



Instructions for Form 4626

Alternative Minimum Tax—Corporations

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Purpose of Form

Use Form 4626 to figure the alternative minimum tax (AMT) under section 55 for a corporation that is not exempt from the AMT.

Note: For an affiliated group filing a consolidated return under the rules of section 1501, AMT must be figured on a consolidated basis.

Who Must File

If the corporation is **not** a “small corporation” exempt from the AMT (as explained below), file Form 4626 if:

- The corporation’s taxable income or (loss) before the net operating loss (NOL) deduction plus its adjustments and preferences total more than \$40,000 or, if smaller, its allowable exemption amount **or**
- The corporation claims any general business credit, the qualified electric vehicle credit, the nonconventional source fuel credit, or the credit for prior year minimum tax.

Exemption for Small Corporations

A corporation is treated as a small corporation exempt from the AMT for its tax year beginning in 2002 if that year is the corporation’s first tax year in existence (regardless of its gross receipts for the year) **or**:

1. It was treated as a small corporation exempt from the AMT for all prior tax years beginning after 1997 **and**
2. Its average annual gross receipts for the 3-tax-year period (or portion thereof during which the corporation was in existence) ending before its tax year beginning in 2002 did not exceed \$7.5 million (\$5 million if the corporation had only 1 prior tax year).

The following rules apply when figuring gross receipts under **2** above.

- Gross receipts must be figured using the corporation’s tax accounting method and include total sales (net of

returns and allowances), amounts received for services, and income from investments and other sources. See Temporary Regulations section 1.448-1T(f)(2)(iv) for more details.

- Gross receipts include those of any predecessor of the corporation.
- For a short tax year, gross receipts must be annualized by multiplying them by 12 and dividing the result by the number of months in the tax year.
- The gross receipts of all persons treated as a single employer under section 52(a), 52(b), 414(m), or 414(o) must be aggregated.

Loss of small corporation status. If the corporation qualified as a small corporation exempt from the AMT for its previous tax year, but does not meet the gross receipts test for its tax year beginning in 2002, it loses its AMT exemption status. Special rules apply in figuring AMT for the tax year beginning in 2002 and all later years based on the “change date.” The change date is the first day of the corporation’s tax year beginning in 2002. Complete Form 4626 taking into account the following modifications.

- The adjustments for depreciation and amortization of pollution control facilities apply only to property placed in service on or after the change date.
- The adjustment for mining exploration and development costs applies only to amounts paid or incurred on or after the change date.
- The adjustment for long-term contracts applies only to contracts entered into on or after the change date.
- When figuring the amount to enter on line 6, for any loss year beginning before the change date, use the corporation’s regular tax NOL for that year.
- Figure the limitation on line 4d only for prior tax years beginning on or after the change date.
- Enter zero on line 2c of the **Adjusted Current Earnings (ACE) Worksheet** on page 11. When completing line 5 of the ACE Worksheet, take into account only amounts from tax years beginning

on or after the change date. Also, for line 8 of the ACE Worksheet, take into account only property placed in service on or after the change date.

See section 55(e)(3) for exceptions related to any item acquired in a corporate acquisition or to any substituted basis property, if an AMT provision applied to the item or property while it was held by the transferor.

Note: Once the corporation loses its small corporation status, it **cannot** qualify for **any** subsequent tax year.

Credit for Prior Year Minimum Tax

A corporation may be able to take a minimum tax credit against the regular tax for AMT incurred in prior years. See **Form 8827**, Credit for Prior Year Minimum Tax—Corporations, for details.

Recordkeeping

Certain items of income, deductions, credits, etc., receive different tax treatment for the AMT than for the regular tax. Therefore, the corporation should keep adequate records to support items refigured for the AMT. Examples include:

- Tax forms completed a second time to refigure the AMT;
- The computation of a carryback or carryforward to other tax years of certain deductions or credits (e.g., net operating loss, capital loss, and foreign tax credit) if the AMT amount is different from the regular tax amount;
- The computation of a carryforward of a passive loss or tax shelter farm activity loss if the AMT amount is different from the regular tax amount; and
- A “running balance” of the excess of the corporation’s total increases in AMTI from prior year adjusted current earnings (ACE) adjustments over the total reductions in AMTI from prior year ACE adjustments (see the instructions for line 4d).

Short Period Return

If the corporation is filing for a period of less than 12 months, AMTI must be placed on an annual basis and the AMT prorated based on the number of months in the short period. Complete Form 4626 as follows.

1. Complete lines 1 through 6 in the normal manner. Subtract line 6 from line 5 to figure AMTI for the short period, but do not enter it on line 7.

2. Multiply AMTI for the short period by 12. Divide the result by the number of months in the short period. Enter this result on line 7 and write "Sec. 443(d)(1)" on the dotted line to the left of the entry space.

3. Complete lines 8 through 12.

4. Subtract line 12 from line 11. Multiply the result by the number of months in the short period and divide that result by 12. Enter the final result on line 13 and write "Sec. 443(d)(2)" on the dotted line to the left of the entry space.

5. Complete the rest of the form in the normal manner.

Allocating Differently Treated Items Between Certain Entities and Their Investors

For a regulated investment company, a real estate investment trust, or a common trust fund, see section 59(d) for details on allocating certain differently treated items between the entity and its investors.

Optional Write-Off for Certain Expenditures

There is no AMT adjustment for the following items if the corporation elects to deduct them ratably over the period of time shown for the regular tax.

- Circulation expenditures (personal holding companies)—3 years (section 173).
- Mining exploration and development costs—10 years (sections 616(a) and 617(a)).
- Intangible drilling costs—60 months (section 263(c)).

See section 59(e) for more details.

Specific Instructions

Line 1—Taxable Income or (Loss) Before Net Operating Loss Deduction

Enter the corporation's taxable income or (loss) before the NOL deduction and after the special deductions and without regard to any excess inclusion (e.g., if filing Form 1120, subtract line 29b from line 28 of that form).

Line 2—Adjustments and Preferences



To avoid duplication, do not include any AMT adjustment or preference taken into account on line 2j, 2k, 2l, or 2r in the amounts to be entered on any other line of this form.

