
TMG IN THE NEWS

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Advising Advisors on the AMT

The Monitor Group's Cal Brown published in *Journal of Financial Planning*

Cal Brown, CFP® provides fellow financial planning professionals with a practical treatise of the Alternative Minimum Tax with his article, "The AMT: Pitfalls and Solutions" in February's issue of the *Journal of Financial Planning*. Brown points out the scope of the AMT -- originally created to target the wealthiest of taxpayers -- is growing quickly as it is now most often levied against those with annual incomes between \$150,000 and \$500,000. With 4.6 percent of taxpayers affected by the AMT, financial advisors need to become conversant with the details of this tax.

Why is the AMT application growing? Brown provides several explanations and discusses why the tax will certainly be amended in the future. For 2004 returns, "Advisors must be aware clients with modest incomes and large families may get hit by the AMT," warns Brown. The AMT's disallowance of common deductions such as dependent exemptions puts large families at risk. Brown is also concerned those who prepare their own returns may not be aware they owe AMT.

Calling it a "Stealth Tax" because it affects millions of unsuspecting middle class taxpayers, Brown lists other red flags on the tax return that should alert an advisor of a potential for AMT liability including: high state and local income taxes, home equity loans and lines of credit if not used for home improvement, large medical expenses, large miscellaneous itemized deductions, large capital gains, the bargain element of incentive stock options, municipal bond interest from private activity bonds, various tax credits, various tax shelters such as oil and gas depletion allowance, and business items such as accelerated depreciation.

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