

**2010**

**(Approved through 05/31/2011)**

**ALTERNATIVE  
MINIMUM  
TAX**

**BY**

***TAX EDUCATORS***

**31869 HERMAN ROAD  
COBURG, OR 97408-9483**

**TOLL FREE VOICE or FAX: 866-755-2853  
or  
Voice: 541-915-4915**

**<http://www.tax-educators.com>  
[tax-ed@tax-educators.com](mailto:tax-ed@tax-educators.com)**

# **DISCLAIMER**

**The materials and forms in this manual are published by Tax Educators exclusively for the use of tax return preparers in completion of this course.**

**Tax Educators does not make express or implied warranties in regard to the use of the materials/forms.**

**Each tax preparer must depend on his or her own knowledge of the law and expertise in the use or the modification of these materials.**

**Preparers must be aware that the laws are constantly changing and that the information in this manual may be superceded at any time.**

## **ACKNOWLEDGMENTS**

**KLEINROCK - CCH  
IRS - FORMS & PUBLICATIONS  
IRS - CODE & LETTER RULINGS  
J. K. LASSER**

## ***Tax Educators***

**31869 Herman Road  
Coburg, OR 97408-9483**

**Voice or FAX: 866-755-2853**

**or**

**Voice: 541-915-4915**

**<http://www.tax-educators.com>**

**[tax-ed@tax-educators.com](mailto:tax-ed@tax-educators.com)**

## **ALTERNATIVE MINIMUM TAX**

The tax laws give special treatment to some kinds of income and allow special deductions for some kinds of expenses. So that taxpayers who benefit from these laws will pay at least a minimum amount of tax, the **alternative minimum tax** was enacted in 1969 for individuals.

The alternative minimum tax is greatly affected by **every** major change in the tax structure and has been modified continuously since first enacted in 1969.

Under the Tax Reform Act of 1986, the alternative minimum tax for individuals was broadened to include more taxpayers who pay little or no income tax and strengthened to make sure that all taxpayers with economic income pay tax.

The Job Creation and Worker Assistance Act of 2002 (the “Act”) allows a special depreciation allowance for qualified property placed in service after September 10, 2001

The Tax Act of 2003 allows the 50% special depreciation for property acquired after 5/5/03 and placed into service prior to 1/1/05.

The 2007 PATCH also allows all nonrefundable personal credits (not just the child adoption, and saver’s credits) to offset AMT as well as regular tax liability for 2007.

The 2008 PATCH has added:

1. 1<sup>st</sup> Time Home Buyers Credit.
2. Recovery Rebate Credit.
3. Refundable Credit for long-term unused credits has been increased.
4. Additional AMT Refundable Credit for underpayment of tax, interest and penalties related to the exercise of incentive stock options for tax years before January 1, 2008.
5. Alternative Motor Vehicle Credit for hybrid Vehicles manufactured by Honda has phased-out over 2008 and is no longer available for vehicles purchased after December 31, 2008.
6. Watch for other hybrid manufacturers which are to phase-out.

## ALTERNATIVE MINIMUM TAX

### Additions/Extensions for 2010:

1. **AMT Exemption Amounts Increased.** See Chart on the next page.
2. **First-Time Home Buyer Credit.** A refundable credit equal to the lesser of 100 percent of the purchase price or \$8,000 is available to qualified first-time home buyers who purchase a principal residence in 2009. Unlike the credit in 2008, the credit in 2009 does not have to be recaptured unless the home ceases to be the taxpayer's principal residence within three years of the date of purchase. No 2010.
3. **Credits Against AMT Liability.** Use of nonrefundable personal tax credits against an individual's regular tax and AMT liability has been extended to 2010.
4. **Additional Child Tax Credit.** For 2010, earned income amount for purposes of claiming the additional refundable child tax credit is lowered to \$1,000.
5. **American Opportunity Credit.** The American Opportunity Credit, which is available for 2009/2010, is a modified version of the Hope scholarship tax credit, the maximum credit amount is \$2,500 with an increased treshold phase out amount of \$80,0000 for single filers (\$160,000 for joint filers).
6. **Making Work Pay Credit (MWPC).** A \$400 (\$800 for joint filers) credit is available to all taxpayers in 2009/2010 with earned income. The credit is received through out the year from reduced withholding for income taxes.

---

The alternative minimum tax is figured on benefits received in the form of deductions, lower tax rates, and exclusions from tax. These benefits are know as "tax preferences" because they result from the preferential treatment given in the tax law.

Generally, only the amount of benefit received **minus** the benefit that would otherwise be allowed is counted as a tax preference item.

Partnerships and S corporations do not, in themselves, pay the AMT. It is a pass-through item to each of the partners/shareholders, according to their distributive share.

Estates and Trusts preference items are divided in the same way that the income of the estate or trust is divided. Estates and trusts file form 8656 - Alternative minimum tax for Fiduciaries.

Corporations-Special rules apply to Corporations AMT.

These special rules are discussed in IRS Publication 542 and 589 and are NOT covered in this course.