Line 2a—Depreciation of Post-1986 Property

Do not make a depreciation adjustment on line 2a for:

- **A tax shelter farm activity.** Take this adjustment into account on line 2j.
- **Passive activities.** Take this adjustment into account on line 2k.
- **An activity for which the corporation is not at risk or income or loss from a partnership or an S corporation if the basis limitations apply.** Take this adjustment into account on line 2l.

What Depreciation Must Be Refigured for the AMT?

Generally, the corporation must refigure depreciation for the AMT, including depreciation allocable to inventory costs, for:

- Property placed in service after 1998 depreciated for the regular tax using the 200% declining balance method (generally 3-, 5-, 7-, or 10-year property under the modified accelerated cost recovery system (MACRS));
- Section 1250 property placed in service after 1998 that is **not** depreciated for the regular tax using the straight line method; and
- Tangible property placed in service after 1986 and before 1999. (If the transitional election was made under section 203(a)(1)(B) of the Tax Reform Act of 1986, this rule applies to property placed in service after July 31, 1986.)

What Depreciation Is Not Refigured for the AMT?

Do not refigure depreciation for the AMT for the following.

- Residential rental property placed in service after 1998.
 - Nonresidential real property with a class life of 27.5 years or more (generally, a building and its structural components) placed in service after 1998 that is depreciated for the regular tax using the straight line method.
 - Other section 1250 property placed in service after 1998 that is depreciated for the regular tax using the straight line method.
 - Property (other than section 1250 property) placed in service after 1998 that is depreciated for the regular tax using the 150% declining balance method or the straight line method.
 - Property for which the corporation elected to use the alternative depreciation system (ADS) of section 168(g) for the regular tax.
 - Qualified property eligible for the special depreciation allowance under section 168(k). The special allowance is deductible for the AMT, and there also is no adjustment required for any depreciation figured on the remaining basis of the qualified property. Property for which an election is in effect under section 168(k)(2)(C)(iii) to not have the special allowance apply is **not** qualified property. See the Instructions for Form 4562 for the definition of qualified property.
 - Any part of the cost of any property for which the corporation made the election under section 179 to treat the cost of the property as a deductible expense. The reduction to the depreciable basis of section 179 property by the amount of the section 179 expense deduction is the same for the regular tax and the AMT.
 - Property described in sections 168(f)(1) through (4).
 - Qualified Indian reservation property.
 - Qualified revitalization expenditures for a building for which the corporation elected to claim the commercial revitalization deduction under section 1400l.
- ### How Is Depreciation Refigured for the AMT?
- Property placed in service before 1999.** Refigure depreciation for the AMT using ADS, with the same convention used for the regular tax. See the table below for the method and recovery period to use.

Property Placed in Service Before 1999

IF the property is	THEN use the . . .
Section 1250 property.	Straight line method over 40 years.
Tangible property (other than section 1250 property) depreciated using straight line for the regular tax.	Straight line method over the property's AMT class life.
Any other tangible property.	150% declining balance method, switching to straight line the first tax year it gives a larger deduction, over the property's AMT class life.

Property placed in service after 1998.

Use the same convention and recovery period used for the regular tax. Use the straight line method for section 1250 property. Use the 150% declining balance method, switching to straight line the first tax year it gives a larger deduction, for other property.

How Is the AMT Class Life Determined?

The class life used for the AMT is not necessarily the same as the recovery period used for the regular tax. The class lives for the AMT are listed in Rev. Proc. 87-56, 1987-2 C.B. 674, and in **Pub. 946**, How To Depreciate Property. Use 12 years for any tangible personal property not assigned a class life.

TIP See *Pub. 946* for optional tables that may be used to figure AMT depreciation. *Rev. Proc. 89-15, 1989-1 C.B. 816*, has special rules for short years and for property disposed of before the end of the recovery period.

How Is the Line 2a Adjustment Figured?

Subtract the AMT deduction for depreciation from the regular tax deduction and enter the result. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

In addition to the AMT adjustment to the deduction for depreciation, also adjust the amount of depreciation that was capitalized, if any, to account for the difference between the rules for the regular tax and the AMT. Include on this line the current year adjustment to

taxable income, if any, resulting from the difference.

Line 2b—Amortization of Certified Pollution Control Facilities

For facilities placed in service before 1999, figure the amortization deduction for the AMT using ADS (i.e., the straight line method over the facility's class life). For facilities placed in service after 1998, figure the amortization deduction for the AMT under MACRS using the straight line method. Figure the AMT deduction using 100% of the asset's amortizable basis. Do not reduce the corporation's AMT basis by the 20% section 291 adjustment that applied for the regular tax.

Enter the difference between the AMT deduction and the regular tax deduction on line 2b. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2c—Amortization of Mining Exploration and Development Costs

Note: *This adjustment applies only to costs for which the corporation did not elect the optional 10-year write-off under section 59(e) for the regular tax.*

For the AMT, the regular tax deductions under sections 616(a) and 617(a) are not allowed. Instead, capitalize these costs and amortize them ratably over a 10-year period beginning with the tax year in which the corporation paid or incurred them. The 10-year amortization applies to 100% of the mining development and exploration costs paid or incurred during the tax year. Do not reduce the corporation's AMT basis by the 30% section 291 adjustment that applied for the regular tax.

If the corporation had a loss on property for which mining exploration and development costs have not been fully amortized for the AMT, the AMT deduction is the smaller of (a) the loss allowable for the costs had they remained capitalized or (b) the remaining costs to be amortized for the AMT.

Subtract the AMT deduction from the regular tax deduction. Enter the result on line 2c. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2d—Amortization of Circulation Expenditures

Note: *This adjustment applies only to expenditures of a personal holding company for which the company did not elect the optional 3-year write-off under section 59(e) for the regular tax.*

For the regular tax, circulation expenditures may be deducted in full when paid or incurred. For the AMT, these expenditures must be capitalized and amortized over 3 years.

If the corporation had a loss on property for which circulation expenditures have not been fully amortized for the AMT, the AMT deduction is the smaller of (a) the loss allowable for the expenditures had they remained capitalized or (b) the remaining expenditures to be amortized for the AMT.

Subtract the AMT deduction from the regular tax deduction. Enter the result on line 2d. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2e—Adjusted Gain or Loss

If, during the tax year, the corporation disposed of property for which it is making (or previously made) any of the adjustments described on lines 2a through 2d above, refigure the property's adjusted basis for the AMT. Then refigure the gain or loss on the disposition.

