Name ______________________________

Cracking the Code: Understanding the Alternative Minimum Tax (AMT)

Multiple Choice Questions

1. Who does the Alternative Minimum Tax (AMT) primarily affect?

A) Low-income individuals

B) Individuals with higher incomes

C) Corporations of any size

D) People who don't pay any taxes

2. What is the purpose of the AMT?

A) To encourage tax evasion

B) To make sure everyone pays their fair share of taxes

C) To eliminate all tax deductions

D) To reduce taxes for high-income individuals

3. When might you be more likely to fall under the AMT?

A) If you have a low income

B) If you claim many deductions and credits

C) If you don't file your taxes on time

D) If you have no deductions at all

4. How does the AMT treat stock options?

A) It doesn't affect stock options at all.

B) It treats the difference between fair market value and exercise price as income.

C) It allows stock options to be completely tax-free.

D) It only applies to stock options for corporations.

5. What can trigger the AMT for some businesses?

A) Having a small business

B) Operating a nonprofit organization

C) Financial activities and accounting methods

D) Selling products online