**ESTIMATED TAX PAYMENTS MUST INCLUDE**  
**ESTIMATED ALTERNATIVE MINIMUM TAX LIABILITY**

## ALTERNATIVE MINIMUM TAX

### WHO MUST FILE FORM 6251

If taxable income for regular tax purposes, combined with certain adjustments and tax preferences, is more than:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
married joint (or widow(er))	\$45,000	\$66,250.	\$69,950.	\$70,950.	\$72,450.
single or h.h.	\$33,750	\$44,350.	\$46,200.	\$46,700.	\$47,450.
m. f. separate.	\$22,500	\$33,125.	\$34,975.	\$35,475.	\$36,225.

IF TAXPAYER HAS AN AMT LIABILITY OR  
IF MUST SHOW IRS THAT THERE IS NO AMT LIABILITY

### RECORDKEEPING (Even if no AMT owed!)

Certain items of income, deductions, etc, receive different tax treatment than for regular tax. It may be necessary to re-figure items for AMT that were figured for the regular tax.

In some cases, the most efficient way to do this is to complete the applicable tax form a second time. (For recordkeeping only) Do not attach the second form to the tax return. (Except for form 1116 Foreign Tax Credit.)

Carry back or carryforward items may be different for AMT than for regular tax.

- Investment interest expense
- Net operating loss
- Capital loss
- Passive Activity Losses
- Foreign tax credit.

Records should be kept for the different amounts. This can sometimes be difficult when taxpayer's change preparers – be sure your client has this information with taxpayer copy of the returns.

### PARTNERS AND S-CORPORATION SHAREHOLDERS

See Schedule K-1 pass throughs to figure your adjustments and preference items.

### NON RESIDENT ALIENS

If non resident alien disposes of U. S. real property interests at a gain a special computation is required.

## **ALTERNATIVE MINIMUM TAX**

### **CREDIT FOR PRIOR YEAR MINIMUM TAX - Form 8801**

If taxpayer paid AMT for prior year or had a minimum tax credit carryforward on prior year return form 8801 - may be able to take a credit on form 8801 for the current year. If paid AMT for current year may be able to take a credit on form 8801 for following year.

### **EARNED INCOME CREDIT**

Must reduce any earned income credit by any AMT. Eliminated beginning in 2002.

### **OPTIONAL WRITE OFF FOR CERTAIN EXPENDITURES**

There is no AMT adjustment for the following items **if you elect to deduct them ratably over the period of time shown for the regular tax:**

Circulation expenditures - 3 years

Research and experimental expenditures - 10 years

Mining exploration and development costs - 10 years

Intangible drilling costs - 60 months

## **ADJUSTMENTS AND PREFERENCES:**

Miscellaneous deductions

Refunds of taxes

Investment interest expense

Post 1986 depreciation

Adjusted gain or loss

Incentive stock options adjusted

Passive activity adjustment

Tax exempt interest from private activity bonds

Certain Home Mortgage Interest

Charitable contributions of some property

Circulation expenditures

Depletion

Estates and Trusts

Installment sales

Intangible drilling costs

Large Partnerships

Long term contracts

Loss limitations

Medical and dental costs

Mining costs

Pollution Control Facilities

Qualified small business stock

Research and experimental

Tax shelter passive farm activities

## **ALTERNATIVE MINIMUM TAX**

### **CHILDREN UNDER AGE 18**

The AMT rules for children under 18 have been simplified. The exemption amount for a child under age 18 is equal to the smaller of the regular AMT exemption amount or the sum of the child's earned income plus \$6,700 for 2010.

The limit on the child's AMT based on the child's share of allocable parental minimum tax has been repealed.

If filing AMT form 6251 for a child:

1. Under age 18 (24 possibly if files 'Kiddy Tax') at the end of 2010
2. Age 18 (Watch for 'Kiddie Tax' filers) at the end of 2010 and did not have earned income + \$6,700 that was more than half of child's support.
3. Over age 18 **and not yet age 24**, was a full time student at the end of 2010 and did not have earned income + \$6,700 of more than half of child's support.

The exemption worksheet must be completed.

**Exception:** If you filed a joint return for 2010 or neither of your parents were alive at the end of 2010, different instructions apply when completing the exemption worksheet.

### **CREDITS and ALTERNATIVE MINIMUM TAX**

**All nonrefundable personal credits (not just the child adoption, and saver's credits) to offset AMT as well as regular tax liability for 2010.**

## **ADJUSTMENTS AND PREFERENCE ITEMS**

To figure the alternative minimum taxable income, adjustments must be made to the taxable income shown on the tax return. (The taxable income on the tax return may be a negative amount.)

The adjustments are designed to eliminate tax advantages of items that receive preferential tax treatment. The amount of the adjustment is generally the difference between the recomputed amount and the amount shown on the return.

Adjustments can be either increases or decreases.

### **STANDARD DEDUCTION**

Not allowed for AMT taxable income computation. If taken on regular tax return, must be ADDED back for AMT computation.