The property's adjusted basis for the AMT is its cost minus all applicable depreciation or amortization deductions allowed for the AMT during the current tax year and previous tax years. Subtract this AMT basis from the sales price to get the AMT gain or loss.

Important: *The corporation may also have gains or losses from lines 2j, 2k, and 2l that must be considered on line 2e. For example, if for the regular tax the corporation reports a loss from the disposition of an asset used in a passive activity, include the loss in the computations for line 2k to determine if any passive activity loss is limited for the AMT. Then, include the AMT passive activity loss allowed that relates to the disposition of the asset on line 2e in determining the corporation's AMT basis adjustment. It may be helpful to refigure for the AMT Form 8810 and related worksheets, Schedule D (Form 1120), Form 4684 (Section B), or Form 4797.*

Enter the difference between the regular tax gain or loss and the AMT gain or loss. Enter the difference as a negative amount if:

- The AMT gain is less than the regular tax gain,
- The AMT loss exceeds the regular tax loss, **or**
- The corporation has an AMT loss and a regular tax gain.

Line 2f—Long-Term Contracts

For the AMT, the corporation generally must use the percentage-of-completion method described in section 460(b) to determine the taxable income from any long-term contract (defined in section 460(f)). However, this rule does not apply to any home construction contract (as defined in section 460(e)(6)).

For contracts excepted from the percentage-of-completion method for the regular tax by section 460(e)(1), determine the percentage of completion using the simplified procedures for allocating costs outlined in section 460(b)(3).

Subtract the regular tax income from the AMT income. Enter the difference on line 2f. If the AMT income is less than the regular tax income, enter the difference as a negative amount.

Line 2g—Installment Sales

The installment method does not apply for the AMT to any nondealer disposition of property that occurred after August 16, 1986, but before the first day of the corporation's tax year that began in 1987, if an installment obligation to which the proportionate disallowance rule applied arose from the disposition. Enter as a negative adjustment on line 2g the amount of installment sale income reported for the regular tax.

Line 2h—Merchant Marine Capital Construction Funds

Amounts deposited in these funds (established under section 607 of the Merchant Marine Act of 1936) are not deductible for the AMT. Earnings on these funds are not excludable from gross income for the AMT. If the corporation deducted these amounts or excluded them from income for the regular tax, add them back on line 2h. See section 56(c)(2) for details.

Line 2i—Section 833(b) Deduction

This deduction is not allowed for the AMT. If the corporation took this

deduction for the regular tax, add it back on line 2i.

Line 2j—Tax Shelter Farm Activities

Important: *Complete this line only if the corporation is a personal service corporation and it has a gain or loss from a tax shelter farm activity (as defined in section 58(a)(2)) that is **not** a passive activity. If the tax shelter farm activity **is** a passive activity, include the gain or loss in the computations for line 2k.*

Refigure all gains and losses reported for the regular tax from tax shelter farm activities by taking into account any AMT adjustments and preferences. Determine the AMT gain or loss using the rules for the regular tax with the following modifications.

- No loss is allowed except to the extent the personal service corporation is insolvent (see section 58(c)(1)).
- Do not use a loss in the current tax year to offset gains from other tax shelter farm activities. Instead, suspend any loss and carry it forward indefinitely until the corporation has a gain in a subsequent tax year from that same tax shelter farm activity or it disposes of the activity.

Note: *Keep adequate records for losses that are not deductible (and therefore carried forward) for both the AMT and regular tax.*

Enter on line 2j the difference between the AMT gain or loss and the regular tax gain or loss. Enter the difference as a negative amount if the corporation had:

- An AMT loss and a regular tax gain,
- An AMT loss that exceeds the regular tax loss, **or**
- A regular tax gain that exceeds the AMT gain.

Line 2k—Passive Activities

Note: *This adjustment applies **only** to closely held corporations and personal service corporations.*

Refigure all passive activity gains and losses reported for the regular tax by taking into account the corporation's AMT adjustments, preferences, and AMT prior year unallowed losses.

Determine the corporation's AMT passive activity gain or loss using the same rules used for the regular tax. If the corporation is insolvent, see section 58(c)(1).

Disallowed losses of a personal service corporation are suspended until the corporation has income from that (or any other) passive activity or until

the passive activity is disposed of (i.e., its passive losses cannot offset "net active income" (defined in section 469(e)(2)(B)) or "portfolio income"). Disallowed losses of a closely held corporation that is not a personal service corporation are treated the same except that, in addition, they may be used to offset "net active income."

Note: *Keep adequate records for losses that are not deductible (and therefore carried forward) for both the AMT and regular tax.*

Enter on line 2k the difference between the AMT gain or loss and the regular tax gain or loss. Enter the difference as a negative amount if the corporation had:

- An AMT loss and a regular tax gain,
- An AMT loss that exceeds the regular tax loss, **or**
- A regular tax gain that exceeds the AMT gain.

Tax Shelter Farm Activities That Are Passive Activities

Refigure all gains and losses reported for the regular tax by taking into account the corporation's AMT adjustments and preferences and AMT prior year unallowed losses.

Use the same rules as outlined above for other passive assets, with the following modifications.

- AMT gains from tax shelter farm activities that are passive activities may be used to offset AMT losses from other passive activities.
- AMT losses from tax shelter farm activities that are passive activities may not be used to offset AMT gains from other passive activities. These losses must be suspended and carried forward indefinitely until the corporation has a gain in a subsequent year from that same activity or it disposes of the activity.

Line 2l—Loss Limitations

Refigure gains and losses reported for the regular tax from at-risk activities and partnerships by taking into account the corporation's AMT adjustments and preferences. If the corporation has recomputed losses that must be limited for the AMT (under section 59(h)) by section 465 or section 704(d) or the corporation reported losses for the regular tax from at-risk activities or partnerships that were limited by those sections, figure the difference between the loss limited for the AMT and the loss limited for the regular tax for each applicable at-risk activity or partnership. "Loss limited" means the amount of loss that is not allowable for the year

because of the limitation of section 465 or 704(d).

Enter on line 2l the excess of the loss limited for the AMT over the loss limited for the regular tax. If the loss limited for the regular tax is more than the loss limited for the AMT, enter the difference as a negative amount.

