, in the same direction as the Yukon legacy uplift.
- 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 effect when the taxpayer is fully within the 56% surtax range (24.63% × 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 (Revenu Québec is Quebec's tax agency; the concession is explained in the next note).
- 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* (an interpretation bulletin). The second figure assumes the deduction equals the AMT actually paid in the origin province (0.00% net spread). That is the maximum recovery, not a guaranteed one. The actual result depends on the Quebec additional tax that would have arisen in the origin years, on any part that would already have been used, and on the Quebec tax available to absorb the deduction.
- Quebec row ("Quebec → XX") shows no single figure. Quebec computes its own minimum tax, so what is walked away from on a move out of Quebec depends on the return. Each cell would be the destination carryover multiplier minus the ratio of the Quebec carryforward to the federal one. A carryforward is the minimum amount less regular tax, so that ratio moves with the facts. On 2026 figures it is about 91% for a $1,275,000 LCGE-eligible gain with $50,000 of other income (QC → AB: −56.4%), about 128% for a $1 million ordinary capital gain with no other income (−92.7%), about 151% for a $10 million gain (−116.2%), and about 506% for a $1 million gain with $200,000 of other income (−471.4%). The 91.83% figure in "How Quebec handles AMT" compares gross minimum amounts and is not used in the matrix.
- 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 possible future tax saving to be tracked, not written off.

An individual who moves into Quebec with unused provincial or territorial AMT from another jurisdiction may be able to recover it under Revenu Québec's administrative concession in *IMP. 752.12-1/R1*. The *Taxation Act* itself provides no mechanism, and because Quebec does not run the Form 428 multiplier mechanism, the origin-province AMT is otherwise stranded. The bulletin limits the deduction to, among other things, the lesser of (a) the AMT actually paid to the origin province or territory and (b) the Quebec additional tax that would have arisen over the seven preceding years had the individual been subject to Quebec tax, less any part that would already have been deducted in an earlier year. The result can be nil. In a 2021 interpretation letter (*21-056376-001*), Revenu Québec said the eligible amount is entered on line 49 of form TP-776.42, filed with the Quebec return, and that the individual must establish it, for example by completing a notional Quebec return and TP-776.42 for each of the seven preceding years. The form does not provide for this itself: line 49 of the 2026 form refers only to the prior year's Quebec balance, so the entry rests on the letter and the bulletin, and the calculations should be kept. The letter is an opinion on one taxpayer's facts and says Revenu Québec *may* allow the deduction. Do not assume tax software captures the concession. Verify that the amount has been calculated and entered.

Federal Quebec abatement overlay

The provincial matrix above isolates the Form 428 spread; for any move involving Quebec, the cushion and dilution created by the federal abatement (the 16.5% reduction of federal tax for Quebec residents) from Chapter III layer on top. The four move patterns reduce to one overlay table:

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

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; 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 or, for a move out of Quebec, to the fact-specific provincial effect, 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

Adding the overlay to the provincial effect gives the combined effect of a move in each direction, and shows how the concession reorders the ranking:

MOVE	PROVINCIAL MATRIX EFFECT	FEDERAL ABATEMENT OVERLAY	COMBINED
QC → AB ($1 million gain)	-92.7%	+16.50%	**-76.2%**
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

Before the IMP. 752.12-1/R1 concession (explained above) is applied, which direction costs more depends on the return. On a $1 million gain, QC → AB at −76.2% is more costly than AB → QC at −51.50%, as the provincial effect alone suggests. The order reverses only while the Quebec carryforward is below 103% of the federal one: gains up to about $632,000 with no other income, or a return driven by an LCGE claim (about −40%). 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.

When recovery isn't worth it

Everything above treats recovery as the goal. But a minimum-tax credit in hand is not an asset to be maximized at any price. Deliberate recovery, the manufacturing recovery described earlier, means accelerating ordinary income (taking it earlier than planned) to absorb the credit, and the cash cost of that income (the tax actually paid on each extra dollar once the credit has offset what it can) depends on whether the recovery year's minimum amount is positive. Once it is, federal tax on each accelerated dollar settles at about the 20.5% minimum rate, and Alberta recovers 35% of the federal credit used against its own tax: about 31% combined at the top bracket, and 30.1% to 31.6% across the positive-minimum brackets. While the minimum amount remains zero, the federal credit absorbs the whole federal tax on the dollar, and Alberta's 35% share of that credit offsets most of the provincial tax on it. For a taxpayer under 65, who receives no Old Age Security (OAS), that leaves a cash cost of no more than about 3 cents per dollar while the carryforward lasts, and nothing at the lowest taxable incomes, where Alberta's share is capped at Alberta tax. For Albertans 65 and over, it can reach about 3.6 cents while net income is between $47,234 and $89,534, the range over which Alberta's age amount is phased out. The carryforward is a credit with an expiry date. Using it means taking income (usually an RRSP or RRIF withdrawal) earlier than planned, at a reduced rate of tax. Whether that is worth doing depends on the cash cost set out above, on the rate the income would face later, and on how far away "later" is.

2026 TAXABLE INCOME	FEDERAL RATE	ALBERTA RATE	MINIMUM AMOUNT	CASH COST OF ACCELERATED INCOME
Up to $32,754	14%	8%	Zero	0%*
$32,754–$58,523	14%	8%	Zero	3.1%
$58,523–$61,200	20.5%	8%	Zero	0.8%
$61,200–$117,045	20.5%	10%	Zero	2.8%
$117,045–$154,259	26%	10%	Zero	0.9%
$154,259–$181,440	26%	12%	Zero	2.9%
$181,440–$185,111	29%	12%	Zero†	1.7%
$185,111–$187,018	29%	13%	Zero†	2.7%
$187,018–$246,813	29%	13%	Positive	30.6%
$246,813–$258,482	29%	14%	Positive	31.6%
$258,482–$370,220	33%	14%	Positive	30.1%
Over $370,220	33%	15%	Positive	31.1%

Simplified marginal-rate results for an Alberta taxpayer under 65 claiming only the basic personal amount, with no preference items: Alberta credits at 8% ($22,769 basic personal amount). The cash cost per accelerated dollar is 0.205 + p - k(m - 0.205) once the minimum amount is positive, and p - k × m while it is zero, where m is the regular federal marginal rate, p the Alberta rate and k Alberta's 35%. The figures assume a carryforward larger than the room the acceleration opens, used before it would otherwise expire. *There is no federal tax to recover against below $16,452; from there to $32,754, Alberta's 35% share of the federal credit exceeds Alberta tax, the excess is forfeited, and the cash cost is nil. †Past the $181,440 statutory exemption: the taxpayer's credits keep the minimum

amount at zero to about $187,000 of ATI. The 29% rows include the basic personal amount phase-out, which raises regular federal tax by about 0.29 cents per dollar and, because T691 counts half of the credit, the minimum amount by about 0.15 cents. For taxpayers 65 and over, the federal and Alberta age-amount phase-outs move these figures; the next subsection covers that profile. OAS recovery tax is excluded.