### **ITEMIZED DEDUCTIONS MUST BE ADJUSTED FOR AMT TAXABLE INCOME**

**Medical and Dental Expenses-** for AMT taxable income computation.

Smaller of:

2.5% of AGI or

Net itemized deductions (after 7.5% of AGI adjustment)

Must be added back as an AMT adjustment.

**Effectively - Eliminates first 10% of AGI for medical deduction for AMT** (instead of 7.5% as in regular tax computation) **limited to total net medical on regular tax schedule A**

### **Taxes -**

No deduction for state, local, foreign income taxes or sales taxes(if elected), real property taxes, or state or local personal property taxes.

(Taxable refunds of these items must be subtracted from the alternative minimum taxable income)

Do not include generation skipping transfer taxes on income distributions.

## ADJUSTMENTS AND PREFERENCE ITEMS

### Home mortgage interest:

Only interest on debt used to purchase, build, or substantially rehabilitate main home or second qualified home is allowed for AMT.

**Includes refinance loans used for the above purposes but only if the refinanced amount did not exceed the balance of that mortgage immediately before the refinancing.**

Comment: How many preparers make this adjustment when client refinances the home on an "equity" loan to pay off other bills?

If proceeds used for **any** other reason the interest related to those proceeds is not deductible for AMT

Mortgages taken out BEFORE 7-1-82

Mortgage interest is allowed if secured by property that, **when mortgage was taken out** was main home or qualified dwelling used by taxpayer **or member of taxpayer's family**

Refinanced after 6-30-82 for amount in excess of original mortgage-no AMT deduction for interest related to the excess

### **HOME MORTGAGE INTEREST ADJUSTMENT WORKSHEET - LINE 4**

1. Enter the total of the home mortgage Interest you deducted on lines 10 through 12 of Schedule A (Form 1040).....1. \_\_\_\_\_!
2. Enter the part, if any, of the Interest included on line 1 above that was paid on an eligible mortgage.....2. \_\_\_\_\_
3. Enter the part, if any, of the Interest Included on line 1 above that was paid on a mortgage whose proceeds were used to refinance an eligible mortgage. Do not include any interest paid on the part of the balance of the new mortgage that exceeded the balance of the eligible mortgage immediately before the refinancing. 3. \_\_\_\_\_
4. Enter the part, if any, of the Interest Included on line 1 above that was paid on a mortgage. Taken out before July 1 1982, and Secured, at the time the mortgage was taken out, by your main home or a qualified dwelling used by you or your family. DO NOT include any amount entered on line 2 or line 3 above.....4. \_\_\_\_\_
5. Add lines 2 through 4.....5. \_\_\_\_\_
6. Subtract line 5 from line 1 and enter the result on Form 6251, line 4.....6. \_\_\_\_\_

### **REFUND OF TAXES**

State and local tax refunds on line 10 of form 1040 AND, amounts included on line 21 that are attributable to state or local personal property taxes, foreign income taxes or state, local, foreign real property taxes deducted after 1986.

Must identify on form 6251 line 6

## ADJUSTMENTS AND PREFERENCE ITEMS

### MISCELLANEOUS ITEMIZED DEDUCTIONS

No deduction allowed for miscellaneous itemized deductions that are subject to the 2% limitation on Schedule A

### INVESTMENT INTEREST

Recompute deduction limitation on separate form 4952

Add interest on line 4 of 4952 AMT that was paid or accrued on indebtedness attributable to property held for investment within the meaning of section 163(d)(5).

Example: interest on home equity loan whose proceeds were invested in stocks or bonds. -  
This is deductible as home mortgage interest for regular tax computation but NOT for AMT computation.

Add interest that would have been deductible if interest earned on private activity bonds issued after 8-7-86 had been includible in gross income.

Adjust by disallowed prior year investment interest.

Following form 4952 (investment interest expense) form, you must recompute for AMT:

Gross income from property held for investment  
Net gain from disposition of property held for investment  
Investment expenses

AMT form 6251 - Enter only the **difference** between AMT form 4952 and regular tax form 4952.

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **POST 1986 DEPRECIATION**

#### **Add back difference between regular tax depreciation and AMT depreciation**

Do NOT include (as an add back for AMT) any depreciation adjustment from

- a) employee business expenses on schedule A
- b) a passive activity
- c) activity for which not at risk, or basis limitations apply for partnership of S corporations.
- d) a tax shelter farm activity.

These adjustments are taken into account when figuring amount entered under itemized deduction, passive activity and at risk line items.

#### **DEPRECIATION THAT *MUST* BE REFIGURED FOR AMT (GENERALLY)**

- a) Depreciation claimed for tangible property placed in service after 1986 and before 1999 if the transitional election was made.
- b) Depreciation capitalized to inventory.
- c) Property placed in service after 1998 that is depreciated for the regular tax using the 200% declining balance method.
- d) Section 1250 property placed in service after 1998 that is not depreciated for the regular tax using the straight line method.