Line 2m—Depletion

Refigure depletion using only income and deductions allowed for the AMT when refiguring the limit based on taxable income from the property under section 613(a) and the limit based on taxable income, with certain adjustments, under section 613A(d)(1). Also, the depletion deduction for mines, wells, and other natural deposits under section 611 is limited to the property's adjusted basis at the end of the year, as refigured for the AMT, unless the corporation is an independent producer or royalty owner claiming percentage depletion for oil and gas wells under section 613A(c). Figure this limit separately for each property. When refiguring the property's adjusted basis, take into account any AMT adjustments the corporation made this year or in previous years that affect basis (other than the current year's depletion). Do not include in the property's adjusted basis any unrecovered costs of depreciable tangible property used to exploit the deposits (e.g., machinery, tools, pipes, etc.).

For iron ore and coal (including lignite), apply the section 291 adjustment before figuring this preference.

Enter on line 2m the difference between the regular tax and the AMT deduction. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

Line 2n—Tax-Exempt Interest Income From Specified Private Activity Bonds

Enter interest income from specified private activity bonds, reduced by any deduction that would have been allowable if the interest were includible in gross income for the regular tax. Generally, a specified private activity bond is any private activity bond (as defined in section 141) issued after August 7, 1986. See section 57(a)(5) for exceptions and details.

Line 2o—Intangible Drilling Costs

Note: *This preference applies only to costs for which the corporation did not elect the optional 60-month write-off under section 59(e) for the regular tax.*

Intangible drilling costs (IDCs) from oil, gas, and geothermal properties are a preference to the extent excess IDCs exceed 65% of the net income from the properties. Figure the preference for all geothermal deposits separately from the preference for all oil and gas properties that are not geothermal deposits.

Excess IDCs are the excess of:

- The amount of IDCs the corporation paid or incurred for oil, gas, or geothermal properties that it elected to expense for the regular tax under section 263(c) (not including any section 263(c) deduction for nonproductive wells) reduced by the section 291(b)(1) adjustment for integrated oil companies and increased by any amortization of IDCs allowed under section 291(b)(2) over
- The amount that would have been allowed if the corporation had amortized that amount over a 120-month period starting with the month the well was placed in production.

Note: *If the corporation prefers not to use the 120-month period, it can elect any method that is permissible in determining cost depletion.*

Net income is the gross income the corporation received or accrued from all oil, gas, and geothermal wells minus the deductions allocable to these properties (reduced by the excess IDCs). When refiguring net income, use only income and deductions allowed for the AMT.

Exception. The preference for IDCs from oil and gas wells does not apply to corporations that are independent producers (i.e., not integrated oil companies as defined in section 291(b)(4)). However, this benefit may be limited. First, figure the IDC preference as if this exception did not apply. Then, for purposes of this exception, complete a second Form 4626 through line 5, including the IDC preference. If the amount of the IDC preference exceeds 40% of the amount figured for line 5, enter the excess on line 2o (the benefit of this exception is limited). If the amount of the IDC preference is equal to or less than 40% of the amount figured for line 5, do not include an amount on line 2o for oil and

gas wells (the benefit of this exception is not limited).

Line 2p—Accelerated Depreciation of Real Property (Pre-1987)

Refigure depreciation for the AMT using the straight line method for real property for which accelerated depreciation was determined for the regular tax using pre-1987 rules. Use a recovery period of 19 years for 19-year real property and 15 years for low-income housing property. Figure the excess of the regular tax depreciation over the AMT depreciation separately for each property and include only positive adjustments on line 2p.

Line 2q—Accelerated Depreciation of Leased Personal Property (Pre-1987)

Note: *This preference applies only to personal holding companies.*

For leased personal property other than recovery property, enter the excess of the depreciation claimed for the property for the regular tax using the pre-1987 rules over the depreciation allowable for the AMT as refigured using the straight line method.

For leased 10-year recovery property and leased 15-year public utility property, enter the amount by which the regular tax depreciation exceeds the depreciation allowable using the straight line method with a half-year convention, no salvage value, and a recovery period of 15 years (22 years for 15-year public utility property).

Figure this amount separately for each property and include only positive adjustments on line 2q.

Line 2r—Other Adjustments

Enter the net amount of any other adjustments and preferences, including the following.

- **Income eligible for the possessions tax credit.** If this income was included in the corporation's taxable income for the regular tax, include this amount on line 2r as a negative amount.
- **Income from the alcohol fuel credit.** If this income was included in the corporation's income for the regular tax, include this amount on line 2r as a negative amount.
- **Income as the beneficiary of an estate or trust.** If the corporation is the beneficiary of an estate or trust, include on line 2r the minimum tax adjustment from Schedule K-1 (Form 1041), line 9.

- **Net AMT adjustment from an electing large partnership.** If the corporation is a partner in an electing large partnership, include on line 2r the amount from Schedule K-1 (Form 1065-B), box 6. Also include on line 2r any amount from Schedule K-1 (Form 1065-B), box 5, unless the corporation is closely held or a personal service corporation. Closely held and personal service corporations should take any amount from box 5 into account when figuring the amount to enter on line 2k.

- **Patron's AMT adjustment.** Distributions the corporation received from a cooperative may be includible in income. Unless the distributions are nontaxable, include on line 2r the total AMT patronage dividend adjustment reported to the corporation from the cooperative.

- **Cooperative's AMT adjustment.** If the corporation is a cooperative, refigure the cooperative's deduction for patronage dividends by taking into account the cooperative's AMT adjustments and preferences. Subtract the cooperative's AMT deduction for patronage dividends from its regular tax deduction for patronage dividends and include the result on line 2r. If the AMT deduction is more than the regular tax deduction, include the result as a negative amount.

- **Related adjustments.** AMT adjustments and preferences may affect deductions that are based on an income limit (e.g., charitable contributions). Refigure these deductions using the income limit as modified for the AMT. Include on line 2r an adjustment for the difference between the regular tax and AMT amounts for all such deductions. If the AMT deduction is more than the regular tax deduction, include the difference as a negative amount.