For RRSP/RRIF-sourced acceleration by an Alberta taxpayer, the timelines below show how soon the withdrawal would otherwise need to occur for acceleration to win at the cash costs above. Acceleration is expensive once the minimum amount is positive, and cheap while it is zero. Put plainly, in this Alberta example: while the minimum amount is zero, and outside the OAS clawback range, each dollar withdrawn early to use up a carryforward that would otherwise expire costs under 4 cents. What decides it is when the money would otherwise come out, and at what rate. If the money would later be taxed at 25% or more, accelerating makes sense as long as it would otherwise come out of the RRSP within about 23 to 25 years, and longer at higher rates:

RATE THE LATER WITHDRAWAL WOULD FACE	MINIMUM AMOUNT ZERO (COST ABOUT 3.1%): ACCELERATE IF IT WOULD OTHERWISE COME OUT WITHIN	MINIMUM AMOUNT POSITIVE (COST ABOUT 31.1%, TOP BRACKET): ACCELERATE IF IT WOULD OTHERWISE COME OUT WITHIN
25%	~23–25 years	never
28%	~27–29 years	never
30%	~30–32 years	never
32.5%	~33–36 years	~1 year
36%	~38–41 years	~3–4 years
40%	~44–48 years	~7–8 years
48% (terminal RRIF collapse)	~57–63 years	~14–16 years

BREAKEVEN TIMELINE RECOVERY FRAMEWORK (ALBERTA) · 2026

Alberta 2026 combined rates. The cash cost of accelerated income is about 31.1% at the top bracket once the minimum amount is positive (30.1%–31.6% across the positive-minimum brackets, where the 40% breakeven runs from about 6 to 9 years), and no more than about 3.1% while it remains zero, the top of that band for the profile above. Ranges cover returns from 4% to 8%. Outside the plan, interest, eligible dividends and capital gains are taxed at 30.5%, 10.2% and 15.25% in the zero-minimum column ($100,000 of income) and at 48%, 34.3% and 24% in the positive-minimum column (top bracket). OAS recovery tax can change the result and should be modelled separately where either the accelerated withdrawal or the future withdrawal falls in the OAS clawback range; the next subsection does so for Alberta. The timelines are Alberta-specific. In our modelling of the other provinces and territories outside Quebec, from $60,000 of income, the zero-minimum cost runs from about nil to about 7 cents a dollar (Manitoba and Ontario, setting aside a narrow step in Ontario's health premium), and the timelines shorten where it is higher. Holding the regular provincial rate fixed, a higher provincial AMT multiplier lowers the cash cost of manufacturing recovery, because more provincial credit comes back per federal dollar recovered; a higher regular provincial rate raises it. Where the regular provincial rate is low relative to the multiplier times the federal rate, the zero-minimum cost can reach zero or dip slightly below, until the provincial credit uses up the year's provincial tax. Quebec requires separate modelling under its parallel regime.

How the table is built. Each timeline weighs a dollar left in the plan, taxed at the later rate when it comes out, against the same dollar withdrawn now and invested outside the plan, taxed the way Random's first issue, *Optimal RESP Funding* (September 2026), taxed it: each return arrives as the income its portfolio would produce (mostly interest at 4%, mostly capital gains at 7% and above), and 10% of the unrealized gain is realized each year. The zero-minimum column taxes that income at the rates of an Albertan with $100,000 of income, the positive-minimum column at the top bracket. The return barely moves the timelines; the bracket moves them a lot. At a 25% later rate, the zero-minimum timeline is about 23 to 25 years at $100,000 of income but about 13 to 15 at the top bracket.

Once the minimum amount is positive, recovery still comes out ahead for a taxpayer whose RRIF would otherwise be taxed at 48% on death, as long as that is expected within about 14 to 16 years. A taxpayer whose future withdrawals sit near 30% should not accelerate into positive-minimum income at all: about 31% now is not a discount on 30% later. While the minimum amount remains zero, the answer flips. At a cash cost of a few cents per dollar, accelerating enough ordinary income to use the residual of a carryforward (the part natural recovery room will not absorb) before it expires is the better choice whenever the income would otherwise come out within the zero-minimum timelines above. Where the acceleration enters the OAS clawback range, the next subsection applies. Three rules fall out of the tables:

- Accelerate late, but not too late. The natural recovery room of the next several years recovers carryforward for free, so deliberate acceleration is only for the residual it will not absorb. Once the minimum amount is positive, decide on it only in the final two or three years of the window. While it remains zero, the risk is the window closing first: spread the recovery withdrawals across enough years to keep each year's income in the zero-minimum zone. For OAS recipients, spreading recovery is not automatically cheaper. Where a concentrated recovery year can move through the OAS clawback range and past the full-repayment point (where the whole year's OAS has been repaid: $155,320 of net income before adjustments in 2026 for a full pension begun at 65, at ages 65 to 74, and higher from 75) while the minimum amount remains zero, concentrating recovery can cost less than incurring partial OAS repayments across several years. Where the carryforward is too small to clear that range, the advantage may disappear, or reverse.
- Accelerate the cheapest income first. Income that was coming anyway costs the least to accelerate: bonus or income timing first, RRSP/RRIF withdrawals per the table above, holdco dividends grudgingly, and capital gains never once the minimum amount is positive, per the recovery-capacity chart earlier in this chapter. While it is still zero, a realized gain recovers at the same cash cost per credit dollar as ordinary income, but it opens only half the room per dollar and so reaches the zero-minimum limit twice as fast.
- Letting it expire is legitimate once the minimum amount is positive. At a cash cost near 31%, an expiring carryforward is a sunk cost and a wrecked deferral plan is a new one. While the minimum amount remains zero, expiry is the better outcome only when the income would otherwise stay in the plan longer than the zero-minimum timelines.

> *"An expiring carryforward is a sunk cost; a wrecked deferral plan is a new one."*

The same weighing of recovery against price runs the section 85 decision in Chapter IV from the other side: the provincial breakeven table there asks how *much* of the premium must be recovered; this section asks what recovery is *worth* when it has to be manufactured. A taxpayer who expects to recover less than the breakeven share (p*) there, or who is past the positive-minimum breakeven timeline here, is in the same position: holding a carryforward not worth chasing.

Recovering AMT in the OAS clawback range

The minimum-tax credit reduces income tax under Part I of the Income Tax Act. OAS recovery tax (the OAS clawback) is a separate tax under Part I.2, and the credit cannot offset it. That makes the OAS clawback range, for OAS recipients, a place in the zero-minimum zone where manufacturing recovery stops being cheap. Other income-tested benefits, such as the Canada Child Benefit and the GIS, work the same way and are not modelled here.