#### **DEPRECIATION THAT IS *NOT* REFIGURED FOR AMT**

- a) Property for which elected to use alternative depreciation system (ADS) for regular depreciation.
- b) Any part of the cost of any property for which election made under section 179 to treat the cost of the property as a deductible expense. Reduction to depreciable basis of section 179 property by the amount of section 179 expense deduction is the same for the regular tax and the AMT.
- c) Motion picture films, videotapes, or sound recordings
- d) Property depreciated under the unit of production method or any other method not expressed in a term of years.
- e) No adjustment necessary for 30% special depreciation allowance
- f) Residential rental property placed in service after 1998.
- g) Nonresidential real property with a class life of 27.5 years or more placed in service after 1998 that is depreciated for the regular tax using the straight line method.
- h) Other section 1250 property placed in service after 1998 that is depreciated for the regular tax using the straight line method..

**DEPRECIATION REFIGURED FOR A M T**

**USING A D S**

If the property is....

---

Section 1250(c) real property (generally nonresidential real and residential rental property.)

---

Tangible property (other than section 1250(c) real property) that was depreciated under straight line for regular tax

---

Any other tangible property.

Then refigure AMT depreciation using the....

---

Straight line method over 40 years, with the same mid-month convention used for the regular tax.

---

Straight line method over the property's class life with the same convention used for the regular tax

---

150% declining balance method switching to straight line method for the first tax year it gives a larger deduction, over the property's class life. Use the same convention used for the regular tax.

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **POST 1986 DEPRECIATION**

**Class life** is not necessarily the same as **recovery period** used for regular tax.  
(Publication 946)

**No class life assigned** - use 12 years

**EFFECT: Different adjusted basis for AMT than for regular tax purposes.**  
**On disposition, gain will be different for AMT than for regular tax.**

### **ADJUSTED GAIN OR LOSS**

Must re-figure gain or loss from sale or exchange of property or casualty gains or losses due to different basis for AMT than for regular tax computations.

### **INCENTIVE STOCK OPTIONS**

- > For regular tax, no income is recognized when an incentive stock option is granted or exercised.
- > Favorable tax treatment not allowed for AMT if acquired after 1987
- > AMT adjustment is excess of stock's FMV at time or becomes transferable or rights are no longer subject to substantial risk of forfeiture over the amount paid.
- > Increase AMT BASIS by amount of the adjustment.
- > NO AMT adjustment if exercise and dispose of in same year.
- > Liability for older ISO eliminated as of Oct.3, 2008 and the credit for prior-year AMT for 2008 and 2009 is increased by 50% of interest and penalties paid before Oct.3, 2008 on AMT liability due to the ISO adjustment.

### **PASSIVE ACTIVITIES**

- > Re-compute income or loss from passive activities using AMT adjustments and preferences. Separate form 8582.
- > Use Alternative Tax AGI instead of regular AGI as starting point to compute modified AGI for form 8582 for AMT.
- > Allowable loss is increased by amount by which taxpayer is insolvent.
- > Preference items that increase AMT Income:
  - Tax Exempt Interest on Private Activity Bonds(ignored for 2009/2010),
  - Exclusion on Qualifying Small Business Stock, Oil and Gas preference items.

### **DO NOT DUPLICATE**

If same adjustment has been entered in computing AMT taxable income (i.e. depreciation adjustment) for the passive activity, do not adjust the same item for passive activity loss.

## ADJUSTMENTS AND PREFERENCE ITEMS

### PRIVATE ACTIVITY BONDS

AMT preference is interest on TAX EXEMPT private activity bonds  
Not recognized for 2009/2010.

Issued by state or local government after 8-7-86

Includes exempt interest dividends from mutual funds to extent of its share of interest on such bonds.

Reduced by related investment interest expense that are not allowed as regular tax deduction

### CHARITABLE CONTRIBUTIONS

Preference of appreciated property applicable to contributions made prior to 1992.  
Previous contribution deductions for AMT were limited to COST basis.  
Current law allows FMV for such contributions

Must refigure AMT deduction for the 50%, 30% 20% limits using AMT adjusted gross income and AMT carryovers.

### CIRCULATION COSTS

Can write off in full for regular tax computation

Amortized over three years for AMT

If AMT deduction is greater enter difference as a negative amount.

If loss on property for which circulation expenditures have not been fully amortized for AMT purposes, AMT deduction is smaller of:

- a) amount of loss allowable for the expenditures had they remained capitalized
- or b) the remaining expenditures to be amortized for AMT purposes.

**(Do not make this adjustment for expenditures for which election to use optional 3 year write off for the regular tax computation)**

### DEPLETION

If NOT an independent oil and gas producer or royalty owner refigure depletion deduction for AMT using only income and deductions for AMT.

Figure this limitation separately for each property

Depletion limited to basis

If AMT deduction is greater enter difference as negative amount.

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **PRE 1987 DEPRECIATION**

Must use straight line method on real property for which accelerated depreciation was determined using pre-1987 rules.

Use recovery period of 19 years for 19 year real property and 15 years for low income housing.

Leased property other than recovery property:

AMT = amount by which regular depreciation using, pre-87 rules, exceeds depreciation using the straight line method.

