CYNICS have long predicted that the Bush administration, plagued by budget deficits, will eventually start raising taxes. But now it is becoming clear how it would do so: the alternative minimum tax.

Baffling in its complexity and often bizarre in its impact, the alternative minimum tax is a giant undeclared tax increase that will ensnare tens of millions of moderate-income families in the next several years.

It was created in 1969 to prevent the very rich from using tax deductions to avoid paying a fair share of taxes. But when the deadline for filing income tax returns arrives on Friday, the alternative minimum tax will require 2.9 million families to pay an average of about $6,000 more than what they would owe under traditional calculations.

That is just the start. If current law remains unchanged, the alternative minimum tax is expected to wring an extra $33.9 billion from 18 million households in 2006. In 2010, it will rake in an additional $100 billion, and by 2015 an extra $200 billion.

Make no mistake: no one says they want that to happen. But it is one thing to rein in or eliminate the tax itself, and an entirely different matter to give up the money that it would generate.

President Bush has promised to fix the alternative minimum tax as part a fundamental overhaul of the tax code, and he has ordered a bipartisan advisory panel to come up with recommendations by the end of July.

But in giving the panel its marching orders, White House officials made it clear that they are counting on the extra money regardless of what happens to the alternative tax. Under the president’s instructions, the panel’s recommendations on addressing the alternative minimum tax are supposed to be “revenue neutral,” neither raising nor lowering taxes, and to assume that his income-tax cuts will be made permanent rather than expire in 2010, as required under current law.

Making those ordinary income-tax cuts permanent would reduce the amount of available revenue by about $1.8 trillion over 10 years. But White House officials told the panel that any change to reduce or eliminate the alternative minimum tax would have to be offset by higher taxes someplace else.

"My understanding is that any reform in the A.M.T. that loses money would have to be made up with offsetting revenue," said Elizabeth Garrett, a panel member and a professor of law at the University of Southern California.

Jeffrey F. Kupfer, executive director of the tax panel and a former Treasury official, confirmed that interpretation. "Our mandate is to be revenue-neutral, and we are interpreting that with respect to the president's policy baseline, which does not include a permanent fix to the A.M.T.,” he said in an interview last week.

Tax experts have long complained that the alternative minimum tax is a “stealth tax increase,” one that Congress never intended and that is likely to catch millions of taxpayers by surprise. But a tax increase through tax reform could be even stealthier. If the alternative tax is reduced, the offsetting revenue increases are likely to be buried in so many other changes that most people would never know what hit them.

"The A.M.T. is a huge tax increase built into current law," Mr. Burman said. "What the current law assumes is that over time we move to a tax that is much less progressive, that has atrocious marriage penalties and penalizes people with children who live in high-tax states."

Taylor Griffin, a spokesman for the Treasury Department, said the administration’s goal was to prevent a hidden tax increase by replacing the alternative tax with something that was easier to understand and more predictable. "What we are trying to do is prevent a stealth tax that sneaks up on you," he said. "If we don't do something, millions of Americans will be facing unanticipated tax increases."

The alternative minimum tax is similar in some ways to a flat tax that blocks people from using most of the big deductions that reduce their taxable income under the normal rules. A married couple with a gross income of $100,000, for example, must first calculate its tax bill the traditional way, then again under the A.M.T. In the alternative calculation, the couple gets to exclude $58,000 from taxation, but it must also strip out all the personal exemptions and most itemized deductions.

The prohibited deductions include those for state and local taxes, medical expenses, employee business expenses and interest on home-equity loans. The A.M.T. would then apply a flat tax of 26 percent (28 percent for couples who earn more than $175,000). The couple must pay whichever is higher, the tax calculated under the traditional method or the one under the A.M.T.
The huge looming tax increase is caused by two things. The first is that the exclusion level for the alternative minimum tax is not adjusted for inflation, so the tax affects more people each year as nominal incomes go up. The second, paradoxically, stems from Mr. Bush's tax cuts of 2001 and 2003.

Those cuts reduced regular tax rates at all income levels but did not change the alternative minimum tax. At the same time, some of the cuts came in the form of expanded deductions - the child tax credit, child care tax credits and bigger exemptions for married couples - that are not allowed under the alternative formula.

The effect of making Mr. Bush's ordinary income tax cuts permanent would be significant. Mr. Burman, at the Urban Institute, estimated that the alternative minimum tax would generate about $69.2 billion in extra tax revenue in 2015 if the president's income tax cuts expired on schedule. But if the White House persuaded Congress to make the cuts permanent, the alternative minimum tax would raise a staggering $200.8 billion in that one year.

If the A.M.T. itself is pared back, how would that tax increase show up in practice? The possibilities are almost limitless, from higher tax rates for everybody to the abolition of popular tax deductions.

Administration officials are almost certain to insist that any tax reform result in lower tax rates and fewer deductions. Many Republicans long for a flat tax or a national sales tax, but that would mean abolishing or reducing sacred cows like the tax deduction for mortgage interest.

A potential trade-off, but a politically explosive one, would be to eliminate deductions for state and local taxes, which cost the Treasury about $40 billion a year and are a big reason that many people become subject to the alternative tax. But getting rid of those deductions would cause howls of protest in Democratic-leaning states like New York and California, which tend to have above-average tax burdens.

Thus far, the issues have been so tangled and vexing that both the White House and Congress have simply opted to block increases in the alternative minimum tax with one-year and two-year patches.

But that will become expensive. By about 2008, Mr. Burman estimates, the alternative minimum tax will generate so much money that it would be cheaper to abolish the regular income tax.