Line 4—Adjusted Current Earnings (ACE) Adjustment

Note: *The ACE adjustment does not apply to a regulated investment company or a real estate investment trust.*

Line 4b

Important: *For an affiliated group filing a consolidated return under the rules of section 1501, figure line 4b on a consolidated basis.*

The following examples illustrate the manner in which line 3 is subtracted from line 4a to get the amount to enter on line 4b.

Example 1. Corporation A has line 4a ACE of \$25,000. If Corporation A has line 3 pre-adjustment AMTI in the amounts shown below, its line 3 pre-adjustment AMTI and line 4a ACE would be combined as follows to determine the amount to enter on line 4b.

Line 4a ACE	\$25,000	\$25,000	\$25,000
Line 3 pre-adj. AMTI	10,000	30,000	(50,000)
Amount to enter on line 4b	\$15,000	\$(5,000)	\$75,000

Example 2. Corporation B has line 4a ACE of \$(25,000). If Corporation B has line 3 pre-adjustment AMTI in the amounts shown below, its line 3 pre-adjustment AMTI and line 4a ACE would be combined as shown below to determine the amount to enter on line 4b.

Line 4a ACE	\$(25,000)	\$(25,000)	\$(25,000)
Line 3 pre-adj. AMTI	(10,000)	(30,000)	50,000
Amount to enter on line 4b	\$(15,000)	\$5,000	\$(75,000)

Line 4d. A potential negative ACE adjustment (i.e., a negative amount on line 4b multiplied by 75%) is allowed as a negative ACE adjustment on line 4e only if the corporation's total increases in AMTI from prior year ACE adjustments exceed its total reductions in AMTI from prior year ACE adjustments (line 4d). The purpose of line 4d is to provide a "running balance" of this limitation amount. As such, the corporation must keep adequate records (e.g., a copy of Form 4626 completed at least through line 5) from year to year (even in years in which it does not owe any AMT).

Any potential negative ACE adjustment that is not allowed as a negative ACE adjustment in a tax year because of the line 4d limitation may not be used to reduce a positive ACE adjustment in any other tax year. Combine lines 4d and 4e of the 2001 Form 4626 and enter the result on line 4d of the 2002 form, but do not enter less than zero.

Example. Corporation C, a calendar-year corporation, was incorporated January 1, 1998. Its ACE and pre-adjustment AMTI for 1998 through 2002 were as follows.

Year	ACE	Pre-adjustment AMTI
1998	\$700,000	\$800,000
1999	900,000	600,000
2000	400,000	500,000
2001	(100,000)	300,000
2002	250,000	100,000

Corporation C subtracts its pre-adjustment AMTI from its ACE in each of the years and then multiplies the result by 75% to get the following potential ACE adjustments for 1998 through 2002.

Year	ACE minus pre-adjustment AMTI	Potential ACE adjustment
1998	\$(100,000)	\$(75,000)
1999	300,000	225,000
2000	(100,000)	(75,000)
2001	(400,000)	(300,000)
2002	150,000	112,500

Under these facts, Corporation C has the following increases or reductions in AMTI for 1998 through 2002.

Year	Increase or (reduction) in AMTI from ACE adjustment
1998	\$0
1999	225,000
2000	(75,000)
2001	(150,000)
2002	112,500

In 1998, Corporation C was not allowed to reduce its AMTI by any part of the potential negative ACE adjustment because it had no increases in AMTI from prior year ACE adjustments.

In 1999, Corporation C had to increase its AMTI by the full amount of its potential ACE adjustment. It was not allowed to use any part of its 1998 unallowed potential negative ACE adjustment of \$75,000 to reduce its 1999 positive ACE adjustment of \$225,000.

In 2000 Corporation C was allowed to reduce its AMTI by the full amount of its potential negative ACE adjustment because that amount is less than its line 4d limit of \$225,000.

In 2001, Corporation C was allowed to reduce its AMTI by only \$150,000. Its potential negative ACE adjustment of \$300,000 was limited to its 1999

increase in AMTI of \$225,000 minus its 2000 reduction in AMTI of \$75,000.

In 2002, Corporation C must increase its AMTI by the full amount of its potential ACE adjustment. It may not use any part of its 2001 unallowed potential negative ACE adjustment of \$150,000 to reduce its 2002 positive ACE adjustment of \$112,500. Corporation C would complete the relevant portion of its 2002 Form 4626 as follows.

Line	Amount
4a	\$250,000
4b	150,000
4c	112,500
4d	-0-
4e	112,500

Line 6—Alternative Tax Net Operating Loss Deduction (ATNOLD)

The ATNOLD is the sum of the ATNOL carrybacks and carryforwards to the tax year, subject to the limitation explained below. For a corporation that held a residual interest in a real estate mortgage investment conduit (REMIC), figure the ATNOLD without regard to any excess inclusion.



NOLs arising in tax year beginning before August 6, 1997, may be carried forward no more than 15 years. Therefore, the corporation may not carry forward an NOL to this tax year from a loss year beginning before 1987.

The ATNOL for a loss year is the excess of the deductions allowed in figuring AMTI (excluding the ATNOLD) over the income included in AMTI. This excess is figured with the modifications in section 172(d), taking into account the adjustments in sections 56 and 58 and preferences in section 57 (that is, the section 172(d) modifications must be separately figured for the ATNOL).

In applying the rules relating to the determination of the amount of carrybacks and carryforwards, use the modification to those rules described in section 56(d)(1)(B)(ii).

For tax years ending in 2002, the ATNOLD is generally limited to AMTI (figured without regard to the ATNOLD). If an ATNOL is carried back to the tax year from a tax year ending after 2002, however, and for the tax years ending after 2002 (and for ATNOLs carried back from a tax year

beginning in 2002), the ATNOLD for the tax year is limited to the sum of:

1. The smaller of:
 - a. The sum of the ATNOL carrybacks to the tax year from tax years ending before 2001 or after 2002 and, if the tax year does not end in 2001 or 2002, the ATNOL carryforwards to the tax year or
 - b. Ninety percent of AMTI for the tax year (figured without regard to the ATNOLD), plus
2. The smaller of:
 - a. The sum of the ATNOL carrybacks to the tax year from a tax year ending in 2001 or 2002 and, if the tax year ends in 2001 or 2002, the ATNOL carryforwards to the tax year, or
 - b. AMTI for the tax year (figured without regard to the ATNOLD) reduced by the amount determined under 1 above.