Leased 10 year RECOVERY property

Amount by which regular tax depreciation exceeds depreciation allowable using :  
Straight line  
Half year convention  
No salvage  
Recovery period of 15 years

Leased 15 year public utility property - use 22 years with above computation

### **INSTALLMENT SALES OF CERTAIN PROPERTY**

Must refigure income for AMT without regard to installment method for:

Non dealer disposition of property that occurred after 8-16-86 and before 1-1-87 if proportionate disallowance rule applied.

Dispositions of property that was used or produced in a farming business and held primarily for sale to customers

Prior law - this was a preference item

Installment method is now allowed for such property dispositions.

May amend prior year AMT or enter the current amount of the installment obligation sale reported as a negative item on AMT

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **INTANGIBLE DRILLING COSTS**

Excess over limit or if NOT independent oil and gas producer or royalty owner amount of excess IDCs for oil, gas and geothermal properties that is more than 65% of the net income of these properties is a tax preference item.

Figure preference for all oil and gas properties separately from the preference for all geothermal properties.

Excess IDC are deductible costs other than for nonproductive wells, minus amount that would have been allowed if amortized over 120 months or minus an amount figured by using cost depletion method.

**(Do not make this adjustment if elected the optional 60 -month write off for the regular tax)**

### **LONG TERM CONTRACTS**

Contracts for manufacturing, building, installing, or constructing property that is not completed in the same year entered into.

Use of completed contract method not allowed.

Must use percentage of completion method for AMT

Exception for home construction contracts:

AMT method is same as regular method if long term contract is a home construction contract

If required to use percentage of completion method for either regular tax or AMT, may owe or be entitled to a refund of interest for the tax year the contract is completed or adjusted (See form 8697 - Look Back Method)

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **LOSSES - ADJUSTMENTS**

You must make the AMT adjustments and preference adjustments BEFORE applying certain loss deferral rules, including limits on losses because of:

1. Partner's basis in the partnership interest
2. Shareholder's basis in S corporation stock
3. At risk limits

Record keeping is vital if "at risk" limits apply to partnerships and S corporation shareholders. AMT basis in these entities is likely to differ from regular basis.

### **MINING EXPLORATION AND DEVELOPMENT COSTS**

Amortized over 10 yrs-AMT.

If abandoned as worthless all Mining Exploration and development costs not previously written off are deductible in the year of abandonment.

Can avoid AMT adjustment by electing optional write off for regular tax purposes

Losses treated in same manner as in circulation costs

**(Do not make this adjustment for costs for which elected the optional write off (10 years) for regular tax)**

If AMT deduction is greater enter difference as a negative amount.

### **PATRONS ADJUSTMENT**

Distributions received from cooperative may be includible in income.

Unless they are non-taxable, report the AMT patronage dividend adjustment as reported by the cooperative.

### **POLLUTION CONTROL FACILITIES**

Section 169 election to amortize basis of facility over 60 months is NOT available for the AMT.

AMT deduction determined using alternative depreciation system for facilities placed in service before 1999 and the macrs straight line method for facilities placed in service after 1998.

If AMT amount is greater enter difference as negative amount.

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **RESEARCH AND EXPERIMENTAL**

Amortized over 10 years for AMT

Exception:

No AMT adjustment if taxpayer materially participates in the activity in which these expenses were incurred

Or

Costs for which elected the optional 10 year write off for regular tax.

Losses are treated in the same manner as in circulation costs.

**(Do not make this adjustment for costs paid or incurred in connection with an activity in which materially participated under passive activity rules or for costs for which elected the optional 10 year write off for regular tax)**

If AMT deduction is greater enter difference as a negative amount.

### **SECTION 1202 EXCLUSION**

**(GAIN ON QUALIFIED SMALL BUSINESS STOCK HELD MORE THAN 5 YEARS.)**

Multiply the excluded gain (shown on schedule D) by 42% and enter the amount as a positive amount on AMT form 6251.

### **TAX SHELTER FARM ACTIVITIES**

If gain or loss from tax shelter farm activity that is NOT a passive activity.

Generally a farming syndicate that is not a passive activity.

No refigured loss allowed except to extent insolvent.

A refigured loss may NOT be used in current tax year to offset gains from other tax shelter farm activities.

Refigured losses are suspended and carried over indefinitely until you have a gain in subsequent tax year from that activity.

## **ADJUSTMENTS AND PREFERENCE ITEMS**

### **RELATED ADJUSTMENTS**

If entry on line 8 (investment interest), lines 9, 12, 13 or 15 through 26 you may have to refigure any item of income or deduction based on limit of income other than AGI or modified AGI.

Section 179 expense deduction

Business or rental use of home expenses

Conservation expenses

Taxable IRA distributions if prior year IRA deductions were different for AMT and regular tax.

Self employed health insurance deduction

Keogh retirement plan or SEP or Simple deduction (for the self employed).

IRA deductions affected by earned income limitation.

Figure the difference between the AMT and Regular Tax amount for each item.

### **BENEFICIARIES OF ESTATES AND TRUSTS**

Include taxpayer's share of estate or trust distributable net AMT taxable income from K 1 forms.

