Testimony of Lawrence Zelenak,
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Thank you, Mr. Chairman, for the opportunity to testify today. I will first address the question of marriage penalty tax relief, and after that I will discuss possibilities for reforming the alternative minimum tax.

MARRIAGE PENALTY RELIEF

The income tax imposes a marriage penalty whenever a husband and wife are required to pay more tax than they would be required to pay if they were not married. Under current law, many two-earner couples pay substantially more federal income tax than they would in the absence of a marriage license. Despite occasional claims to the contrary, the existence of marriage penalties is not due to legislative perversity or ineptitude. Rather, marriage penalties are an unfortunate by-product of the pursuit of other policy goals. Given the basic policy decisions to have (1) a progressive tax rate structure, and (2) joint returns for married taxpayers, it is inevitable that there will be marriage penalties, marriage bonuses, or both.

A simple example illustrates the problem. Imagine a tax system which imposes two rates of tax on unmarried individuals: a 10% tax rate on the first $40,000 of income, and a 30% tax rate on all income above $40,000. The following table indicates how this rate schedule would apply to four unmarried taxpayers.

UNMARRIED TAXPAYERS, 10% RATE ON FIRST $40,000 OF INCOME, 30% RATE ON ALL INCOME ABOVE $40,000

Taxpayer	**Income**	**Tax Liability**
Andy	$80,000	$16,000[1]
Betty	$0	$0
Carl	$40,000	$4,000[2]
Donna	$40,000	$4,000

Now suppose Andy and Betty get married, as do Carl and Donna. If their incomes remain unchanged, each couple will, of course, have

[1] This results from a 10% tax imposed on Andy’s first $40,000 of income ($4,000 tax), and a 30% tax imposed on the remaining $40,000 of income ($12,000 tax).

[2] This results from a 10% tax imposed on $40,000 of income.

$80,000 of combined spousal income. Our commitment to joint returns means two couples with the same combined income should have the same tax liability. But since the combined unmarried tax liabilities of Andy and Betty ($16,000) were higher than the combined unmarried tax liabilities of Carl and Donna ($8,000), equal tax liabilities for the two married couples can be achieved only if marriage changes the tax liabilities of one or both couples. In general terms, there are three possibilities:

> 1. Make the joint return tax rate schedule identical to the unmarried taxpayer tax rate schedule, with the 10% bracket covering only the first $40,000 of income. Under this approach, marriage would have no effect on the combined tax liabilities of Andy and Betty, but there would be a very large marriage penalty of $8,000 ($16,000 married liability minus $8,000 combined unmarried liabilities) on Carl and Donna.
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> 2. At the other extreme, make the 10% bracket for joint returns twice the size of the 10% bracket for unmarried taxpayers. With a 10% bracket of $80,000, marriage would have no effect on the combined tax liabilities of Carl and Donna, but there would be an $8,000 marriage *bonus* ($16,000 unmarried liability minus $8,000 married liability) for Andy and Betty.
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> 3. A compromise approach would be to make the joint return 10% bracket larger than the unmarried taxpayer 10% bracket, but less than twice as large. Suppose, for example, the joint return 10% bracket covers the first $60,000 of income. Then each couple, when married, would owe tax of $12,000.[3] Andy and Betty would then enjoy a marriage bonus of $4,000, and Carl and Donna would suffer a marriage penalty of $4,000.

Couple	**Combined Unmarried Tax Liabilities**	**Marriage Bonus or Penalty with $40,000 10% Bracket for Joint Returns**	**Marriage Bonus or Penalty with $80,000 10% Bracket for Joint Returns**	**Marriage Bonus or Penalty with $60,000 10% Bracket for Joint Returns**
Andy-Betty	$16,000	zero	$8,000 bonus	$4,000 bonus

[3]This is the sum of a 10% tax on the first $60,000 ($6,000), and a 30% tax on the remaining $20,000 ($6,000).

Carl-Donna	$8,000	$8,000 penalty	zero	$4,000 penalty

In general terms, current law follows the third approach, thus producing both marriage penalties (for two-earner couples with relatively equal incomes) and marriage bonuses (for one-earner couples and two-earner couples with very unequal incomes).[4] The break-even division of spousal income varies somewhat by income levels, but it is generally somewhere between 80%-20% and 70%-30%. In other words, a married couple with an income division more unequal than 80%-20% will almost always enjoy a marriage bonus, and a married couple with an income division more nearly equal than 70%-30% will almost always suffer a marriage penalty.