To figure AMTI without regard to the ATNOLD, use a second Form 4626 as a worksheet. Complete the form through line 5, but when figuring lines 2m and 2r, treat line 6 as if it were zero. The amount figured on line 5 of the second Form 4626 is the corporation's AMTI figured without regard to the ATNOLD.

The amount of any ATNOL that is not deductible may be carried back or forward using the rules outlined in section 172(b). An election under section 172(b)(3) to forego the carryback period for the regular tax also applies for the AMT.

The ATNOL carried back or forward may differ from the NOL (if any) that is carried back or forward for the regular tax. Keep adequate records for both the AMT and the regular tax.

Line 7—Alternative Minimum Taxable Income

For a corporation that held a residual interest in a REMIC and is not a thrift institution, line 7 may not be less than the total of the amounts shown on line 2c of **Schedule(s) Q (Form 1066)**, Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation, for the periods included in the corporation's tax year. If the total of the line 2c amounts is larger than the amount the corporation would otherwise enter on line 7, enter that total and write "Sch. Q" on the dotted line next to line 7.

Line 9—Exemption Phase-Out Computation

Line 9a. If this Form 4626 is for a member of a controlled group of corporations, subtract \$150,000 from the combined AMTI of all members of the controlled group. Divide the result among the members of the group in the same manner as the \$40,000 tentative exemption is divided among the members. Enter this member's share on line 9a. The tentative exemption must be divided equally among the members, unless all members consent to a different allocation. See section 1561 for details.

Line 9c. If this Form 4626 is for a member of a controlled group of corporations, reduce the member's share of the \$40,000 tentative exemption by the amount entered on line 9b.

Line 12—Alternative Minimum Tax Foreign Tax Credit (AMTFTC)

The AMTFTC is the foreign tax credit refigured as follows.

1. Complete a separate AMT **Form 1118**, Foreign Tax Credit—Corporation, for each separate limitation category specified at the top of Form 1118. Include as a separate limitation category dividends received from a corporation that qualifies for the possessions tax credit if the dividends-received deduction for those dividends is disallowed under the ACE rules.

Note: *In determining if any income is "high-taxed" in applying the separate limitation categories, use the AMT rate (20%) instead of the regular tax rate.*

2. If the corporation previously made or is making the **simplified limitation election** (discussed on page 8), skip Schedule A of the AMT Form 1118 and enter on Schedule B, Part II, line 6, the same amount you entered on that line for the regular tax. Otherwise, complete Schedule A using only income and deductions that are allowed for the AMT and attributable to sources outside the United States.

3. Complete Schedule B, Part II, of the AMT Form 1118. Enter any AMTFTC carryover on Schedule B, Part II, line 4, of the AMT Form 1118. Enter the AMTI from Form 4626, line 7, on Schedule B, Part II, line 7a. Enter the amount from Form 4626, line 11, on Schedule B, Part II, line 9.

Note: When completing Schedule B of the AMT Form 1118, treat as a tax paid to a foreign country 75% of any withholding or income tax paid to a U.S. possession on dividends received from a corporation that qualifies for the possessions tax credit (if the dividends-received deduction for those dividends is disallowed under the ACE rules).

4. Complete Schedule B, Part III, of the AMT Form 1118. The total foreign tax credit from line 12 of that part is limited to the tax on Form 4626, line 11, minus 10% of the tax that would be on that line if Form 4626 were refigured using zero on line 6 and without regard to the exception for intangible drilling costs (IDCs) under section 57(a)(2)(E).

If there is no entry on Form 4626, line 6, and no IDCs (or the exception does not apply to the corporation), enter on Form 4626, line 12, the **smaller** of:

- 90% of Form 4626, line 11, or
- The amount from the AMT Form 1118, Schedule B, Part III, line 12.

If Form 4626, line 6, has an amount or the exception for IDCs applies to the corporation:

1. Refigure what the tax on line 11 would have been if line 6 were zero and the exception did not apply,
2. Multiply that amount by 10%,
3. Subtract the result from the tax on line 11, and
4. Enter on Form 4626, line 12, the **smaller** of that amount or the amount from the AMT Form 1118, Schedule B, Part III, line 12.

Any AMT foreign tax credit the corporation cannot claim (because of the limitation fraction or the 90% limit) may be carried back or forward using the rules in sections 59(a)(2)(B) and 904(c). This amount may differ from the amount (if any) that is carried back or forward for the regular tax. Keep adequate records for both the AMT and the regular tax.

Simplified Limitation Election

The corporation may elect to use a simplified section 904 limitation to figure its AMTFTC. The corporation must make the election for its first tax year beginning after 1997 for which it claims an AMTFTC. If it does not make the election for that tax year, it may not make the election for a later tax year. Once made, the election applies to all later tax years and may only be revoked with IRS consent.

If the corporation made the election, use the corporation's regular tax income instead of refiguring its foreign source income for the AMT, as described earlier.

Line 14

Enter the corporation's regular tax liability (as defined in section 26(b)) minus any foreign tax credit and possessions tax credit (e.g., for Form 1120: Schedule J, line 3, minus the sum of Schedule J, lines 6a and 6b).

Do not include any:

- Tax on accumulation distribution of trusts from Form 4970,
- Recapture of investment credit (under section 49(b) or 50(a)) from Form 4255,
- Recapture of low-income housing credit (under section 42(j) or (k)) from Form 8611, or
- Recapture of any other credit.

ACE Worksheet Instructions

Treatment of Certain Ownership Changes

If a corporation with a net unrealized built-in loss (within the meaning of section 382(h)) undergoes an ownership change (within the meaning of Regulations section 1.56(g)-1(k)(2)), refigure the adjusted basis of each asset of the corporation (immediately after the ownership change). The new adjusted basis of each asset is its proportionate share (based on respective fair market values) of the fair market value of the corporation's assets (determined under section 382(h)) immediately before the ownership change.

To determine if the corporation has a net unrealized built-in loss, use the aggregate adjusted basis of its assets used for figuring its ACE.

Note: Use these new adjusted bases for all future ACE calculations (such as depreciation and gain or loss on disposition of an asset).

Line 2—ACE Depreciation Adjustment

Line 2a. Generally, the amount entered on this line is the depreciation the corporation claimed for the regular tax (Form 4562, line 22), modified by the AMT depreciation adjustments reported on lines 2a, 2p, and 2q of Form 4626.