**ALTERNATIVE MINIMUM TAXABLE INCOME (AMTI)**

Begin (line 1) with regular taxable income figured **without the deduction for personal exemptions.**

If taxable income includes an amount from the alcohol fuel credit, reduce the regular taxable income from form 1040 by this amount.

Alternative Tax Net Operating Loss Deduction (line 10) - aggregate of the alternative tax net operating loss carryovers and carrybacks to the tax year subject to limitations:

For loss years beginning after 1986, ATNOL is excess of deductions allowed for figuring AMTI (excluding the ATNOLD) over the income included in AMTI. (With modifications taken into account for adjustments and preference items.

(Example - limitation of nonbusiness deductions to the amount of nonbusiness income must be separately computed in figuring the ATNOL, using only nonbusiness income and deductions that are included in figuring AMTI.)

For loss years beginning before 1987, your ATNOL is your ATNOL carryover to 1987.

ATNOLD may be limited

Figure AMTI without regard to ATNOLD

For this purpose figure a tentative amount by treating line 10 (form 6251) as if it were zero.

ATNOLD limitation is 90% of the tentative line 19 (form 6251) amount.

**ALTERNATIVE MINIMUM TAXABLE INCOME**

If filing status is married filing separately and line 28 is more than \$219,900, you must include an additional amount of line 28.

If line 28 is...	Include additional amount of...
\$364,800 or more	\$36,225.

Otherwise include 25% of the excess of the amount on line 28 over \$219,900

## OPTIONAL WRITE OFF ELECTION

To prevent some deductible items from being treated as adjustments or tax preference items, you may elect to write off the items over 3 years, 60 months, or 10 years when computing REGULAR income tax

3 year write off:

Circulation expenses for newspaper or periodical

60 month write off

Intangible drilling and development costs paid or incurred in tax year after 1989

10 year write off

Research and experimental costs

Mining exploration and development costs

Intangible drilling and development before 1990.

Must choose optional write off by due date (including extensions) of income tax return for the year for which you are making the choice. Attach statement to the return including:

- 1) Name, address and social security number
- 2) Specific write off chosen
- 3) Notation that making this choice under section 59 (e) of IR Code
- 4) The year for which you are making the choice
- 5) The tax preference item to which it applies.

Can use form 4562 to choose the optional write off.

Revocable only with consent of IRS

For partnerships and S corporation optional write off may be chosen only at the shareholder or partner level.

**EXEMPTION AMOUNT**

After arriving at the Alternative Minimum Taxable Income, figure the tax.

Subtract exemption amount that is applicable:

The AMT is NOT intended to apply to individuals in the lower tax brackets with small amounts of adjustments or preference items.

This is accomplished by subtracting an exemption amount from alternative minimum taxable income before computing the TENTATIVE minimum tax.

The exemption amount is phased out for higher income individuals

If taxpayer is child under age 18 and at least one of whose parents was alive at the end of the tax year, must complete exemption worksheet.

**BASE EXEMPTION AMOUNTS**

<u>Filing status</u>	<u>AMT TAXABLE Income</u> <u>Not over:</u>	<u>Base Amount</u>
Single or Head of Household	\$112,500	\$47,450
Married filing joint or Qual. Widow(er)	\$150,000	\$72,450
Married filing separately	\$ 75,000	\$36,225

Exemption amount is phased out for higher income individuals

**COMPLETE PHASE OUT IF ALT. MIN. TAXABLE INCOME EXCEEDS**

\$439,800 if married filing joint or qualified widow(er)

\$302,300 if single or head of household

\$219,900 if married filing separate return.

# EXEMPTION WORKSHEET

(For line 30 of form 6251)

If form 6251 line 28 (Alternative Minimum Taxable Income) is more than  
\$302,300 if single or head of household  
\$439,800 if married filing jointly or qualified widow(er)  
\$219,900 if married filing separately  
**EXEMPTION IS ZERO** - Do not complete the following worksheet; instead, enter the amount  
from Form 6251, line 28, on line 30 and go to line 31

1. Enter \$47,450 if single or head of household; \$72,450 if married filing jointly or qualified widow(er); \$36,225 if married filing separately.....1. \_\_\_\_\_
  
2. Enter alternative minimum taxable income from form 6251 line 28 .....2. \_\_\_\_\_
  
3. Enter: \$112,500 if single or head of household  
\$150,000 if married filing jointly or qual. Widow(er)  
\$75,000 if married filing separately.....3. \_\_\_\_\_
  
4. Subtract line 3 from line 2. If zero or less enter -0-.....4. \_\_\_\_\_
  
5. Multiply line 4 by 25% .....5. \_\_\_\_\_
  
6. Subtract line 5 from line 1. If zero or less enter -0-. If this form is for a child under age 24, go to line 7 below. Otherwise stop here and enter this amount on form 6251, line 29 and go to form 6251, line 30 .....6. \_\_\_\_\_
  