Once net income before adjustments (line 23400, before the OAS repayment is deducted) passes the recovery threshold ($95,323 for 2026), each extra dollar triggers 15 cents of OAS repayment. The repayment is deducted in computing net income, so 85 cents reaches taxable income. While the minimum amount is zero, the federal credit absorbs all of the federal tax on those 85 cents, and Alberta's 35% share of that credit offsets most of the Alberta tax on them. The 15 cents is pure cost.

NET INCOME BEFORE ADJUSTMENTS	CASH COST OF ACCELERATED INCOME
$61,200–$89,534	3.3%
$89,534–$95,323	2.1%
$95,323–$110,024	16.8%
$110,024–$120,878	17.4%
$120,878–$155,320	15.8%
$155,320–$163,259	0.9%
$163,259–$190,440	2.9%
$190,440–$194,111	1.7%
$194,111–$196,695	2.7%
$196,695–$255,812	30.6% (30.1%–31.6% higher up)

Alberta, 2026. Retiree aged 67 with OAS from 65 ($8,999.49 received in 2026, the maximum); income from OAS and RRIF withdrawals; federal and Alberta basic personal, age and pension income amounts; no preference items; a carryforward larger than the room opened, used before it would otherwise expire. Band edges are net income before the line 23500 deduction: Alberta's age amount is fully phased out at $89,534, below the recovery threshold; the federal age amount at $110,024; the 26% federal bracket starts at $120,878; OAS is fully repaid at $155,320; ATI reaches $181,440 at $190,440; Alberta's 13% bracket starts at $194,111; and the minimum amount turns positive at $196,695.

Inside the range, recovery costs about 16% to 17.5%, roughly half its cost once the minimum amount is positive. Accelerating beats waiting whenever the income would otherwise come out within the timelines below.

RATE THE LATER WITHDRAWAL WOULD FACE	ACCELERATE IF IT WOULD OTHERWISE COME OUT WITHIN
33.8% (below the range, $61,200–$89,534)	~17–21 years
36% (above full repayment)	~19–22 years
40.9% (in the range, 20.5% bracket)	~21–25 years
42.7% (in the range at $100,000, age amount phasing out)	~22–25 years
45.6% (in the range, 26% bracket)	~23–27 years
48% (terminal RRIF collapse)	~28–32 years

Each range covers the lowest and highest cash costs inside the range (15.8% and 17.4%) and returns from 4% to 8%, on the method of the table above. Money outside the plan is taxed at this retiree's own rates at the income of each row, including the OAS recovery tax where that income is in the range ($100,000 for the years before a terminal collapse). The later rates are the ones this profile faces: an OAS-receiving Albertan never meets a plain 30.5% rate, because the age-amount phase-outs or the clawback range apply at every income where it would arise.

The range also changes how recovery should be scheduled. The OAS repayment in any year is capped at that year's pension. Once a concentrated recovery year fully repays that year's OAS, additional income is no longer exposed to another 15% of OAS repayment in that year. That can make concentration cheaper than repeated partial repayments, but only where the recovery year actually clears the full-repayment point before the minimum amount becomes positive.

RESIDUAL CARRYFORWARD	PATTERN	ADDITIONAL WITHDRAWAL	FEDERAL CREDIT RECOVERED	CASH TAX	CASH TAX ÷ ADDITIONAL WITHDRAWAL
$20,000	One year	$88,287	$20,000	$9,797	11.1%
$20,000	Two years	$48,856 a year	$10,000 a year	$15,962	16.3%
$20,000	Three years	$33,773 a year	$6,667 a year	$16,810	16.6%
$30,000	Two years	$69,056 a year	$15,000 a year	$18,479	13.4%
$30,000	Three years	$48,856 a year	$10,000 a year	$23,943	16.3%
$10,000	One year	$48,856	$10,000	$7,981	16.3%
$10,000	Two years	$26,231 a year	$5,000 a year	$8,829	16.8%
$10,000	Three years	$18,103 a year	$3,333 a year	$9,262	17.1%

The retiree profile has $100,000 of net income before adjustments each year ($8,999.49 of OAS plus $91,000.51 of RRIF). The residual is federal carryforward the natural room will not absorb before it expires. The additional withdrawal is the amount that absorbs exactly that residual; cash tax is the total across all years and includes the OAS repayment. A residual above about $22,400 cannot be absorbed in one year while the minimum amount stays at zero; the equal splits shown are illustrative, and filling the first year to that limit instead costs about $2,200 less cash for the $30,000 residual. The patterns withdraw different totals: crediting the later tax avoided on those totals at 36%, 42.7% or 45.6% (rates this profile faces), undiscounted, the one-year pattern still wins for the $20,000 residual, by about $1,070 to $2,770, while for the $10,000 residual spreading wins, by about $450 to $1,200. The percentage is cash tax as a share of the additional RRIF withdrawal, not the measure of income required per $1 of federal minimum-tax credit recovered used earlier in this chapter.

Concentration makes sense only when the single year clears the full-repayment point. With a $10,000 residual, the one-year withdrawal stops short of full repayment: one year is still cheapest in cash, but spreading comes out ahead once the later tax avoided on the extra withdrawals is counted. Where a residual is too large for one year, fill the first year up to the point where the minimum amount would turn positive, and take the rest the following year. The practical approach for OAS recipients is to stay below the clawback range where that is practical. If entering it, test whether a concentrated year can move through it efficiently; where a single year cannot clear the full-repayment point, spreading costs about the same. Pension income splitting can move up to half of a spouse's eligible pension income (RRIF income qualifies only once the spouse transferring it is 65) onto the return that holds the carryforward, adding absorbing income without a new withdrawal, and it can reduce that spouse's own OAS repayment; the same arithmetic then applies to the receiving return. A concentrated year also raises the recovery tax withheld from the following July-to-June OAS payments; where the high-income year will not repeat, Form T1213(OAS) asks CRA to reduce that withholding.

On the other side of the decision, a later withdrawal that lands in the clawback range faces a marginal rate about 10 points higher, not 15, because the repayment is deductible. The increase is 15% × (1 – the combined regular marginal rate): 30.5% becomes 40.9%, and 36% becomes 45.6%.

VII AMT and charitable giving

No part of the 2024 overhaul generated more alarm per affected taxpayer than the treatment of charitable gifts, and no part of the final rules is more misunderstood. The alarm was justified when it started: the original proposals would have taxed large donors for giving. The rules that survived are different, and much gentler, but the planning community's mental model has not fully caught up. This chapter sets out when a gift is safe, when it is not, and what the routes around the remaining problem look like.

