



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

August 13, 2012

Mr. Thomas A. Barthold
Chief of Staff
Joint Committee on Taxation
Washington, D.C. 20515

Dear Mr. Barthold:

I am responding to your letter dated August 8, 2012, in which you requested a complexity analysis related to the Family and Business Tax Cut Certainty Act of 2012.

Enclosed are the combined comments of the Internal Revenue Service and the Treasury Department for inclusion in the complexity analysis in the Senate Committee on Finance Report on the Family and Business Tax Cut Certainty Act of 2012. Please note that for the purposes of this complexity analysis, IRS staff assumed timely enactment of this legislation. If legislation extending the "patch" to the Alternative Minimum Tax (including associated credit ordering rules) is not enacted before the end of the year, there would be a significant amount of complexity for IRS and for taxpayers that is not addressed in this response.

Our comments are based on the description of the provision provided in your letter. The analysis does not include administrative cost estimates for the changes that would be required. Due to the short turnaround time, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provision. The analysis does not cover any other provisions of the bill.

Sincerely,

A handwritten signature in black ink that reads "Douglas H. Shulman".

Douglas H. Shulman

Enclosure

COMPLEXITY ANALYSIS OF THE COMMITTEE REPORT ON THE FAMILY AND BUSINESS TAX CUT CERTAINTY ACT OF 2012

Increase AMT Exemption Amount and Allow Personal Credits Against AMT

Under present law, for taxable years beginning after 2011, the individual alternative minimum tax exemption amounts are \$45,000, in the case of married individuals filing a joint return and surviving spouses; \$33,750, in the case of other unmarried individuals; and \$22,500, in the case of married individuals filing separate returns.

The provision increases the individual AMT exemption amount for taxable years beginning in 2012 and 2013. For 2012, the exemption amount would be \$78,750, in the case of married individuals filing a joint return and surviving spouses; \$50,600 in the case of other unmarried individuals; and (3) \$39,375 in the case of married individuals filing separate returns. For 2013, the exemption amount would be \$79,850, in the case of married individuals filing a joint return and surviving spouses; \$51,150 in the case of other unmarried individuals; and (3) \$39,925 in the case of married individuals filing separate returns.

The provision allows an individual to offset the entire regular tax liability and alternative minimum tax liability by the nonrefundable personal credits for taxable years beginning in 2012 and 2013.

The provision is effective for taxable years beginning after December 31, 2011.

IRS and Treasury Comments:

- The provisions to increase the AMT exemptions and to permit most nonrefundable personal tax credits to be used against tentative AMT would reduce the number of taxpayers whose tax liability is affected under current law by the AMT for 2012 from 32.9 million to 4.4 million and for 2013 from 22.1 million to 0.9 million.
- No new tax forms would be required to implement the provision.
- The 2012 and 2013 Form 6251 would be revised to reflect the increased AMT exemption amounts. The 2012 and 2013 Form 8801 would be revised to reflect the 2012 and 2013 increased AMT exemption amounts. Publications 17 and 505 and the instructions for Forms 1040, 1040A, and 1040NR would be revised to reflect the increased AMT exemption amounts.
- The expiration of the increased 2012 and 2013 AMT exemption amounts would result in a reduction in these amounts for 2014. The reduced amounts would be reflected in the subsequent year's versions of the above-mentioned tax forms, instructions, and publications.
- Programming changes would be required to reflect the changes in the AMT exemption amounts for 2012, 2013, and 2014.