7. Child's minimum exemption amount for certain child under age 24..... 7. \$6,700
  
8. Enter the child's **earned** income, if any ..... 8. \_\_\_\_\_
  
9. Add lines 7 and 8 ..... 9. \_\_\_\_\_
  
10. Enter the **smaller** of line 6 or line 9 here and on form 6251, lines 29 and 30 .....10. \_\_\_\_\_

If line 6 above also includes a full time student between ages 18 and 24 complete lines 7 through 10

## **ALTERNATIVE MINIMUM FOREIGN TAX CREDIT**

Separate AMT form 1116 required to be attached to return

Complete using only AMT income and deductions attributable to sources outside the US

## **ALTERNATIVE MINIMUM TAX**

If alternative minimum taxable income after exemption is \$175,000 or less (87,500 or less if married filing separately), multiply AMT income by 26%

Otherwise, multiply AMT income by 28% and subtract \$3,500 (\$1,750 if married filing separate).

## **COMPUTATION USING MAXIMUM CAPITAL GAINS RATES ADJUSTMENTS AND PREFERENCE ITEMS**

If gain or loss for any asset disposition reported on Schedule D is different for AMT than for regular tax (because of different basis, for instance)

Or - if completed Schedule D but did not complete Part IV schedule D

MUST refigure the amounts on schedule D for AMT. Complete a second schedule D for your records. Do not attach this schedule D to your tax return.

Do not refigure the amount from schedule D line 28 when completing form 6251 line 44. If you did not complete Part IV of schedule D for the regular tax, enter zero on form 6251 line 44.

Generally, you enter the amount for Schedule D, line 29 on Form 6251, line 46. Unless your qualified 5-year gain is different for AMT.

## **CREDIT FOR PRIOR YEAR MINIMUM TAX**

### **WHO SHOULD FILE**

- ▶ If had AMT liability in prior year and adjustments or preferences (other than exclusions) in prior year.
- ▶ If had a minimum tax credit carryforward from prior year
- ▶ If had a nonconventional source fuel credit or a qualified electric vehicle credit not allowed for prior year

**Only if line 28 is more than zero**

### **AMT is attributable to two types of adjustments and preferences:**

Deferral items - generally do not cause a permanent difference in taxable income

Exclusion items cause a permanent difference

**Minimum tax CREDIT is allowed only on AMT attributable to DEFERRAL items**

ALTERNATIVE MINIMUM TAX RECORD KEEPING  
IS LIKE DOING TWO SEPARATE TAX RETURNS!!!!

COMPUTER PROGRAM DOES PART OF THE JOB BUT  
SOME OF THE ITEMS REQUIRED MUST BE ENTERED  
BY THE OPERATOR (TAX PREPARER)!

▶ See separate instructions.

▶ Attach to Form 1040 or Form 1040NR.

Name(s) shown on Form 1040 or Form 1040NR

Your social security number

**Part I Alternative Minimum Taxable Income** (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41, and go to line 2. Otherwise, enter the amount from Form 1040, line 38, and go to line 6. (If less than zero, enter as a negative amount.) . . . . .	1		
2	Medical and dental. Enter the <b>smaller</b> of Schedule A (Form 1040), line 4, or 2.5% (.025) of Form 1040, line 38. If zero or less, enter -0- . . . . .	2		
3	Taxes from Schedule A (Form 1040), lines 5, 6, and 8 . . . . .	3		
4	Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet on page 2 of the instructions . . . . .	4		
5	Miscellaneous deductions from Schedule A (Form 1040), line 27 . . . . .	5		
6	If filing Schedule L (Form 1040A or 1040), enter as a negative amount the sum of lines 6 and 17 from that schedule . . . . .	6	(	)
7	Tax refund from Form 1040, line 10 or line 21 . . . . .	7	(	)
8	Investment interest expense (difference between regular tax and AMT) . . . . .	8		
9	Depletion (difference between regular tax and AMT) . . . . .	9		
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount . . . . .	10		
11	Alternative tax net operating loss deduction . . . . .	11	(	)
12	Interest from specified private activity bonds exempt from the regular tax . . . . .	12		
13	Qualified small business stock (7% of gain excluded under section 1202) . . . . .	13		
14	Exercise of incentive stock options (excess of AMT income over regular tax income) . . . . .	14		
15	Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A) . . . . .	15		
16	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6) . . . . .	16		
17	Disposition of property (difference between AMT and regular tax gain or loss) . . . . .	17		
18	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT) . . . . .	18		
19	Passive activities (difference between AMT and regular tax income or loss) . . . . .	19		
20	Loss limitations (difference between AMT and regular tax income or loss) . . . . .	20		
21	Circulation costs (difference between regular tax and AMT) . . . . .	21		
22	Long-term contracts (difference between AMT and regular tax income) . . . . .	22		
23	Mining costs (difference between regular tax and AMT) . . . . .	23		
24	Research and experimental costs (difference between regular tax and AMT) . . . . .	24		
25	Income from certain installment sales before January 1, 1987. . . . .	25	(	)
26	Intangible drilling costs preference . . . . .	26		
27	Other adjustments, including income-based related adjustments . . . . .	27		
28	<b>Alternative minimum taxable income.</b> Combine lines 1 through 27. (If married filing separately and line 28 is more than \$219,900, see page 8 of the instructions.) . . . . .	28		

