What higher 2026 AMT risk may mean for your year-end tax planning

Tax law changes taking effect this year will increase alternative minimum tax (AMT) risk for some higher-income taxpayers. If you may be affected, consider the AMT before implementing income or deduction timing strategies. A move that would reduce your 2026 regular tax might provide little or no benefit under the AMT — or could trigger it.

Background and changes

The AMT is a separate federal income tax system that disallows some deductions and treats certain income items differently. You must pay the AMT if your AMT liability exceeds your regular tax liability. The AMT rates are 26% or 28% (versus regular rates ranging from 10% to 37%), but the AMT applies to a larger taxable income base.

An AMT exemption may apply when calculating your AMT income. For 2026, the exemption amount is $90,100 ($140,200 for married couples filing jointly, half that for married taxpayers filing separate returns).

But at higher income levels, the AMT exemption phases out, increasing the odds that you'll owe the AMT. For 2026, the exemption phaseout threshold has been reduced to $500,000 ($1 million for married couples filing jointly). For 2025, the exemption began to phase out when AMT income exceeded $626,350 ($1,252,700 for joint filers). In addition, the exemption phases out twice as fast for 2026 as it did for 2025.

As a result of these changes, more taxpayers may owe the AMT — or owe *more* AMT — for 2026.

Common triggers

Numerous factors can affect whether AMT liability will exceed regular tax liability and cause you to have to pay the AMT. Here are some of the more common AMT triggers:

- High income that causes your AMT exemption to be partially or completely phased out,
- Large state and local tax (SALT) deductions because you can't deduct SALT expenses under the AMT rules,
- Incentive stock option (ISO) exercises because when you exercise an ISO and hold the shares beyond year end, the bargain element (the difference between the shares' market value on the exercise date and your exercise price) generally isn't income under the regular tax rules but is included as income under the AMT rules, and
- Interest from certain private activity municipal bonds that's tax-free for regular tax purposes but taxable under the AMT rules.

If you're self-employed, own a pass-through business or invest in a business or a rental real estate activity that's passive to you, other potential triggers may be accelerated depreciation or passive activity adjustments that can produce different results under the regular and AMT systems.

Impact on timing strategies

Often, deferring income to the next year and, if you itemize deductions, accelerating deductible expenses into the current year is a good idea. Why? Because it will defer tax, which is usually beneficial. But in some cases, such actions could have a negative impact because of the AMT.

So, if you're at AMT risk this year or next, it's important to first project your regular tax and AMT liability for both 2026 and 2027. This can help you determine whether you can time income or expenses to avoid the AMT, reduce its impact or benefit from its lower maximum rate. The appropriate strategy depends on which tax system is expected to apply to each year:

If you could be subject to the AMT *this* year, consider accelerating income and short-term capital gains into 2026, which may allow you to benefit from the lower maximum AMT rate. Also consider deferring expenses you can't deduct for AMT purposes until

2027 — you may be able to preserve those deductions (but watch out for the annual limit on the SALT deduction).

Additionally, if you defer expenses you *can* deduct for AMT purposes to next year, the deductions may become more valuable because of the higher maximum regular tax rate. Finally, carefully consider the tax consequences of exercising ISOs.

If you could be subject to the AMT *next* year, consider taking the opposite approach. For instance, defer income to 2027, because you'll likely pay a relatively lower AMT rate. Also, before year end, consider selling any private activity municipal bonds whose interest could be subject to the AMT.

In either situation, if you could be affected by the differing tax treatment of depreciation or passive activities, be sure to factor that into your planning as well.

Run the numbers

Because of potentially higher AMT risk in 2026, year-end tax planning decisions warrant a review with the AMT in mind, even if you haven't owed the AMT in recent years. A move that would reduce your regular tax might provide little or no benefit under the AMT — or could trigger it. Before acting, determine whether you may owe the AMT for 2026 or 2027 and how the move would affect both calculations. We can help project your regular tax and AMT liability for both years and the potential impact of timing strategies.