Six Possible Approaches to Marriage Penalty Relief

1. Providing Married Taxpayers with Rate Brackets Twice as Wide as the Brackets for Unmarried Taxpayers, and a Standard Deduction Twice as Large. This approach is currently embodied in S. 11 (Sen. Hutchison). This is the second of the three approaches noted above. It would eliminate all marriage penalties attributable to the basic tax rate structure, and to the standard deduction. Despite this major attraction, it is subject to several possible objections:

1. It is not narrowly targeted at elimination of marriage penalties; it will also create new marriage bonuses and increase the size of existing marriage bonuses. In 1997, the Congressional Budget Office estimated that slightly more than half (51%) of the revenue loss from this approach would benefit couples already enjoying marriage bonuses under current law.[5] In this connection, note that every marriage bonus can be viewed as the flip side of a penalty imposed on unmarried taxpayers. In terms of the hypothetical tax

[4]The rate structure in the Administration’s tax reform proposal, as embodied in H.R. 3, also generally follows the third approach, thus producing both marriage penalties and bonuses. However, the relationship of the unmarried and joint return 10% rate brackets in H.R. 3 produces only marriage bonuses, and the relationship of the unmarried and joint return 25% brackets is tilted in the direction of producing mostly marriage penalties (the unmarried 25% bracket ends at $156,300; the joint return 25% bracket ends at the only slightly higher level of $190,030).

[5]Congressional Budget Office, For Better or Worse: Marriage and the Federal Income Tax (1997).

system described above, a single taxpayer earning $80,000 and paying $16,000 tax might feel heavily penalized if a married co-worker also earning $80,000, but with a non-earning spouse, paid tax of only $8,000.

2. The distribution of the tax relief from this approach tends to be skewed in favor of higher-income couples. The 1997 CBO study estimated that 87% of the tax savings from this approach would be realized by couples with incomes above $50,000.[6]

3. This approach is surprisingly far from a complete fix to the marriage penalty problem. In fact, the CBO study estimated that it would eliminate less than half (44%) of all income tax marriage penalties. This is because there are three sources of marriage penalties this approach does not address: (a) Marriage penalties in the earned income tax credit, which can be large in absolute dollar amounts (penalties of several thousand dollars are possible), and especially large as a percentage of income; (b) marriage penalties created by the design of the phase-outs or phase-downs of various tax benefits, such as personal exemptions, the child tax credit, and itemized deductions; and (c) marriage penalties created by the special rate schedule and standard deduction provided for heads of households. To understand the problem created by the head of household provisions, consider the actual standard deduction amounts for 2001: $7,600 for a joint return, $4,550 for most unmarried taxpayers, but $6,650 for heads of households. If the joint return standard deduction were increased to $4,550 x 2 = $9,100, that would eliminate standard deduction marriage penalties for couples without dependent children. A couple with children, however, could obtain a divorce, continue to live together, and file one unmarried return ($4,550 standard deduction) and one head of household return ($6,550 standard deduction), for combined standard deductions of $11,200. Merely increasing the standard deduction to $9,100 will not eliminate standard deduction marriage penalties for such couples. Similarly, the head of household tax rate schedule creates marriage penalties which would not be eliminated merely by making the joint return brackets

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[6]This is not solely a matter of marriage penalty relief primarily benefitting higher-income couples because higher-income couples are the major victims of the marriage penalty. The same CBO study estimated that couples with incomes above $50,000 suffered 64% (not 87%) of the total dollar amount of marriage penalties.

twice the size of the brackets for unmarried taxpayers.

2. Smaller-Scale Versions of the Same Approach. Various smaller-scale versions of the above approach are possible. For example, it would be possible to give taxpayers filing joint returns twice the standard deduction available to unmarried taxpayers, without also enlarging their tax rate brackets. (This is the major marriage penalty relief provision in the current Democratic proposal.) Obviously, this would eliminate only a small percentage of all marriage penalties, but the benefit would be significant for some moderate income couples. For example, increasing the married standard deduction by $1,500 would reduce by $225 the tax liability of a married couple with a 15% marginal tax rate. In addition to its inherently limited nature, it can be criticized for increasing existing standard deduction marriage bonuses for one-earner couples, and for not providing complete standard deduction marriage penalty relief vis-a-vis the head of household standard deduction.