Why donors worried, and what survived

Budget 2023 (March 28, 2023) proposed two changes that, together, would have made AMT a serious cost of large-scale giving: the charitable donation tax credit would count at only 50% for AMT purposes, and 30% of the capital gain on donated publicly listed securities would enter adjusted taxable income, a gain that had been entirely exempt, at a 0% inclusion rate, since 2006. *Draft legislation followed on August 4, 2023*, confirming both. The charitable sector's response was sustained and specific: modelling showed the combination would impose six-figure AMT bills on seven-figure gifts, and the government omitted the AMT changes from its Fall 2023 implementation motion while it reconsidered. *Budget 2024* (April 16, 2024) delivered the compromise: the donation credit restored to 80% for AMT purposes, the 30% gain inclusion retained.

That history matters for one practical reason: the protection donors now rely on was won, not given. The 80% credit is the single feature that makes the analysis in the rest of this chapter come out benign, and it exists because the sector pushed back on a 50% figure that would not have been benign at all.

The mechanics in one place

The donation-relevant AMT adjustments are scattered across the Chapter II lists; gathered in one place, with the unchanged parameters that matter alongside them:

	REGULAR TAX	AMT
Gain on donated publicly listed securities	0% inclusion	30% inclusion
Charitable donation tax credit	Full credit (14% / 29% / 33% rate structure)	80% of the regular credit
Annual claim limit	75% of net income	75% of net income
Unused donations	Five-year carryforward	Five-year carryforward

REGULAR VS AMT: CHARITABLE DONATIONS · 2026

For the cash and publicly listed securities examples modelled here, the simplified annual claim limit is 75% of net income. Special donation-limit increases and cultural, ecological, death-year, and estate-gift rules are outside this simplified treatment. Donated flow-through shares are a variant of the 30% rule: under paragraph 127.52(1)(d.2), added retroactively by Bill C-15, the 30% AMT inclusion applies only to the part of the gain above the amount deemed a capital gain under subsection 40(12).

One scope note keeps the rest of this chapter simple: outside Quebec, the provincial AMT layer rides the federal trigger through the Chapter III multipliers. If federal AMT does not trigger, no provincial AMT arises either. Trigger analysis in this chapter is therefore province-independent, with Quebec (which runs the parallel regime described in Chapter III) flagged separately where its result diverges.

When a claimable gift (up to 75% of net income) does not trigger AMT on its own

Start with the result that disposes of most donor fear: in our 2026 modelling, for a donor whose income is salary or other ordinary income, with no large deductions that AMT limits, a gift that can be fully claimed in the year (up to 75% of net income) did not, on its own, trigger federal AMT, at any appreciation. Every claimed dollar lowers the minimum amount by more than its own inclusion raises it. Two facts combine. First, the 30% inclusion can never outrun the 80% credit: each claimed dollar lowers the minimum amount by at least 5 cents net, in every credit band, at any appreciation. A claimed dollar never pushes the minimum amount up. Second, each claimed dollar does narrow the gap between regular tax and the minimum amount, by roughly 5.8 to 12.75 cents (decomposed below). But on ordinary income, without such deductions, the 75% claim limit keeps the total narrowing from exceeding the gap: regular tax starts above the minimum amount by a margin the claim can shrink, sometimes to nothing, but never reverse. The result held at every point of the salary-by-gift grid used for this chapter's charts ($100,000, $200,000 and $300,000 of salary), and in a wider check from $20,000 to $5 million of salary, both assuming no deductions. Large interest and other carrying charges, which AMT only half allows, can break it. In our testing, at a $1 million salary, carrying charges of about half the salary were enough with cash, and about a third with fully appreciated shares. We found no such case below a salary of about $400,000. The result covers cash and the securities the donation exemption covers (paragraph 38(a.1)), which include listed shares and mutual fund units, subject to the flow-through variant noted above. It does not cover gifts of other appreciated capital property, such as private-company shares and real estate. For those, AMT counts the whole gain (regular tax counts half), so the arithmetic above does not carry over. In our testing they stayed clear of AMT within 75% of net income, but could trigger it where the claim used the extra limit for gifts of capital property (a further 25% of the taxable gain), so they need separate modelling. Gifts of ecologically sensitive land and certified cultural property are safer still: no part of the gain counts, for regular tax or for AMT.

It does not hold for a donor who lives mostly on dividends, because AMT ignores the dividend tax credit and the gap is much thinner. With no other income, a fully claimed gift of zero-cost shares can trigger federal AMT once eligible dividends pass about $400,000 or non-eligible dividends pass about $585,000, so owner-managers paid by dividend should model the gift. The table shows $750,000 of dividends and a fully claimed $540,000 gift of zero-cost shares.

	ELIGIBLE DIVIDENDS	NON-ELIGIBLE DIVIDENDS
Regular federal tax before the gift	$157,995	$178,640
Minimum amount before the gift	$115,517	$115,517
Gap	$42,478	$63,123
Regular federal tax after the gift	$0	$478
Minimum amount after the gift	$6,197	$6,197
Federal AMT	**$6,197**	**$5,719**

GIFT ON DIVIDEND INCOME: ELIGIBLE VS NON-ELIGIBLE · 2026

Federal only, 2026, dividends as the only income, basic personal amount only. The claim is within the 75% limit in both cases ($776,250 and $646,875).

> *"On its own, a gift is rarely the problem. The company it keeps is."*

The intuition has an ancestor. Jamie Golombek observed at Budget 2024 that with the credit restored to 80%, the arithmetic (80% × 33% = 26.4%, against the 20.5% AMT rate) meant significant gifts "*should no longer, on their own, attract any type of AMT consequences*." This section formalizes that claim, finds that, in our modelling of ordinary income, it survives the 30% inclusion at any level of appreciation, and, in the sections that follow, maps where the "on their own" qualifier matters.

Quebec does not diverge: in our modelling the same result held for ordinary income with no large deductions under the parallel regime, where each claimed dollar lowers the Quebec minimum amount by about 20.6 cents (80% of the top 25.75% donation credit rate) against a maximum 5.7-cent inclusion (the 19% AMT rate on the 30%), modelled per the Chapter III benchmark conventions, with Quebec's deduction-for-workers add-back unmodelled.

Does appreciation matter?

Donors and their advisors routinely assume the AMT cost of an in-kind gift turns on how appreciated the security is. It mostly doesn't, but appreciation does set the pace at which a gift uses up the year's protection against AMT. That protection is a dollar figure: the amount by which the year's regular tax exceeds its minimum amount. Every claimed dollar shrinks it, and erosion is the rate of the shrinking (how many cents of that gap one donated dollar consumes). It splits cleanly in two:

Erosion = 5.8¢ fixed + 6.15¢ × (gain ÷ FMV)

FMV is fair market value: what the shares are worth on the day the charity receives them. Gain ÷ FMV is the share of the gift's value that is gain. Where this chapter calls a gift 50% appreciated, it means the gain is half of the gift's value; the table's first column shows the same gift as a gain over cost.

