

Trump makes the case for alternative minimum taxes

Published: January 13, 2026, 1:30 pm

Did Trump [leak his own tax return](#) to my friend David Cay Johnston? I don't know. And I don't much care. What I do care about is why Trump paid nearly 25% in tax on his income in 2005. This is because of what is known as the Alternative Minimum Tax (AMT). Without such a charge Trump would have paid a little over 3% in tax.

How was that? It was because, in essence, AMT permits a tax payer to calculate their tax bill using all the allowances and reliefs to which they might be entitled in US law and then, in effect, says that the result is not just. It in effect says that the resulting figure is both low and lawful but that it's also quite clearly inappropriate. The message is clear: whilst each of those allowances and reliefs may have been intended to have an impact in isolation their combined effect was not intended to reduce a tax bill below a level that society might expect. The message is, in other words, that tax is not just about technicalities: there is a greater expectation of equity within the system that requires payment come what may.

Let me be clear: I am not saying the US AMT system is perfect. I have had it explained to me time and again that it could be improved. And I am well aware some, including Trump, want it abolished because it requires payment that would otherwise not be due. But if it is flawed my suggestion is to correct the flaws, not scrap the ideal because that ideal is important. It is about horizontal equity: those with similar income should be broadly expected to pay similar amounts in tax. And it is about vertical equity: those with more should be expected to pay more in tax, in total and as a proportion of their income. But it's about something more than that: it embodies the contributory principle, which is the idea that each of us should make fair contribution for the benefit provided to us by the state in which we live to the extent that it is fair that our means permit us to do so. But for AMT Trump would not have done that. The state would have simply given him a massive subsidy, in essence paying him for the benefit he might think he provided to it when very clearly he could not have earned \$150 million without massive support from the state. That's why I like Alternative Minimum Taxes.

It's why [I suggested one for corporation tax as well](#), and not just in the USA. As I have written of this proposal:

The aim of what I call an Alternative Minimum Corporation Tax is simple: it is to ensure that the profits of a multinational corporation are taxed at least once whilst respecting the right of each state to make its own choices on tax, none of which are violated by the proposal I make. I am entitled under the publishing agreement to reproduce the article here, [but it's as easy to follow the link](#). What is important are the advantages of such a tax. These I summarise as:

First, tax payment on profits is ensured.

Second, the objective of taxing profit once only is greatly assisted.

Third, profit shifting becomes a largely meaningless exercise.

Fourth, as a result most tax game playing will come to an end: in effect most tax haven usage will cease to be of benefit.

Fifth, certainty on taxation will increase: this is what business always says it wants.

Sixth, stakeholder confidence in business will grow.

Seventh, investor risk will fall, which is likely to improve share prices.

Eighth, the focus in business will be on the actual location of economic activity and not tax, which is likely to improve decision-making and so the rate of return on capital.

Ninth, tax administration, audit and dispute costs are likely to fall as any sums under dispute will be reduced.

Tenth, there will be a focus on improved tax and profit reporting as parallel tax books will cease to have as much relevance as they have in the past.

So is it a panacea? No, full unitary taxation based on much improved tax reporting that eliminates the anomalies of financial accounting when used for tax purposes in the accounts of multinational companies would be better than an AMCT. But for now, AMCT could pave the way to that outcome. I believe the time has come to give it serious consideration.

I am aware some will raise objection: this is however a serious proposal to solve an international problem threatening the credibility of world markets and the companies that operate in them. It is time that solutions such as this were given appropriate attention.

I am sure this is an appropriate direction for travel. Donald Trump proves it.