Line 2b(1). For property placed in service after 1993, the ACE depreciation is the same as the AMT depreciation. Therefore, enter on line 2b(1) the same depreciation expense you entered on line 2a for such property.

Line 2b(2). For property placed in service in a tax year that began after 1989 and before 1994, use the ADS depreciation described in section 168(g). However, for property (a) placed in service in a tax year that began after 1989 and (b) described in sections 168(f)(1) through (4), use the same depreciation claimed for the regular tax and enter it on line 2b(5).

Line 2b(3). For property placed in service in a tax year that began after 1986 and before 1990 (MACRS property), use the straight line method over the remainder of the recovery period for the property under the ADS of section 168(g). In doing so, use the convention that would have applied to the property under section 168(d). For more information (including an example that illustrates the application of these rules), see Regulations section 1.56(g)-1(b)(2).

Line 2b(4). For property placed in service in a tax year that began after 1980 and before 1987 (to which the original ACRS applies), use the straight line method over the remainder of the recovery period for the property under ADS. In doing so, use the convention that would have applied to the property under section 168(d) (without regard to section 168(d)(3)). For more information (including an example that illustrates the application of these rules), see Regulations section 1.56(g)-1(b)(3).

Line 2b(5). For property described in sections 168(f)(1) through (4), use the regular tax depreciation, regardless of when the property was placed in service.

Important: Line 2b(5) takes priority over lines 2b(1), 2b(2), 2b(3), and 2b(4) (i.e., for property that is described in sections 168(f)(1) through (4), use line 2b(5) instead of the line (2b(1), 2b(2), 2b(3), or 2b(4)) that would otherwise apply).

Line 2b(6). Use the regular tax depreciation for (a) property placed in service before 1981 and (b) property placed in service after 1980, in a tax year that began before 1990, that is excluded from MACRS by section 168(f)(5)(A)(i) or original ACRS by section 168(e)(4), as in effect before the Tax Reform Act of 1986.

Line 2c. Subtract line 2b(7) from line 2a and enter the result on line 2c. If line 2b(7) exceeds line 2a, enter the difference as a negative amount.

Line 3—Inclusion in ACE of Items Included in Earnings and Profits (E&P)

In general, any income item that is not taken into account (see below) in determining the corporation's pre-adjustment AMTI but that is taken into account in determining its E&P must be included in ACE. Any such income item may be reduced by all items related to that income item and that would be deductible when figuring pre-adjustment AMTI if the income items to which they relate were included in the corporation's pre-adjustment AMTI for the tax year. Examples of adjustments for these income items include:

- Interest income from tax-exempt obligations excluded under section 103 minus any costs incurred in carrying these tax-exempt obligations and
- Proceeds of life insurance contracts excluded under section 101 minus the basis in the contract for purposes of ACE.

An income item is considered taken into account without regard to the timing of its inclusion in a corporation's pre-adjustment AMTI or its E&P. Only income items that are permanently excluded from pre-adjustment AMTI are included in ACE. An income item will not be considered taken into account merely because the proceeds from that item might eventually be reflected in a corporation's pre-adjustment AMTI (e.g., that of a shareholder) on the liquidation or disposal of a business.

Exception. Do not make an adjustment for the following.

- Any income from discharge of indebtedness excluded from gross income under section 108 (or the corresponding provision of prior law).
- Any extraterritorial income excluded from gross income under section 114.
- For an insurance company taxed under section 831(b), any amount not included in gross investment income (as defined in section 834(b)).

Line 3d. Include in ACE the income on life insurance contracts (as determined under section 7702(g)) for the tax year minus the part of any premium attributable to insurance coverage.

Line 3e. Do not include any adjustment related to the E&P effects of any charitable contribution (section 56(g)(4)(I)).

Line 4—Disallowance of Items Not Deductible From E&P

Generally, no deduction is allowed when figuring ACE for items not taken into account (see below) in figuring E&P for the tax year. These amounts increase ACE if they are deductible in figuring pre-adjustment AMTI (i.e., they would be positive adjustments).

However, there are exceptions. **Do not** add back:

- Any deduction allowable under section 243 or 245 for any dividend that qualifies for a 100% dividends-received deduction under section 243(a), 245(b), or 245(c) and
- Any dividend received from a 20%-owned corporation (see section 243(c)(2)), but only if the dividend is from income of the paying corporation that is subject to Federal income tax. See sections 56(g)(4)(C)(iii) and (iv) for special rules for dividends from section 936 corporations (including section 30A corporations) and certain dividends received by certain cooperatives.

An item is considered taken into account without regard to the timing of its deductibility in figuring pre-adjustment AMTI or E&P. Therefore, only deduction items that are permanently disallowed in figuring E&P are disallowed in figuring ACE.

Items described in Regulations section 1.56(g)-1(e) for which no adjustment is necessary. Generally, no deduction is allowed for an item in figuring ACE if the item is not deductible in figuring pre-adjustment AMTI (even if the item is deductible in figuring E&P). The only exceptions to this general rule are the related reductions to an income item described in the second sentence of the instructions for line 3 above. Deductions that are not allowed in figuring ACE include:

- Capital losses that exceed capital gains;
- Bribes, fines, and penalties disallowed under section 162;
- Charitable contributions that exceed the limitations of section 170;
- Meals and entertainment expenses that exceed the limitations of section 274;
- Federal taxes disallowed under section 275; and
- Golden parachute payments that exceed the limitation of section 280G.

Note: *No adjustment is necessary for these items since they were not allowed in figuring pre-adjustment AMTI.*

Line 4e. Do not include any adjustment related to the E&P effects of any

charitable contribution (section 56(g)(4)(I)).

Line 5—Other Adjustments

Line 5a. Except as noted below, in figuring ACE, determine the deduction for intangible drilling costs (section 263(c)) under section 312(n)(2)(A).

Subtract the ACE expense (if any) from the AMT expense (used to figure line 2o of Form 4626) and enter the result on line 5a. If the ACE expense exceeds the AMT amount, enter the result as a negative amount.

Exception. The above rule does not apply to amounts paid or incurred for any oil or gas well by corporations other than integrated oil companies (see section 291(b)(4)). If this exception applies, do not enter an amount on line 5a for oil and gas wells.