The fixed term is the credit haircut (the 20% of the donation credit that AMT denies), and it applies to every donated dollar, *cash included*. Its size depends on the donation-credit band the claim absorbs: 5.8¢ (20% × 29%) for income below the $258,482 top-bracket threshold, 6.6¢ (20% × 33%) above it. The table shows both. Only the second term varies with appreciation, and it is bounded:

GAIN AS % OF COST BASE	GAIN ÷ FMV	EROSION, 29% BAND	EROSION, 33% BAND
Cash gift	0.00	5.80¢	6.60¢
25%	0.20	7.03¢	7.83¢
50%	0.33	7.85¢	8.65¢
75%	0.43	8.44¢	9.24¢
100%	0.50	8.88¢	9.68¢
200%	0.67	9.90¢	10.70¢
500%	0.83	10.93¢	11.73¢
Fully appreciated	1.00	11.95¢	12.75¢

EROSION PER DONATED DOLLAR · 2026

Three findings follow. First, at typical appreciation levels, the credit haircut, not the 30% inclusion, does most of the damage, and because the haircut applies identically to cash, the in-kind-specific penalty is smaller than it first appears. Second, the curve flattens quickly: moving from a security worth three times cost (the 200% row) to one worth six times cost (the 500% row) adds only about one cent of erosion per donated dollar. Third, even a very highly appreciated security still preserves roughly half of an equal cash gift's safe claim capacity (how large a donation claim the year can absorb before AMT starts).

> *"Even a fully appreciated security keeps half the safe-claim capacity of cash."*

The choice of which holding to give, then, stays simple, with one exception: the most-appreciated holding remains the default, because the regular-tax saving on the eliminated gain (at top rates, roughly 22 to 27 cents per gain dollar, permanent) dwarfs the AMT cost of roughly 8 to 11 cents, which can be recovered in a later year when regular tax exceeds the minimum amount, within seven years. The exception is narrow: close to the AMT boundary (mapped in the next section) in a designated recovery year, the choice of holding becomes a capacity dial (a way to adjust how large a claim the year can absorb), and a less-appreciated holding buys safe claim room at known cost.

The trigger frontier

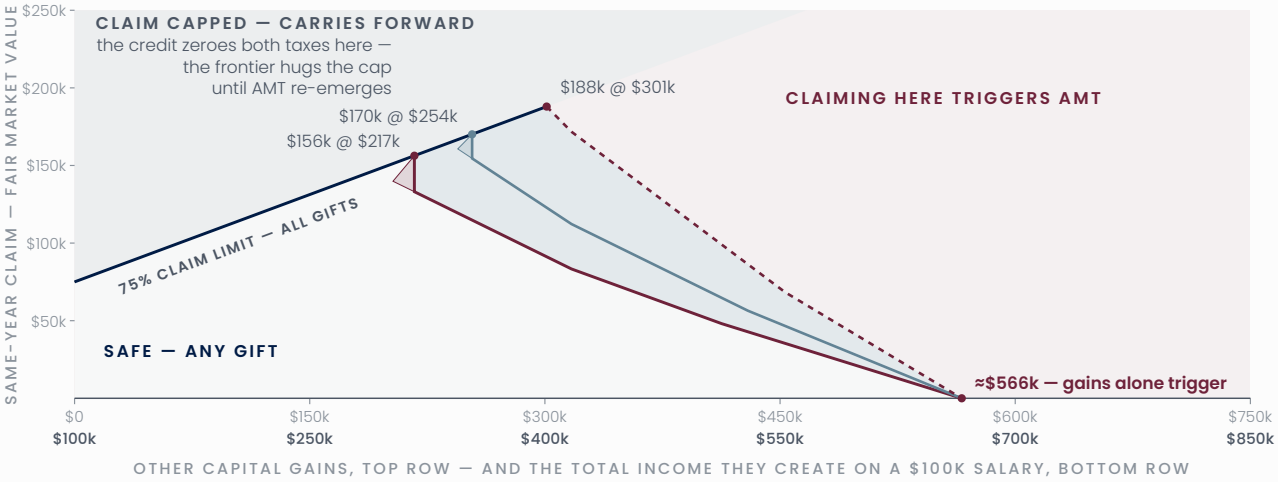
The "on their own" qualifier is the part that matters, with one distinction: the frontier (the point past which AMT starts) applies to the claim, not the gift. Two ceilings govern a donation year, and they are different in kind. The 75%-of-net-income claim limit caps what can be claimed *this* year; for a cash gift, the part above it is not an AMT event and simply carries forward, up to five years. Appreciated shares are different, as shown below. The AMT frontier is the boundary that costs money: the largest same-year claim that avoids federal AMT once the year's *other* capital gains are in the picture. The walk-through below draws both at a $100,000 salary, one frontier per gift type. The lines are computed point by point from the 2026 federal arithmetic, and each bend marks a real feature of the rules: a bracket boundary crossed, or a limit switching on.

HOW TO READ THIS CHART

Across: the year's other capital gains. Up: the size of the donation claim.
The rising straight line is the 75% claim limit. Anything above it cannot be claimed this year and carries forward.
Each of the three lines beneath it is the largest claim that avoids AMT for one kind of gift: cash, half-appreciated shares, fully appreciated shares. Under a gift's line, the claim is safe. Between that line and the claim limit, claiming triggers AMT.
Follow any line from left to right: it rises with the claim limit, peaks, then falls to zero as the gains grow.
One oddity at this salary: the fully appreciated line follows the claim limit further than you would expect, then drops straight down near $217,000 of gains. The paragraph after the figure explains why.

Donation walk-through, $100,000 salary

The largest same-year claim that avoids federal AMT, by gift type · $100,000 salary · federal, 2026



The donation trigger frontier, walked through (federal) · 2026

- **Cash**: no gain · erosion 5.8¢ per donated dollar.
- **In-kind, 50% appreciated**: gain = half of FMV (fair market value) · 8.9¢.
- **In-kind, fully appreciated**: zero cost base, gain = FMV · 11.95¢.
- **Claiming here triggers AMT**: above the dashed line even a fully-claimed cash gift prepays AMT; claiming only to the line and carrying the excess forward avoids it.
- **Claim capped**: the 75%-of-income limit applies; the excess carries forward up to five years. No AMT for cash, but the 30% inclusion follows the gift, so a large enough appreciated gift can still trigger it.
- **Depends on appreciation**: the shaded band between fully appreciated (solid red) and cash (dashed red); the blue line marks 50%. Place a gift by its gain ÷ FMV: erosion per donated dollar is 5.8¢ + 6.15¢ × gain ÷ FMV, decomposed above.
- **Safe for any gift**: regular tax holds at or above the minimum calculation; the credit lands in full that year.

Read the walk-through left to right. The rising edge is the claim limit: 37.5 cents of additional claim per dollar of gains (75% of the half-included gain), climbing from $75,000 at zero gains. For cash, points above it are not AMT territory; they are next year's claim. The three frontiers beneath it are AMT peeling each gift type off the cap in erosion order: the fully appreciated gift first (peak claim ≈ $156,000 at ≈ $217,000 of gains), the half-appreciated gift at ≈ $170,000 (≈ $254,000 of gains), cash last at ≈ $188,000 (≈ $301,000). That is the erosion ordering from the previous section. All three reach zero together at ≈ $566,000, where the gains alone trigger AMT.