An interesting feature of the standard deduction approach is that it is strongly targeted to low-middle and middle-middle income taxpayers, despite the lack of any explicit phase-out of the benefit of the standard deduction. This is because the vast majority of taxpayers at higher income levels itemize their deductions, thus making the standard deduction irrelevant to them.

A variation on the standard deduction approach, once proposed by the Clinton administration, would be to limit standard deduction marriage penalty relief to two-earner couples, by making the increased exemption amount available only against the income of the lower-earning spouse. If the increased exemption amount is $1,500, for example, this has the same effect as a tax exemption for the first $1,500 of earnings of the lower-earning spouse.

Another variation, which has received considerable legislative attention in the past few years, would be to make the joint return standard deduction and bottom rate bracket twice as large as the corresponding amounts for unmarried taxpayers, but not to provide equivalent relief in the higher brackets. Although standard deduction relief does nothing for those higher-income, two-earner couples who do not claim the standard deduction (the vast majority), even the highest income couples benefit from the expansion of the lowest rate bracket. While expansion of the lowest bracket benefits high income couples as much as anyone in terms of absolute dollar amounts, as a percentage of total tax liability the benefit falls (and eventually becomes almost trivial) as income increases. Compared with the alternatives of standard deduction relief only (with no benefit for most upper income taxpayers) and increasing the size of all joint return rate brackets (with almost 90% of the tax savings going to couples with incomes above $50,000), this limited relief for affluent couples may be an attractive compromise.

3. Optional Separate Filing. Under this approach (which was embodied in S. 1429, passed by the Senate in 1999), a married couple could file a joint return or two separate returns as if they were unmarried, depending on which choice resulted in the lower combined tax liability. Although this approach, if pushed to its logical extreme, could eliminate all tax marriage penalties, the actual bills following this approach did not go that far. First, they provided that credits would continue to be determined on a joint return basis, even for spouses otherwise filing separately; thus, EITC marriage penalties would not be eliminated. Second, they did not permit either spouse to file as a head of household, even if that filing status would have been available after a divorce.

The great attraction of this approach is its precision in attacking marriage penalties without increasing existing marriage bonuses or creating new ones. Couples already enjoying marriage bonuses will, of course, elect to continue filing joint returns. Thus their liabilities would be unaffected.

There are two major objections to this approach. The first is complexity. Many couples will have to prepare three tentative returns in order to determine which filing strategy results in the lower tax burden. Also, there will be some inevitable complexity in allocating items of income and deduction between spouses who elect to file separately. The second objection is philosophical incoherence. The standard justification for joint returns is that married couples function as economic units. Under that view, two couples with equal incomes should pay equal taxes, regardless of how the earning of the incomes is distributed between the spouses in each marriage. Optional filing will result in equal tax on the two couples *if* both couples file joint returns. But if either couple (or both) files separate returns, the two couples generally would have different liabilities. Hence the philosophical incoherence. The purpose of joint filing is to impose equal tax on equal income couples, and optional joint filing defeats that purpose.

4. A Two-Earner Deduction. From 1981 to 1986, a two-earner couple was allowed a deduction of 10% of the earned income of the lower-earner spouse, with a maximum deduction of $3,000 (based on earned income of $30,000 or more). The Administration has proposed the restoration of this deduction. Although the benefit of the deduction would, of course, be limited to two-earner couples, it would not be perfectly targeted to victims of the marriage penalty. The 1997 CBO study estimated that 20% of the revenue loss from this approach would result from the creation of new marriage bonuses or the enlarging of existing bonuses. The CBO estimated the deduction would remove 32% of marriage penalties, with 82% of the benefits of the deduction going to couples with incomes above $50,000.

A possible objection to this approach is that it violates “couples neutrality,” by resulting in the imposition of a higher tax on (for example) a one-earner couple earning $60,000, than on a two-earner couple with each spouse earning $30,000. This might even be provocatively described as a homemaker penalty. Interestingly, however, I have been unable to find that any objections of this sort were made against the two-earner deduction in its previous incarnation. Perhaps the explanation is that even most one-earner couples perceived the deduction as accomplishing a sort of rough justice, in light of the extra non-deductible expenses of being a two-earner household.

