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IRS Data Reveal Some Congressional Districts Hit Harder by Alternative Minimum Tax (AMT) than Others

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As the 110th Congress convenes this month a key issue facing lawmakers is whether to reform—or possibly repeal—the Alternative Minimum Tax (AMT). Although the growing AMT has caused anxiety throughout Congress, not all lawmakers' congressional districts are equally affected. An analysis of recently released IRS data reveals that some congressional districts are much more heavily affected by AMT expansion than others—suggesting some federal lawmakers have a much stronger incentive to reform the AMT than others.

Background on the Growing AMT

The AMT was originally designed as a backstop for the federal income tax, and affected only a small number of wealthy taxpayers. But its reach has grown in recent years, and it has begun drawing in middle- and upper-middle income taxpayers as well. In 2000 just 1.3 million tax returns were subject to the AMT. If left unreformed, the Joint Committee on Taxation estimates the number of AMT returns will spike to 19 million in 2006, reaching a peak of 29 million in 2010—nearly 20 percent of all tax filers—before tapering off sharply.¹ As a result, reforming the AMT has become a key legislative priority for many Members of Congress.

Which Congressional Districts Are Most Affected?

Of the 435 congressional districts and the District of Columbia, Table 1 presents the 20 districts most heavily affected by the AMT in 2004, the most recent year available from the IRS.² The table presents the percentage of tax returns hit by the AMT, the average AMT tax liability for those returns,³ and the name and political affiliation of the Member of the House of Representatives who represents each district in Congress.

Congressional districts in New York, New Jersey and California dominate the list of areas most affected by the AMT. New York's 18th congressional district tops the list with 13.5 percent of all tax returns subject to the AMT. Overall, nine New York congressional districts appear in the top 20, while California and New Jersey each have four, and Connecticut, Illinois and Maryland each have one.

Currently, 13 of the 20 most affected congressional districts are represented by the Democratic Party, while seven are represented by the Republican Party. This balance tipped more in favor of the Democratic Party in the most recent congressional elections, as Sue Kelly (R) was unseated by John Hall (D) in the race for New York's 19th congressional district.

Table 1. Twenty Congressional Districts Most Heavily Affected by the AMT, 2004⁴

State	Congressional District	Member of Congress	Political Party	Percent of Tax Returns Subject to AMT	Rank	Additional AMT Tax Liability Per AMT Return
New York	18	Nita Lowey	Dem.	13.52%	1	\$5,585
New York	14	Carolyn Maloney	Dem.	12.36%	2	\$10,417
California	14	Anna Eshoo	Dem.	11.42%	3	\$7,951
California	30	Henry Waxman	Dem.	10.96%	4	\$7,240
New Jersey	11	Rodney Frelinghuysen	Rep.	10.62%	5	\$4,180
New York	8	Jerrold Nadler	Dem.	10.57%	6	\$7,354
Connecticut	4	Christopher Shays	Rep.	10.53%	7	\$5,235
New Jersey	5	Scott Garrett	Rep.	10.06%	8	\$4,113
New Jersey	7	Mike Ferguson	Rep.	9.69%	9	\$3,880
New York	2	Steve Israel	Dem.	9.25%	10	\$3,482
California	48	John Campbell	Rep.	9.22%	11	\$5,714
New York	3	Peter King	Rep.	9.22%	12	\$3,576
New Jersey	12	Rush Holt	Dem.	9.02%	13	\$3,818
New York	19	John Hall	Dem.	8.84%	14	\$3,813
New York	4	Carolyn McCarthy	Dem.	8.59%	15	\$3,569
Maryland	8	Chris Van Hollen	Dem.	8.31%	16	\$4,248
New York	5	Gary Ackerman	Dem.	7.61%	17	\$5,237
New York	1	Timothy Bishop	Dem.	7.56%	18	\$3,415
California	15	Michael Honda	Dem.	7.43%	19	\$4,386
Illinois	10	Mark Kirk	Rep.	7.19%	20	\$4,332

Source: Internal Revenue Service; Tax Foundation

[\[Click here for a full table of all 435 congressional districts.\]](#)

Table 2 presents the 20 congressional districts that are least affected by the AMT, as well as their elected congresspersons. Congressional districts in Alabama, Tennessee and Texas dominate the list of least affected areas. Texas's 29th congressional district is the nation's least affected district, with just 0.28 percent of all tax returns subject to the AMT. Overall, four districts in

Alabama, Tennessee and Texas appear in the bottom 20, while Arizona and Missouri have two districts, and Kentucky, Oklahoma, Mississippi and Florida each have one.

Twelve of the least affected districts are currently controlled by the Democratic Party, while eight are held by Republicans. Only one seat changed hands in the most recent elections, when William Jenkins (R) was replaced by David Davis (R) in Tennessee's 1st congressional district. Because both lawmakers are from the same party, the overall balance was left unchanged.