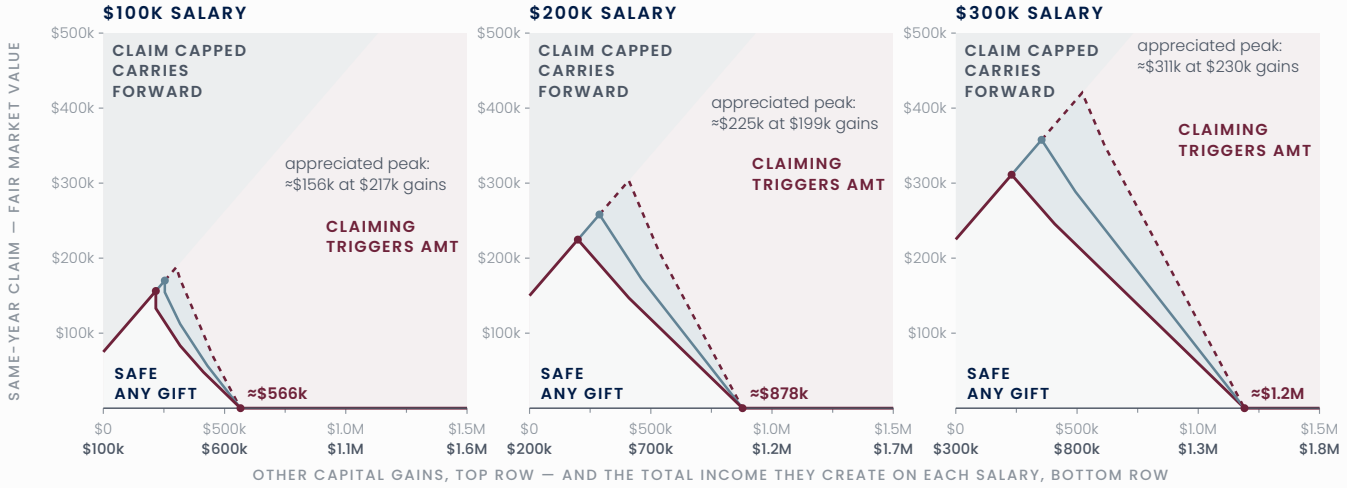
Keen readers will notice that the fully appreciated line hugs the claim limit longer than expected, then drops straight down at around $217,000 of gains. The explanation: near the cap at this salary, the donation credit zeroes *both* calculations (regular tax, and through the 80% AMT credit the minimum amount as well), so the frontier rides the claim limit past where the ordinary balance would stop it. Each further dollar of gains adds about 20.5 cents to the AMT side alone, and once the minimum amount turns positive again the frontier falls sharply to catch up. The effect fades as salary rises (a larger salary's tax bill is too big for the credit to zero), which is why it does not appear at the higher salaries in the next figure.

One wrinkle separates cash from appreciated shares, and it marks the boundary of the rule above. The 80% AMT credit attaches to the claim, the dollars actually deducted this year. The 30% AMT inclusion attaches to the gift: it lands in the year the shares change hands, whether or not the full amount is claimed. For cash the two can never separate: give $1,000,000, claim $150,000, and the unclaimed $850,000 simply waits its turn, with no AMT consequence at all. For appreciated shares they can separate: give $1,000,000 of stock and claim $150,000, and the AMT side still counts 30% of the full gain this year, while the credit covers only the claimed slice. Donate enough appreciated stock in a single year (more than the 75% limit allows to be claimed) and the unclaimed portion's inclusion arrives with no credit to absorb it. In our modelling of ordinary income, this is one way a gift by itself can trigger AMT: by donating more appreciated stock in one year than that year can claim. The cure is the sequencing this chapter keeps returning to: spread the donation itself across years, not just the claim.

The same picture, across three salaries:

The donation frontier, by salary

The largest same-year claim that avoids federal AMT: cash · 50% appreciated · fully appreciated, by salary · federal, 2026



The donation trigger frontier by salary and gift type (federal) · 2026

Lines and shading are as in the legend to the walk-through figure on the previous page.

The pattern holds at every salary; only the numbers move. Gains alone trigger AMT, and the safe same-year claim falls to zero, at ≈ $566,000 of gains on a $100,000 salary, at ≈ $878,000 on $200,000 (fully appreciated peak ≈ $225,000 of claim at $199,000 of gains), and at ≈ $1.2 million on $300,000 (≈ $311,000 at $230,000). The spacing between the lines shows one more thing: halving the gain does not move a gift halfway toward cash. Erosion runs 5.8¢ / 8.9¢ / 11.95¢ per donated dollar for cash / half / fully appreciated, so the 50% line sits only about a third of the way up the band.

One feature of the $100,000 walk-through needs a warning. Just before each appreciated line drops there is a small wedge, outlined on the chart, where claiming part of the limit triggers AMT although claiming all of it does not. For a fully appreciated gift with about $203,000 to $217,000 of other gains, a claim above about $133,000 but short of the full limit can trigger up to about $1,600 of AMT; for a half-appreciated gift, the wedge sits above about $154,000 of claim, at $244,000 to $254,000 of gains. There, claim the full limit or stay below those figures.

> **QUEBEC FRONTIER**
>
> Quebec's parallel regime draws the same curve lower. At a $200,000 salary with $500,000 of same-year gains, the safe claim is roughly **$63,000**, about half the comparable federal figure ($135,000, both for a gift whose gain is 75% of its value), and gains alone trigger Quebec AMT at roughly $600,000 at that salary, versus about $878,000 federally. Quebec donors should model both regimes; the Quebec limit is reached first. Same modelling caveats as the 91.83% benchmark (Quebec's minimum amount as a share of the federal one) in Chapter III.

The planning rule comes from the shape of the chart, not from any single number on it: don't realize the gains and claim the gift in the same year. The five-year donation carryforward exists so you don't have to: realize in one year, claim in a cleaner one, and the frontier stays out of play. For appreciated shares, give in the cleaner year too: the 30% inclusion lands when the shares change hands.

