

## **2010 ALTERNATIVE MINIMUM TAX QUIZ**

1. T F Generally, only the amount of benefit received plus the benefit that would otherwise be allowed is counted as a tax preference item.
2. T F For partnerships, the AMT tax is paid by the partnership and each partner may take a credit for the AMT against their own individual AMT.
3. T F Taxpayers filing a joint return must file form 6251 if taxable income for regular tax purposes is more than \$69,950 with certain adjustments.
4. T F It is important to keep AMT records even if no AMT is owed.
5. T F Carryback and Carryforward items may be different for AMT than for regular tax.
6. T F If a non resident alien disposes of U.S. tangible personal property at a gain, a special computation is required.
7. T F If taxpayer paid AMT for 2009, he may be able to take a credit on form 6251 for 2010.
8. T F You must reduce any earned income credit by any AMT
9. T F If taxpayer elects to deduct circulation expenditures ratably over 3 years, there is no AMT adjustment for the circulation expenditures.
10. T F The optional write off period (for regular tax) that must be used to avoid AMT adjustments for research and experimental expenditures and mining and exploration and development costs is 60 months.
11. T F The exemption amount for a child under 18 is equal to the smaller of the regular AMT exemption amount or the sum of the child's earned income plus \$1,000.
12. T F Most non refundable credits are not limited by tentative minimum tax
13. The standard deduction allowable for joint returns for AMT is:
  - a) \$7,600
  - b) \$9,500
  - c) -0-
  - d) The larger of a or b above.

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14. For AMT, the medical deduction that is **allowed** is:
- a. -0-
  - b. Amount in excess of 7.5% of regular AGI
  - c. Amount in excess of 10% of AGI
  - d. Smaller of amount in excess of 10% of AGI or the deduction actually taken for regular income tax computation.
15. T F For Alternative Minimum Taxable Income, no deduction is allowed for state, local, foreign income taxes, real property taxes, or state or local personal property taxes.
16. T F Personal interest deductions for AMT are allowed even though none are allowed for regular tax computations.
17. T F Jeff and Jane bought their principal residence in January of 1982. They have never refinanced or borrowed against the home other than the original mortgage. Their home mortgage interest is fully deductible for Alternative minimum tax computation.
18. If Jeff and Jane (in above question) refinanced their home when the balance was \$30,000 in January of 1988 for \$50,000 (their original purchase mortgage was \$40,000). They may deduct home mortgage interest for AMT computation on the amount of:
- a. Interest on \$50,000
  - b. Interest on \$10,000
  - c. Interest on \$40,000
  - d. Interest on \$30,000
19. Jack and Jill purchased their principal home in 1983. Their original purchase cost was \$50,000 and their original mortgage was \$40,000. This year, they took out a home equity loan which they are able to deduct as itemized deduction (the interest on it) for regular tax purposes. They used the proceeds to enter their twins in college for one year. For AMT computation, they:
- a. Can deduct the interest on the home equity loan as well as the original mortgage.
  - b. Can only deduct the interest on the original mortgage
  - c. Can only deduct the interest on the home equity loan.
  - d. Can not deduct any interest at all.