It is worth noting that some tax commentators support the return of the two-earner deduction not so much for its impact on the marriage penalty, as for its effect in alleviating the work disincentive the joint return system imposes on the secondary earner in a marriage (usually the wife). If a homemaker decides to enter the paid labor force, even her first dollars of income will be taxed at relatively high rates, because her earnings are, in effect, stacked on top of the husband’s earnings (this is sometimes referred to as the stacking effect). In addition, the couple must spend money to replace her homemaking services, and on nondeductible work-related expenses (such as commuting and work clothes). Yet, except for a limited allowance for child care, the tax system makes no allowance for these expenses. Thus the couple will be taxed on more than the true net economic income from her job, and at relatively high rates. This may discourage the homemaker from taking the job. Restoration of the two-earner deduction would alleviate this problem.

5. EITC Marriage Penalty Relief. As a percentage of income, EITC marriage penalties tend to be much larger than marriage penalties from other sources. These penalties also fall on particularly vulnerable victims. It would be a shame, then, if Congress enacted marriage penalty relief without addressing the marriage penalties of the EITC. The bills that have been introduced over the past few years to reduce EITC marriage penalties all take the same basic approach: increasing by a few thousand dollars the joint return income threshold at which the phase-out begins, relative to the point at which the phase-out begins for unmarried taxpayers. This would not come close to eliminating EITC marriage penalties, but it is considerably better than doing nothing.

6. Marriage Penalties from Various Phase-Out Provisions. To the best of my knowledge, no bills have been introduced for the express purpose of eliminating or reducing the marriage penalties built into the phase-outs or phase-downs of the personal exemptions, the child tax credit, itemized deductions, and various other tax benefits. Although optional separate filing would automatically operate against these sources of marriage penalties, they would be unaffected by any of the other approaches I have described. Some of these penalties are structurally extremely severe. For example, the AGI threshold for the phase-down of itemized deductions under §68 is exactly the same for married and unmarried taxpayers. In terms of my original illustration, this would be the equivalent of giving both married and unmarried taxpayers the same $40,000 10% bracket. In the absence of optional separate filing, alleviating these marriage penalties is labor-intensive legislative work; each provision must be individually examined and amended. Nevertheless, this approach deserves serious consideration.

Conclusion

As I stated at the outset, we are faced with the problem of tax marriage penalties because of our commitments to progressive marginal rates and to joint returns. If either of those restraints is removed, the problem vanishes. There would be no marriage penalties, for example, under a truly flat tax. Be aware, however, that a flat rate above an exemption amount is really a progressive two-rate tax structure, and such a structure does not solve the marriage penalty problem. As for joint returns, it is worth noting that the commitment to joint returns dates back only to 1948, and that most other OECD countries do not have joint return systems. Requiring all taxpayers to file separate returns, regardless of marital status, would eliminate both marriage penalties and marriage bonuses, and would also eliminate the problem of wives being discouraged from entering the labor force by the stacking effect of joint returns. On the other hand, it could be viewed as imposing tax penalties on one-earner couples, and it would involve some difficult issues in allocating income and deduction items between spouses. Mandatory separate returns are probably too big a change to be on this year's tax agenda, but the idea merits serious legislative attention over the longer term.

REFORMING THE INDIVIDUAL ALTERNATIVE MINIMUM TAX

The individual alternative minimum tax (AMT) amounts to a shadow tax system, running alongside the regular tax. The base of the AMT is "alternative minimum taxable income" (AMTI), which is defined so as to disallow many exclusions and deductions which are allowed under the regular tax. After the allowance of a large exemption amount–in effect, a zero rate tax bracket–AMTI is subject to a moderate rate, semi-flat tax. The exemption amount is $45,000 for joint returns, and $33,750 for unmarried taxpayers.[7] The tax rate is 26% for the first $175,000 of income above the exemption amount, and 28% for all other income. Applying these tax rates to AMTI produces what the statute calls "tentative minimum tax." A taxpayer whose tentative minimum tax exceeds her regular tax liability must pay her regular tax and the amount by which her tentative minimum tax exceeds her regular tax liability. This is the equivalent, of course, of having to pay whichever tax is greater.