**Part II Alternative Minimum Tax (AMT)**

29	Exemption. (If you were under age 24 at the end of 2010, see page 8 of the instructions.) <b>IF your filing status is . . .</b> <b>AND line 28 is not over . . .</b> <b>THEN enter on line 29 . . .</b> Single or head of household . . . . . \$112,500 . . . . . \$47,450 Married filing jointly or qualifying widow(er) . . . . . 150,000 . . . . . 72,450 Married filing separately. . . . . 75,000 . . . . . 36,225 If line 28 is <b>over</b> the amount shown above for your filing status, see page 8 of the instructions.	29		
30	Subtract line 29 from line 28. If more than zero, go to line 31. If zero or less, enter -0- here and on lines 33 and 35 and skip the rest of Part II . . . . .	30		
31	• If you are filing Form 2555 or 2555-EZ, see page 9 of the instructions for the amount to enter. • If you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on the back and enter the amount from line 54 here. • <b>All others:</b> If line 30 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 30 by 26% (.26). Otherwise, multiply line 30 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result.	31		
32	Alternative minimum tax foreign tax credit (see page 9 of the instructions) . . . . .	32		
33	Tentative minimum tax. Subtract line 32 from line 31 . . . . .	33		
34	Tax from Form 1040, line 44 (minus any tax from Form 4972 and any foreign tax credit from Form 1040, line 47). If you used Schedule J to figure your tax, the amount from line 44 of Form 1040 must be refigured without using Schedule J (see page 11 of the instructions) . . . . .	34		
35	<b>AMT.</b> Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 45 . . . . .	35		

**Part III Tax Computation Using Maximum Capital Gains Rates**

<p><b>36</b> Enter the amount from Form 6251, line 30. If you are filing Form 2555 or 2555-EZ, enter the amount from line 3 of the worksheet on page 9 of the instructions . . . . .</p>		<b>36</b>	
<p><b>37</b> Enter the amount from line 6 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 13 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as refigured for the AMT, if necessary) (see page 11 of the instructions). If you are filing Form 2555 or 2555-EZ, see page 11 of the instructions for the amount to enter . . . . .</p>	<b>37</b>		
<p><b>38</b> Enter the amount from Schedule D (Form 1040), line 19 (as refigured for the AMT, if necessary) (see page 11 of the instructions). If you are filing Form 2555 or 2555-EZ, see page 11 of the instructions for the amount to enter . . . . .</p>	<b>38</b>		
<p><b>39</b> If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 37. Otherwise, add lines 37 and 38, and enter the <b>smaller</b> of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary). If you are filing Form 2555 or 2555-EZ, see page 11 of the instructions for the amount to enter . . . . .</p>	<b>39</b>		
<p><b>40</b> Enter the <b>smaller</b> of line 36 or line 39 . . . . .</p>		<b>40</b>	
<p><b>41</b> Subtract line 40 from line 36 . . . . .</p>		<b>41</b>	
<p><b>42</b> If line 41 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 41 by 26% (.26). Otherwise, multiply line 41 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result . . . ▶</p>		<b>42</b>	
<p><b>43</b> Enter:</p> <ul style="list-style-type: none"> <li>• \$68,000 if married filing jointly or qualifying widow(er),</li> <li>• \$34,000 if single or married filing separately, or</li> <li>• \$45,550 if head of household.</li> </ul>	<b>43</b>		
<p><b>44</b> Enter the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 14 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter -0- . . . . .</p>	<b>44</b>		
<p><b>45</b> Subtract line 44 from line 43. If zero or less, enter -0- . . . . .</p>	<b>45</b>		
<p><b>46</b> Enter the <b>smaller</b> of line 36 or line 37 . . . . .</p>	<b>46</b>		
<p><b>47</b> Enter the <b>smaller</b> of line 45 or line 46 . . . . .</p>	<b>47</b>		
<p><b>48</b> Subtract line 47 from line 46 . . . . .</p>	<b>48</b>		
<p><b>49</b> Multiply line 48 by 15% (.15) . . . . . ▶</p>		<b>49</b>	
<p><b>If line 38 is zero or blank, skip lines 50 and 51 and go to line 52. Otherwise, go to line 50.</b></p>			
<p><b>50</b> Subtract line 46 from line 40 . . . . .</p>	<b>50</b>		
<p><b>51</b> Multiply line 50 by 25% (.25) . . . . . ▶</p>		<b>51</b>	
<p><b>52</b> Add lines 42, 49, and 51 . . . . .</p>		<b>52</b>	
<p><b>53</b> If line 36 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 36 by 26% (.26). Otherwise, multiply line 36 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result . . . . .</p>		<b>53</b>	
<p><b>54</b> Enter the <b>smaller</b> of line 52 or line 53 here and on line 31. If you are filing Form 2555 or 2555-EZ, do not enter this amount on line 31. Instead, enter it on line 4 of the worksheet on page 9 of the instructions . . . . .</p>		<b>54</b>	