The sell-first trap

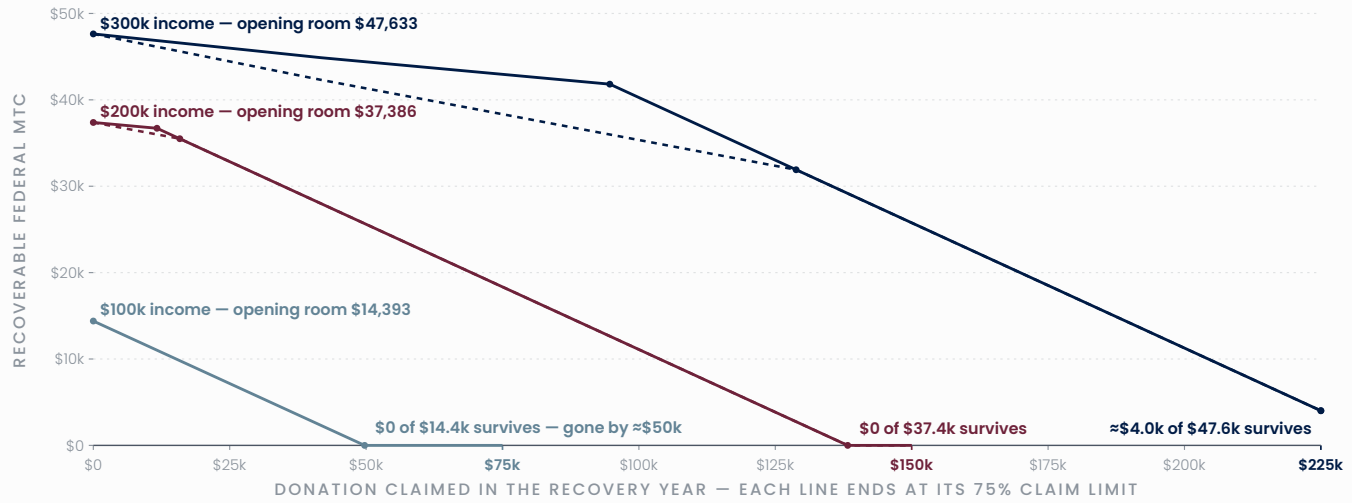
One reading of the frontier needs correcting before it costs someone money. Selling the securities and donating cash is technically gentler on the frontier per gain dollar (about 4 cents versus 6.15, because the sale's regular tax partly offsets its own AMT inclusion), but for listed shares the charity can take in kind, it does not make sense: in the cases we modelled, selling first never came out ahead once the extra carryforward it uses up is counted. The sale converts an exempt gain into a taxed one: at top rates, a permanent all-in cost of roughly 22% to 27% of the gain, paid to avoid an AMT cost that is smaller per dollar and can be recovered in a later year when regular tax exceeds the minimum amount, within seven years. Donors near the frontier should resize or resequence the gift, not strip its exemption.

Donations in a recovery year

A donation claimed in a year designated for minimum-tax-credit recovery can do double damage, and how much damage depends on the income underneath it. The chart below draws the same pair of lines (recoverable federal MTC against donation claimed, one line for cash and one for a fully appreciated in-kind gift) at three ordinary incomes: $100,000, $200,000, and $300,000. Each line ends at its own 75%-of-income claim limit, marked on the axis in its colour.

Donations in a recovery year: what remains, by income

Recoverable federal minimum-tax credit remaining, against the donation claimed: $100k · $200k · $300k ordinary income · cash vs fully-appreciated in-kind · federal, 2026



Donations in a recovery year, by income · 2026

Cash: erosion 5.8¢–6.6¢ of recovery room per dollar claimed while the minimum amount is above zero, ≈29¢ after.

In-kind, fully appreciated: 11.95¢–12.75¢, then the same ≈29¢.

Colour = ordinary income: $100k blue · $200k red · $300k navy.

Start with the navy $300,000 lines, the most forgiving of the three. While the AMT-side 80% credit is alive, erosion is gentle: about 6.6 cents of recovery room per cash dollar claimed, about 12.75 cents fully appreciated in-kind, easing to 5.8 and 11.95 cents once the claim passes about $42,000 and the 33% credit band is used up. But once cumulative credits drive the minimum amount to zero (near $95,000 of cash claimed, or about $129,000 in-kind), the AMT side has nothing left to give, every further claimed dollar reduces only regular tax, and erosion jumps to roughly 29 cents. From the in-kind line's $129,000 kink onward the two lines are one line: with no minimum amount left to tell them apart, cash and in-kind hold identical room. They reach the $225,000 claim limit together with about $4,000 remaining of the original $47,633.

Down the income scale, the gentle stretch shrinks and then disappears. It is a product of income, not a standing feature of the rules. At $200,000, the red lines, the shielded stretch is a sliver: the minimum amount is spent by roughly $12,000 of cash claimed, about $16,000 in-kind, and nothing survives a full claim. The opening $37,386 of room is gone by about $138,000, well short of the $150,000 limit. At $100,000, the blue line, there is no gentle stretch at all. Income sits below the $181,440 exemption, so the minimum amount is already zero and there is no 80% credit to shield the claim. Cash and in-kind coincide on a single line, and the $14,393 of room erodes at the full 29 cents from the first dollar, gone by about $50,000 of claim. Only the navy lines reach the right edge with anything left.

Defer the claim

The fix is sequencing, and the reason it works is in the statute: donation credits carry forward five years; minimum-tax carryforwards expire after seven. Where the carryforward needs that year's room and the claim can wait without losing value, a designated recovery year is the wrong year to claim a gift, at every income we modelled. At $300,000 it is merely the most survivable. Claim the donation in a year the MTC does not need, and spend the recovery year's regular tax on the carryforward that actually expires. The recurring donor faces, in federal terms, the same problem Chapter III flagged for Quebec: a large in-kind gift every year can hold regular tax at or near the minimum amount continuously, blocking MTC recovery in every year of the seven-year window. The mitigation is the same as Quebec's: structure at least one clean year inside the window, and let the donation carryforward do the smoothing.

Routes around the frontier

For the donor whose ambitions exceed the frontier, four routes go around it.

The corporate route. For an owner-manager whose appreciated securities already sit in a holding company, the corporation is often a better giving vehicle in its own right, because minimum tax does not reach corporations at all. An Alberta holdco donating securities worth $1,000,000 with a $200,000 cost base, against selling them and donating cash:

	DONATE IN-KIND	SELL, THEN DONATE CASH
Corporate tax on the gain (permanent)	$0	$64,000
RDTOH cycled	$0	$122,667
CDA created	$800,000	$400,000
Donation deduction (subject to corporate income limit and five-year carryforward)	$1,000,000	$1,000,000

CORPORATE IN-KIND VS SELL-AND-DONATE: $1M GIFT (ALBERTA HOLDCO) · 2026

The in-kind gift has two savings, the second only potential. The first is $64,000 of permanent corporate tax avoided. That figure assumes the refundable tax comes back through taxable dividends; until it does, selling first costs the full $186,667. The potential saving comes from the extra $400,000 of capital dividend account, because the 0% inclusion makes the *entire* gain the "non-taxable portion" that credits the CDA. That extra room is worth about $169,200 (Alberta's top non-eligible dividend rate, 42.31%) only where the corporation has other assets to pay out, the shareholder is at the top rate, and the capital dividend replaces a taxable dividend that would otherwise have been paid. Potential total: about $233,200 on a $1,000,000 gift, with zero AMT exposure at any size. Two caveats. The securities must already be corporately held: moving them in is a disposition (treated as a sale), or a section 85 rollover with its own GAAR question (Chapter IV). And the deduction needs corporate income to absorb it, within the corporation's own 75% limit and five-year carryforward.