The classic AMT taxpayer, at which the tax was originally aimed, is someone with large amounts of investment tax preferences, such as ACRS deductions, incentive stock options, percentage depletion deductions in excess of basis, and tax-exempt interest income from private activity bonds. Although the tax continues to target such preference items, in recent years AMT demographics have started to change, and many of the victims of the AMT do not fit the classic profile of taxpayers with large amounts of economic income and heavy use of investment tax preferences. The increasing effect on moderate income taxpayers without investment tax preferences is explained partly by the fact that the regular tax brackets are indexed for inflation while the AMT brackets and exemption amounts are not, and partly by the fact that many of the differences between AMTI and regular taxable income do *not* relate to investment-type preferences, but to such plebeian tax breaks as employee business expenses (and other miscellaneous itemized deductions), the itemized deduction for state and local taxes, and personal and dependency exemptions. After 2001, nonrefundable personal credits–such as the child tax credit and the Hope scholarship and lifetime learning credits–will also disallowed under the AMT.

An example appended to this testimony shows how a couple with just $80,000 of gross income, four children, a home mortgage interest deduction, and a modest deduction for state and local taxes, could face a substantial AMT liability in 2002, unless the law is changed. This is not a high income couple, and they have only the most garden-variety regular tax deductions, yet the AMT has cost them over $2,000, and has increased their total tax liability by nearly 40%. Far from being pushed into the AMT because of sophisticated tax shelter investments, they have been pushed into the AMT by their *children*–or, more precisely, by the tax benefits for children (the personal exemptions and the child credits) which are allowed under the regular tax but disallowed under the AMT.[8]

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[7]The exemption is phased out, beginning at $150,000 AMTI for joint returns, and $112,500 AMTI for unmarried taxpayers.

[8]See also Klaassen v. CIR, 83 AFTR2d 1750 (10th Cir. 1999) (married couple with AGI of $83,000 owed over $1,000 of AMT, primarily because of the disallowance of personal exemptions for

Another surprising sort of AMT victim, in recent years, has been the taxpayer who receives a taxable damage award–for example, on account of employment discrimination–and who must pay his attorney's fees out of the award. The attorney's fees will generally be classified as miscellaneous itemized deductions (either unreimbursed employee business expenses or §212 expenses for the production or collection of income), and disallowed entirely for purposes of the AMT[9]. When the attorney's fees are a large portion of the entire award, the result can be taxation under the AMT of much more than the taxpayer's net recovery. Although some courts have managed to avoid this result by creative interpretations of the definition of gross income,[10] other courts (including the Tax Court) have been unwilling to follow their lead.[11]

According to research at Treasury, if there are no legislative changes, the scheduled disallowance of personal credits becomes effective, and the AMT exemption amounts continue to be eroded by inflation, by 2010 the number of taxpayers affected by the AMT will be 17 million (compared with only 1.3 million on 2000).[12] By 2010 about 35% of total AMT liability will be imposed on taxpayers with AGIs of less than $100,000, and about 70% of total AMT liability will be imposed on taxpayers with AGIs of less than $200,000. The Treasury research also indicates that the AMT will become increasingly focused on residents of high-tax states, because by 2010 state and local taxes will constitute about half of all preference items added back into taxable income in computing AMT liability.

These projections are dire enough, but the situation will be even worse if the Administration's proposed reductions in the regular tax are enacted, without any corresponding reductions in the AMT. The Joint Committee on Taxation has estimated that enactment of the Administration's proposals would cause an additional 12.2 million returns to be affected by the AMT by

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themselves and their ten children).

[9]See, e.g., Alexander v. IRS, 72 F.3d 938 (11th Cir. 1995) (taxpayer paid $245,000 attorney's fees in connection with receipt of $250,000 taxable damages; AMT imposed on $250,000 without reduction by the amount of the attorney's fees).

[10]See, e.g., Estate of Clarks v. United States, 202 F.3d 854 (6th Cir. 2000) (amount retained by taxpayer's attorney as attorney's fees not included in taxpayer's gross income).

[11]Kenseth v. Commissioner, 114 T.C. 399 (2000).

[12]Department of the Treasury, Office of Tax Analysis Working Paper 87 (June 2000).

2010; since JCT estimated 14.7 million returns would be affected by the AMT by 2010 even without legislative changes, the total number of affected returns would be almost 27 million.[13]

It is also worth noting that there is a significant marriage penalty in the AMT, because the joint return exemption amount ($45,000) is much less than twice the exemption amount for unmarried taxpayers ($33,750). This has received little or no attention in discussions of marriage penalty relief, but it would be ironic if Congress passed significant marriage penalty relief under the regular tax, only to throw millions of taxpayers into an AMT marriage penalty.

