

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

ALTERNATIVE MINIMUM TAX CHANGES

Preston Brashers, Research Fellow
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**ADVANCING AMERICAN
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TOPLINE: The One Big Beautiful Bill (OB BB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) changes to the alternative minimum tax (AMT) (with modest changes), greatly reducing the reach of what is, in effect, a second income tax system.

BACKGROUND: The AMT is a parallel tax system to the regular income tax. Taxpayers must pay the AMT if it would result in a higher tax liability than their standard income tax calculation. The AMT allows a large exemption but fewer deductions than the regular tax system. The AMT has only two tax rates: 26% and 28%, compared to seven for the regular tax system, ranging from 10% to 37%. Once the AMT phases in, it's designed to be a flatter tax system with a broader base than the regular income tax.

TCJA increased the AMT exemption from [\\$54,300/\\$84,500](#) (single/married joint filers) to [\\$70,300/\\$109,400](#) between 2017 and 2018. With inflation adjustments, the exemption had risen to [\\$88,100/\\$137,000](#) as of 2025. TCJA also pushed the exemption phase-out into much higher incomes. The AMT exemption phase-out began at an alternative minimum taxable income (AMTI) of [\\$120,700/\\$160,900](#) in 2017, but was [\\$626,350/\\$1,252,700](#) as of 2025. The exemption phased out at a rate of 25%.

What OB BB Did:

- Largely preserved TCJA's changes to the AMT and made them permanent.
- Set the AMT exemption amount at [\\$90,100/\\$140,200](#) for 2026 and set the phase-out to begin at [\\$500,000/\\$1 million](#).
- [Increased](#) the exemption phase-out rate from 25% to 50%.

Why It Matters?

- Americans could have faced a [\\$1.4 trillion](#) tax hike (2026-34) from AMT changes.
- If Congress hadn't acted, the number of Americans paying AMT would have [jumped](#) from about 300,000 in 2025 to about 7.3 million in 2026.
- Forcing Americans to calculate their taxes in two different ways and making them pay the higher of the two is an unnecessary burden on their time and resources.

Where Can I Find the Changes? OB BB Section [70107](#); [26 U.S.C. § 55\(d\)](#)

BOTTOMLINE: The federal income tax could be designed much like the AMT, and it could be a better system. The AMT has a lower top-tax rate and fewer carveouts than the regular income tax, making it simpler and less distortionary. But in conjunction with the regular income tax, the AMT introduces complications and distortions. Congress was right to save millions of Americans from the burden of calculating taxes twice.