Line 5b. When figuring ACE, the current year deduction for circulation expenditures under section 173 does not apply. Therefore, treat circulation expenditures for ACE using the case law that existed before section 173 was enacted.

Subtract the ACE expense (if any) from the regular tax expense (for a personal holding company, from the AMT expense used to figure line 2d of Form 4626) and enter the result on line 5b. If the ACE expense exceeds the regular tax amount (for a personal holding company, the AMT amount), enter the result as a negative amount.

Note: *Do not make this adjustment for expenditures for which the corporation elected the optional 3-year writeoff under section 59(e) for the regular tax.*

Line 5c. When figuring ACE, the amortization provisions of section 248 do not apply. Therefore, charge all organizational expenditures to a capital account and do not take them into account when figuring ACE until the corporation is sold or otherwise disposed of. Enter on line 5c all amortization deductions for organizational expenditures that were taken for the regular tax during the tax year.

Line 5d. The adjustments provided in section 312(n)(4) apply in figuring ACE. See Regulations section 1.56(g)-1(f)(3).

Line 5e. For any installment sale in a tax year that began after 1989, the corporation generally cannot use the installment method to figure ACE. However, it may use the installment method for the applicable percentage (as determined under section 453A) of the gain from any installment sale to which section 453A(a)(1) applies.

Subtract the installment sale income reported for AMT from the ACE income from the sales and enter the result on line 5e. If the ACE income from the sales is less than the AMT amount, enter the difference as a negative amount.

Line 6—Disallowance of Loss on Exchange of Debt Pools

When figuring ACE, the corporation may not recognize any loss on the exchange of any pool of debt obligations for any other pool of debt obligations having substantially the same effective interest rates and maturities. Add back (i.e., enter as a positive adjustment) on line 6 any such loss to the extent recognized for the regular tax.

Line 7—Acquisition Expenses of Life Insurance Companies for Qualified Foreign Contracts

For ACE, acquisition expenses of life insurance companies for qualified foreign contracts (as defined in section 807(e)(4) without regard to the treatment of reinsurance contract rules of section 848(e)(5)) must be capitalized and amortized by applying the treatment generally required under generally accepted accounting principles (and as if this rule applied to such contracts for all applicable tax years).

Subtract the ACE expense (if any) from the regular tax expense and enter the result on line 7. If the ACE expense is more than the regular tax expense, enter the result as a negative amount.

Line 8—Depletion

When figuring ACE, the allowance for depletion for any property placed in

service in a tax year that began after 1989 generally must be determined under the cost depletion method of section 611.

Subtract the ACE expense (if any) from the AMT expense (used to figure line 2m of Form 4626) and enter the result on line 8 of the worksheet. If the ACE expense is more than the AMT amount, enter the result as a negative amount.

Exception. Independent oil and gas producers and royalty owners that figured their regular tax depletion deduction under section 613A(c) do not have an adjustment for ACE purposes.

Line 9—Basis Adjustments in Determining Gain or Loss From Sale or Exchange of Pre-1994 Property

If, during the tax year, the corporation disposed of property for which it is making (or previously made) any of the section 56(g) ACE adjustments, refigure the property's adjusted basis for ACE. Then refigure the property's gain or loss.

Enter the difference between the AMT gain or loss (used to figure line 2e of Form 4626) and the ACE gain or loss. Enter the difference as a negative amount if:

- The ACE gain is less than the AMT gain,
- The ACE loss is more than the AMT loss, or
- The corporation had an ACE loss and an AMT gain.

Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 18 hr., 10 min.
Learning about the law or the form 12 hr., 12 min.
Preparing and sending the form to the IRS 13 hr., 03 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Adjusted Current Earnings Worksheet

▶ See ACE Worksheet Instructions (which begin on page 8).

1 Pre-adjustment AMTI. Enter the amount from line 3 of Form 4626			1
2 ACE depreciation adjustment:			
a AMT depreciation	2a		
b ACE depreciation:			
(1) Post-1993 property	2b(1)		
(2) Post-1989, pre-1994 property	2b(2)		
(3) Pre-1990 MACRS property	2b(3)		
(4) Pre-1990 original ACRS property	2b(4)		
(5) Property described in sections 168(f)(1) through (4)	2b(5)		
(6) Other property	2b(6)		
(7) Total ACE depreciation. Add lines 2b(1) through 2b(6)	2b(7)		
c ACE depreciation adjustment. Subtract line 2b(7) from line 2a			2c
3 Inclusion in ACE of items included in earnings and profits (E&P):			
a Tax-exempt interest income	3a		
b Death benefits from life insurance contracts	3b		
c All other distributions from life insurance contracts (including surrenders)	3c		
d Inside buildup of undistributed income in life insurance contracts	3d		
e Other items (see Regulations sections 1.56(g)-1(c)(6)(iii) through (ix) for a partial list)	3e		
f Total increase to ACE from inclusion in ACE of items included in E&P. Add lines 3a through 3e			3f
4 Disallowance of items not deductible from E&P:			
a Certain dividends received	4a		
b Dividends paid on certain preferred stock of public utilities that are deductible under section 247	4b		
c Dividends paid to an ESOP that are deductible under section 404(k)	4c		
d Nonpatronage dividends that are paid and deductible under section 1382(c)	4d		
e Other items (see Regulations sections 1.56(g)-1(d)(3)(i) and (ii) for a partial list)	4e		
f Total increase to ACE because of disallowance of items not deductible from E&P. Add lines 4a through 4e			4f
5 Other adjustments based on rules for figuring E&P:			
a Intangible drilling costs	5a		
b Circulation expenditures	5b		
c Organizational expenditures	5c		
d LIFO inventory adjustments	5d		
e Installment sales	5e		
f Total other E&P adjustments. Combine lines 5a through 5e			5f
6 Disallowance of loss on exchange of debt pools			6
7 Acquisition expenses of life insurance companies for qualified foreign contracts			7
8 Depletion			8
9 Basis adjustments in determining gain or loss from sale or exchange of pre-1994 property			9
10 Adjusted current earnings. Combine lines 1, 2c, 3f, 4f, and 5f through 9. Enter the result here and on line 4a of Form 4626			10