Spousal allocation. Either spouse may claim a donation regardless of which one made it. Where one spouse carries the AMT exposure (the gains, the carryforward, the designated recovery year), the claim moves to the other, and the frontier moves with it.

Timing and bunching. The five-year carryforward turns one large gift into five potential claim years. A donor-advised fund helps in a different way. The receipt is issued when the shares go into the fund, so the donor can make one large in-kind gift in the year that suits the tax plan and choose the charities later.

Estate gifts. AMT is not charged on the year-of-death return under *s. 127.55*, which makes death the one time a gift faces no frontier. Properly allocated estate donations (gifts by will or by the estate) create no new AMT on the terminal return. Prior minimum-tax carryforwards are a separate matter. The minimum amount is still computed on that return, and a carryforward can be deducted only to the extent that regular tax, after the donation credit, exceeds that minimum amount. A large capital gain at death or a large donation claim can reduce that room to nil.

The donor checklist

Before the gift

- Model any year that combines a large gift with realized gains, with income taken mostly as dividends, or with large interest or other carrying charges, before committing. In our modelling of ordinary income with no large deductions that AMT limits, AMT came from the combination, not from a fully claimed gift alone.
- Check the spouse's AMT position before deciding who claims.
- Owner-managers above the frontier: model the corporate route before scaling the personal gift back.

Timing the claim

- Claiming a large gift in a designated recovery year is counterproductive when the carryforward needs that year's recovery room. If the donation can be claimed later without losing value, consider waiting. Donation credits carry five years; the minimum-tax credit dies at seven.
- Recurring large donors: structure at least one claim-free, trigger-free year inside any seven-year window holding a carryforward.
- Spread the donation itself, not just the claim: an in-kind gift larger than the year's claim room leaves the excess gain inclusion without a matching credit.

Composition

- The most-appreciated holding remains the default for in-kind gifts; near the frontier in a recovery year, the choice of holding becomes a capacity dial: a less-appreciated holding uses up less of the year's safe claim room.
- Don't sell listed shares first to "avoid AMT": at top rates, a permanent 22% to 27% cost on the gain to dodge a smaller one that can be recovered later.
- Quebec donors: model both regimes. The Quebec limit is reached first.

VIII Planning points

AMT 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 AMT before you...***
>
> - sell a business or claim the LCGE;
> - realize a large capital gain against losses or other shelters;
> - exercise a large stock option position;
> - donate securities in-kind in a year with gains;
> - invest heavily in flow-through shares;
> - approach a trust's 21-year anniversary;
> - run a fully allocating trust with sizeable investment-counsel fees.

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 amount past the exemption and above regular tax.
- For large non-LCGE gains, compare the direct route against a *s. 85* rollover (property moved into a corporation for shares, with the gain deferred). The corporate path can be better when less than the breakeven share of the AMT premium is likely to be recovered within seven years (about two-thirds in Alberta; 29% to 81% by province).
- 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.
- Outside Quebec, when the minimum amount remains zero, ordinary-income acceleration can recover an AMT carryforward at low cash cost (in our modelling, about 3 cents per dollar or less in Alberta and up to about 7 cents in some other provinces), so it makes sense to accelerate income to manufacture recovery for any part that would otherwise expire, as long as the income would otherwise have come out within the timelines in Chapter VI, which are worked for Alberta and shorten where the cost is higher; in Quebec the provincial side recovers only against a Quebec

carryforward. For OAS recipients the OAS clawback range is different, because OAS repayment sits outside the minimum-tax credit. Repeated partial repayments can cost more than a properly modelled concentrated recovery year, but concentration only helps where the withdrawal is large enough to pass the full-repayment point, where the whole year's OAS has been repaid, before the minimum amount turns positive.

- If an inter-provincial move is likely within seven years, coordinate timing: trigger in the province with the lower multiplier (its percentage of federal AMT) 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. After a move into Quebec, recovery of another province's minimum tax depends on the *IMP. 752.12-1/R1* concession: calculate the Quebec-equivalent amount and enter it on form TP-776.42 (line 49, per Revenu Québec's 2021 interpretation letter).

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 21-year deemed-disposition date early. That is the disposition that carries AMT exposure. Death-triggered dispositions in life-interest trusts are AMT-exempt under paragraph 127.55(e), but still warrant early *s. 107(2)* and allocation planning.

Charitable gifting

- The full treatment (when gifts are safe, when they are not, and the routes around the frontier) is Chapter VII, which closes with its own donor checklist. In our modelling, a gift the year can fully claim did not trigger AMT on its own for a donor on ordinary income without large deductions. Model the year around it.

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.
- A one-off AMT year raises CRA's no-calculation instalment reminders for the next year and front-loads the one after. If the trigger will not repeat, particularly where the carryforward will absorb much of next year's tax, consider the current-year option: it can reduce or remove instalments, but it carries instalment interest if the estimate proves too low.
- For any planned move to or from Quebec, model both the provincial-matrix effect and the cushion/dilution from the federal abatement (the 16.5% reduction of federal tax for Quebec residents) 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 AMT premium now is still the lowest-cost path or whether restructuring is warranted.

§

Sources and references

Note on author-derived analysis and figure currency: This document contains several author-derived analyses released in this issue, including the Inter-Provincial AMT Recovery Matrix, the Quebec gross-minimum benchmark of 91.83%, the Ontario surtax–AMT interaction analysis (24.63%–38.42% effective range), the AMT Recovery Cost Framework, the Recovery Capacity Chart, the Breakeven Timeline Recovery Framework, the OAS clawback-range analysis, the Section 85 Provincial Breakeven Table, the Donation Trigger Frontier, the gift-alone result (ordinary income, 2026 modelling), and the Erosion Decomposition (5.8¢ + 6.15¢ × gain/FMV). Figures in this issue fall into three buckets: (a) figures published or statutorily determined for 2026: the federal parameters, British Columbia's 40% minimum-tax rate, PEI's 20% top bracket, and Newfoundland and Labrador's 62.1% (Income Tax Act, 2000, ss. 5 and 30); (b) 2025 Form 428 multipliers carried forward provisionally for 2026 (the remaining provincial rows); and (c) the author-derived analyses listed above. These syntheses are derived from the primary sources listed below; the sources themselves do not publish these figures directly.

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Arianne Charette's 2026 study of the 2024 amendments' effect on Quebec trusts prompted the Quebec trust cross-check reflected in Chapters III and V.

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- *s. 108(4)* (payment of income tax out of trust property does not disqualify spousal, joint partner, or alter ego trust status);
- *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);
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