Table 2. Twenty Congressional Districts Least Affected by the AMT, 2004

State	Congressional District	Member of Congress	Political Party	Percent of Tax Returns Subject to AMT	Rank*	Additional AMT Tax Liability Per AMT Return
Missouri	4	Ike Skelton	Dem.	0.53%	417	\$3,075
Kentucky	5	Harold Rogers	Rep.	0.53%	418	\$3,421
Florida	3	Corrine Brown	Dem.	0.53%	419	\$3,913
Texas	13	Mac Thornberry	Rep.	0.52%	420	\$3,433
Arizona	4	Ed Pastor	Dem.	0.52%	421	\$4,047
Alabama	3	Mike Rogers	Rep.	0.50%	422	\$4,531
Alabama	2	Terry Everett	Rep.	0.49%	423	\$4,174
Tennessee	6	Bart Gordon	Dem.	0.49%	424	\$3,569
Texas	19	Randy Neugebauer	Rep.	0.48%	425	\$3,327
Mississippi	2	Bennie Thompson	Dem.	0.48%	426	\$2,924
Arizona	7	Raul Grijalva	Dem.	0.48%	427	\$2,896
Missouri	8	Jo Ann Emerson	Rep.	0.48%	428	\$3,115
Texas	20	Charles Gonzalez	Dem.	0.46%	429	\$3,963
Oklahoma	2	Dan Boren	Dem.	0.46%	430	\$3,344
Tennessee	1	David Davis	Rep.	0.43%	431	\$3,276
Alabama	7	Artur Davis	Dem.	0.41%	432	\$3,566
Alabama	4	Robert Aderholt	Rep.	0.40%	433	\$3,487
Tennessee	4	Lincoln Davis	Dem.	0.36%	434	\$3,552
Tennessee	8	John Tanner	Dem.	0.33%	435	\$3,259
Texas	29	Gene Green	Dem.	0.28%	436	\$2,213

* Rankings include the 435 congressional districts and the District of Columbia.

Source: Internal Revenue Service; Tax Foundation

[\[Click here for a full table of all 435 congressional districts.\]](#)

Factors Affecting the Pattern

The factors that push taxpayers into the AMT are more prevalent in some areas than others, so it is not surprising that some congressional districts are more heavily affected by the AMT.

What pushes taxpayers into the AMT? Because the AMT is a parallel tax code to the ordinary federal income tax, when filing tax returns each April taxpayers must calculate their liability under both systems and pay whichever amount is highest. As a result, anything that decreases ordinary income tax bills or increases AMT tax bills pushes more taxpayers into the AMT. Several factors help explain why some areas are hit harder than others:

Areas with High State and Local Taxes. The regular income tax allows taxpayers to deduct state and local taxes paid from their income when calculating federal tax bills. The AMT does not allow this deduction. As a result, state and local taxes lower taxpayers' regular income tax bills but not their AMT tax bills. And since taxpayers pay the higher of the two amounts, taxpayers living in congressional districts with high state and local taxes will be harder hit by the AMT.

Number of Children. The regular income tax allows a personal- and dependent-exemption deduction, which lowers ordinary tax bills for those with dependent children. The AMT does not allow these deductions, and requires that taxpayers add them back to taxable income. When these amounts are added back, taxpayers' AMT bills rise compared to regular tax bills, throwing them into the AMT. Congressional districts with more dependent children are therefore more likely to be affected by the AMT.

Areas with High Incomes. The AMT affects few taxpayers with very low or very high incomes. Of the taxpayers affected by the AMT in 2004, over 85 percent earned between \$100,000 and \$500,000. But according to Congressional Budget Office estimates, most growth in the number of returns affected by the AMT will be from taxpayers earning between \$50,000 and \$200,000 in coming years. As a result, urban congressional districts with relatively high incomes are much more likely to be affected by the AMT.

Use of Other Deductions and Exemptions. The AMT disallows many deductions and exemptions allowed by the regular income tax, including unreimbursed business expenses, certain medical and dental expenses and others. Congressional districts with taxpayers who use more of these types of deductions will therefore be more affected by the AMT.

Income Earned Outside of AGI. Under the AMT, taxpayers are taxed based on a broader definition of income than under the regular income tax. For example, income from incentive stock options is taxed by the AMT but not by regular income taxes. Since this income is taxed by the AMT, it increases AMT tax bills compared to regular income tax bills and pushes taxpayers into the AMT. Congressional districts with taxpayers earning income such as incentive stock options that does not appear in "adjusted gross income" as defined by the ordinary income tax are therefore more likely to be affected by the AMT.

[\[Click here for a full table of all 435 congressional districts.\]](#)

Footnotes

1 See Andrew Chamberlain and Patrick Fleenor, "Backgrounder on the Individual Alternative Minimum Tax (AMT)," *Tax Foundation Fiscal Fact* No. 26 (May 24, 2005).

2 All data are compiled from the IRS Statistics of Income's Zip Code Area tables for tax year 2004, available at <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96947,00.html>.

3 "AMT tax liability" is equal to the difference between a taxpayer's ordinary federal income tax liability and their actual tax liability under the AMT.

4 Figures are derived from ZIP-code-level tax data from the IRS. Because postal ZIP codes do not directly correspond to political boundaries, data in ZIP codes crossing multiple districts is allocated based on the percentage of households in each ZIP code appearing in a given congressional district. Overall, roughly 15 percent of ZIP codes cross at least one congressional district boundary.

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