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20. Lonnie and Lucy purchased their principal residence in 1986 and the interest on their original mortgage (no refinance or equity loans) for this year was \$4,000. They also have a vacation home at the beach and the interest on that original loan for this year was \$1,000.
- a. Take an itemized deduction for regular tax computation of \$4,000 and an AMT deduction of \$4,000
  - b. Take itemized deduction for regular tax of \$5,000 and AMT of \$5,000
  - c. Take itemized deduction for regular tax of \$5,000 and AMT deduction of -0-
  - d. Take \$4,000 itemized deduction for regular tax and \$1,000 for AMT deduction.
21. Bill and Jane bought their home in 1995. Their original mortgage balance was \$55,000. The balance in June of the current year was \$45,000. They refinanced their home for a loan of \$60,000 in the current year and used the proceeds to weatherize their home and add a deck, hot tub, and gazebo. They may deduct, for AMT computations:
- a. Interest only on the \$45,000
  - b. Interest only on the \$55,000
  - c. Interest on the entire \$60,000
  - d. Interest on the increased refinanced portion of \$15,000 only.
22. T F Dear old dad bought a residence for his children in January 1982 but he is still paying on the mortgage. His children have lived in the residence since it was purchased. He may deduct the interest for AMT computation.
23. T F Refunds of state and local taxes are added back to AGI to compute AMT.
24. T F NO deduction is allowed for AMT for miscellaneous itemized deductions that are subject to 2% limit on regular tax computation.
25. T F Jennifer refinanced her residence in current year and used the proceeds to purchase stocks and bonds. She may not take the interest on the refinance in excess of prior mortgage as a deduction for AMT in any manner.
26. T F Jack took depreciation on his tools used in his work as an employee on his regular tax return computation (form 2106 employee business expense). He must add back this depreciation as a post 1986 depreciation adjustment for AMT.
27. T F If depreciation is capitalized as inventory under uniform capitalization rules, the depreciation must be adjusted (refigured) for AMT.

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28. T F If taxpayer elects to use the alternative depreciation system for regular tax purposes, he is not required to make an abutment for AMT computation.
29. T F Election of Section 179 write off (expense) on regular tax computation will not require an adjustment for AMT computation.
30. T F You must re-compute depreciation for a standard mileage auto and make an adjustment to income for AMT computation.
31. T F If property is section 1250 real property non residential rental property you must use 40 year life with same mid month convention as used for the regular tax.
32. T F If tangible property was depreciated under straight line for regular tax, you must recompute under straight line over property's class life with the same convention used for the regular tax.
33. T F Tangible property that was depreciated under a method other than straight line for regular tax purposes must be recomputed at 150% declining balance method with switch to straight line method the first tax year it gives a greater deduction –over the property's class life.
34. T F Class life is not necessarily the same as recovery period used for regular tax computation.
35. T F If no class life is assigned to an asset (in the tables) must use 7 years.
36. T F There is no AMT adjustment for incentive stock options if exercise and dispose of the stock in the same year.
37. T F Must recompute on a separate form 8582 the income or loss from passive activities using AMT adjustments.
38. T F Current law allows FMV for contributions of appreciated property.
39. T F If taxpayer is an independent oil and gas producer or royalty owner, he must refigure depletion deductions for AMT.
40. T F For leased 10 year recovery property (pre 1987) the AMT computation uses Straight line, half year convention, no salvage and a recovery period of 12 years.

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41. T F Dispositions of property that is used or produced in a farming business and held primarily for sale to customers on installment sale is a preference item for AMT
42. T F Completed contract method for long term contracts is not allowed for any construction projects.
43. T F Taxpayer can avoid AMT adjustments on mining exploration and development costs if they elect optional write off for regular tax purposes.
44. T F Section 169 election to amortize basis of pollution control facilities over 60 months is NOT available for AMT.
45. T F Section 1202 exclusion (gain on qualified small business stock held more than 5 years) is not allowed for AMT purposes. 53% of the excluded gain must be added back to AMT income.
46. T F If filing status is married filing separately and Alternative Minimum Taxable Income is more than \$216,900, you must include an additional amount of 25% of the excess (maximum amount is \$35,475.).
47. T F If you choose an optional write off, you must do so by due date (including extensions) of income tax returns for the year which you are making the choice. This election must be made by attaching a statement to the return including all pertinent facts or you may use form 4562 to choose the optional writeoff.
48. T F The AMT base exemption amount for married filing jointly is \$70,950.
49. T F There is NO base amount for married filing separate if AMT income exceeds \$216,900.
50. T F If taxpayer is a child under age 18 and at least one parent was alive at the end of the current year, the child must complete the exemption worksheet for computing exemption amount.
51. T F The child under 18 has a minimum exemption amount of \$500.
52. T F The AMT rate for all taxpayers is 26%

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