There are several options for reform. Although complete repeal of the individual AMT is certainly a possibility, it is not necessary. The AMT can be preserved for its original purpose of limiting the ability of higher-income taxpayers to reduce their tax liabilities through the aggressive use of investment tax preferences, while greatly lessening the impact of the AMT on taxpayers with modest incomes. The major reform possibilities include the following:

1. Inflation indexing of the AMT exemption amount and rate structure. There is no obvious policy justification for not indexing the AMT exemption amount and rate structure, when the corresponding features of the regular tax are indexed. The AMT exemption amounts have not been increased since 1993. If they had been adjusted for inflation since that time, the joint return exemption would be over $55,000 (instead of $45,000), and the unmarried taxpayer exemption would be over $41,000 (instead of $33,750). A sensible reform would consist of a one-time catch-up adjustment to reflect inflation, and prospective indexing for inflation.

2. Allow family size adjustments–i.e., personal exemptions and the child tax credit–under the AMT. There is also no obvious policy justification for imposing the AMT merely because a taxpayer has a large family. The current situation is especially disturbing, because it is *only* moderate income taxpayers who are pushed into the AMT by reason of their large families. For higher income taxpayers, personal exemptions and the child tax credit are phased out even under the regular tax. Thus, tax benefits for children will not push *higher* income taxpayers with children into the AMT, because those higher income taxpayers were not eligible

[13]Letter of September 28, 2000, from Lindy Paull to Rep. Rangel, 2000 TNT 192-14. The number of affected returns would be even higher, but for the Administration's proposal to increase the child tax credit from $500 to $1,000, and to allow the credit against the AMT.

for personal exemptions or the child tax credit even under the regular tax. A large family is an AMT risk factor only for moderate income taxpayers.

3. Reconsider the applicability of the AMT to various other tax benefits. The deduction for state and local taxes is the most obvious candidate for reconsideration, both because of its practical importance, and because it is far from clear what policy concerns justify its disallowance under the AMT. It is also worth considering whether it is necessary to disallow other personal credits–such as the child care credit and the higher education tax credits–under the AMT. Finally, the AMT disallowance of miscellaneous itemized deductions merits reconsideration, at least in the attorney's fee context, and perhaps more generally.

Although the distributional effects of various possible reforms obviously need to be considered, it is worth noting that 1999 estimates by the Joint Committee on Taxation found that each of three AMT reform proposals–allowance of the standard deduction and personal exemptions, inflation indexing, and allowance of nonrefundable personal credits–would have virtually no impact on the overall distribution of federal taxes according to taxpayer income categories.[14]

Appendix

The following example uses regular tax inflation adjustments for 2001, but reflects the disallowance of nonrefundable personal credits against the AMT, which is scheduled to become effective in 2002. A married couple with four children has $80,000 wages, a $10,000 qualified residence interest deduction (consisting of $6,000 of interest on acquisition indebtedness and $4,000 of interest on home equity indebtedness), and a $5,000 deduction for state and local taxes. For purposes of the regular tax, their taxable income is $47,600:

Compensation for services	$80,000	
Less:		
Qualified residence interest		$10,000
State and local taxes		$5,000
Six personal exemptions ($2,900 each)		$17,400
Taxable income	$47,600	

Applying the 2001 rate schedule of §1(a), for married couples

[14] Memorandum of February 11, 1999, from Lindy Paull to Mark Prater.

filing joint returns, yields a pre-credit regular tax liability of $7,452. Under §24, they would be entitled (but for the AMT) to four $500 child credits, which would reduce their regular tax liability to $5,452.

Of all their regular tax deductions, the only one allowed for AMT purposes is the $6,000 deduction for home mortgage interest on acquisition indebtedness. They may not deduct the interest on the home equity loan (§56(e)(1)), the state and local taxes (§56(b)(1)(A)(ii)), or the personal exemptions (§56(b)(1)(E)). Thus, their AMTI is $74,000. Of that $74,000, $45,000 is sheltered from tax by the AMT exemption amount, but the remaining $29,000 is taxed at 26%, resulting in a tentative minimum tax of $7,540. By reason of §26(a), the child credits (and other personal credits) are not allowed against the tentative minimum tax. They must pay their regular tax of $5,452, *plus* the $2,088 by which their tentative minimum tax exceeds their regular tax.