Name ______________________________

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

Open-Ended Response Answer Key

1. The AMT exists to make sure that high-income individuals and certain corporations pay their fair share of taxes by preventing them from using too many deductions and credits to reduce their tax liability.
2. Answers may vary. Example: If your friend claims a lot of deductions, they might find that the AMT limits the number of deductions they can use, resulting in a higher tax liability.
3. Steps to minimize AMT tax liability can include consulting a tax professional, managing stock options strategically, and being mindful of deductions and credits that trigger the AMT.
4. Answers may vary. Some students may think it's fair because it prevents tax avoidance, while others may argue that it disproportionately affects certain taxpayers.