

1991



Department of the Treasury
Internal Revenue Service

Instructions for Form 8656

Alternative Minimum Tax—Fiduciaries

(Section references are to the Internal Revenue Code.)

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

Recordkeeping . . . 17 hr., 56 min.

Learning about the law or the form . . . 4 hr., 34 min.

Preparing and sending the form to the IRS . . . 5 hr., 4 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

Items You Should Note

- For 1991, the alternative minimum tax rate is increased to 24%.
- For 1991, the tax preference for appreciated property charitable deduction (line 6a) does not include any gain from tangible personal property.
- For 1991, there is a new adjustment based on energy preferences. See the line 9a instructions.

General Instructions

Purpose of Form.—Form 8656 is used by the fiduciary to compute:

- (1) the fiduciary's alternative minimum taxable income;
- (2) the income distribution deduction on a minimum tax basis; and
- (3) the fiduciary's alternative minimum tax (AMT).

Who Must File.—Every estate or trust that takes an income distribution deduction under section 651 or 661 must complete Part I and Part II. Part III must also be completed if the fiduciary's share of alternative minimum taxable income (Part I, line 12) exceeds \$20,000.

If the estate or trust does not take an income distribution deduction or is not subject to the AMT, do not attach Form 8656 to Form 1041.

Recordkeeping.—Form 8656 contains adjustments and tax preference items that are treated differently for regular and AMT purposes. If you, as fiduciary for the estate or trust, completed a form to compute an item for regular tax purposes, you may have to complete it a second time for AMT purposes. Generally, the difference between the amounts on the two forms is the AMT adjustment or tax preference amount to enter on Form 8656. Except for **Form 1116**, Foreign Tax Credit, any additional form completed for AMT purposes does not have to be filed with Form 1041.

For regular tax purposes, some deductions and credits may result in carrybacks or carryforwards to other tax years. Examples are: investment interest expense; a net operating loss deduction; a capital loss; and the foreign tax credit. Because these items may be refigured for the AMT, the carryback or carryforward amount may be different for regular and AMT purposes. Therefore, you should keep records of these different carryforward and carryback amounts for the AMT and regular tax. The AMT carryforward will be important in completing the 1992 Form 8656.

Credit for Prior Year Minimum Tax.—Estates and trusts that paid alternative minimum tax in 1990, or had a minimum tax credit carryforward, may be eligible for a minimum tax credit in 1991. See

Form 8801, Credit for Prior Year Minimum Tax—Individuals and Fiduciaries.

Partners, Shareholders, etc.—If the estate or trust is a partner of a partnership or a shareholder of an S corporation, take into account your distributive share of items of income and deductions that enter into the computation of your adjustments and tax preference items.

Allocation of Deductions to Beneficiaries.—The distributable net alternative minimum taxable income (DNAMTI) of the estate or trust does not include amounts of depreciation, depletion, and amortization that are allocated to the beneficiaries, just as the distributable net income (DNI) of the estate or trust does not include these items for regular tax purposes.

Report any adjustments or tax preference items attributable to depreciation, depletion, and amortization that were allocated to the beneficiaries, separately on line 11 of Schedule K-1 (Form 1041).

Carryback and Carryover of Unused Credits.—It may be necessary to refigure the carryback or carryover of certain unused credits. See the appropriate credit forms and Code sections for more information.

Optional Write-Off Period Under Section 59(e).—You may elect under section 59(e) to use an optional 10-year (60 months for intangible drilling and development expenditures; and 3 years for circulation expenditures) write-off period for certain adjustments and tax preference items. If this election is made, the optional write-off period is used for regular tax purposes and there is no AMT adjustment. This election can be made for the following items:

- Circulation expenditures (section 173)
- Research and experimental expenditures (section 174)

- Intangible drilling and development expenditures (section 263(c))
- Development expenditures for mines and natural deposits (section 616)
- Mining exploration expenditures (section 617(a))

The election must be made in the year the expenditure was made and may be revoked only with IRS consent. See section 59(e) for more information.

Additional Information.—For more details, see **Pub. 909**, Alternative Minimum Tax for Individuals.

Specific Instructions

Part I—Fiduciary's Share of Alternative Minimum Taxable Income

Line 1—Adjusted total income.—

Enter the amount from line 17 of Form 1041. If the adjusted total income includes the amount of the alcohol fuel credit under section 87, reduce the adjusted total income by the credit included in income.

Line 2—Net operating loss deduction.—

Enter any net operating loss deduction (NOLD) from line 15a of Form 1041 as a positive amount.

Lines 4a–d—Adjustments.—For lines 4a through 4d, enter each adjustment as a positive amount unless otherwise indicated.

Line 4a—Interest.—In determining the alternative minimum taxable income, qualified residence interest (other than qualified housing interest defined in section 56(e)) is not allowed.

If you completed **Form 4952**, Investment Interest Expense Deduction, for regular tax purposes, you may have an adjustment on this line. Refigure your investment interest expense on another Form 4952 as follows:

Step 1.—On line 1 of Form 4952, add any interest expense allocable to specified private activity bonds issued after August 7, 1986 to the other interest expense. For a definition of "specified private activity bonds," see the instructions for line 6b.

Step 2.—On line 2, enter the AMT disallowed investment interest expense from 1990.

Step 3.—When completing line 4, recompute gross investment income, any net gain attributable to the

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disposition of property held for investment, and any investment expenses, taking into account all AMT adjustments and tax preference items that apply. Include any interest income and investment expenses from private activity bonds issued after August 7, 1986.

To compute the adjustment for line 4a, subtract the total interest allowable for AMT purposes from the interest deduction claimed on line 10 of Form 1041. If the total interest expense allowed for AMT purposes is more than that allowed for regular tax purposes, enter the difference as a negative amount on line 4a.

Line 4b—Taxes.—Enter any state, local, or foreign real property taxes; state or local personal property taxes; and state, local, or foreign income taxes that were included on line 11 of Form 1041.

Line 4d—Refund of taxes.—Enter any refunds received in 1991 of taxes described for line 4b above that were deducted in a tax year after 1986.

Line 5a—Depreciation of property placed in service after 1986, or after 7/31/86, if election was made.—

Caution: *Do not include on this line any depreciation adjustment from: (1) an activity for which you are not at risk; (2) amounts received from a partnership or an S corporation if the basis limitations under section 704(d) or 1366(d) apply; (3) a tax shelter farm activity; or (4) a passive activity. Instead, take these depreciation adjustments into account when figuring the adjustments on line 5h, 5i, or 5j, whichever applies.*

For AMT purposes, the depreciation deduction must be recomputed under the alternative depreciation system (ADS) described in section 168(g).

For property, other than real property and property on which the straight line method was used, use the 150% declining balance method (switching to the straight line method in the first tax year when that method gives a better result). Generally, alternative depreciation is computed over the ADS class life of the property.

For residential rental and nonresidential real property, use the straight line method over 40 years. For personal property having no class life, use 12 years. See **Pub.**

534, Depreciation, for a discussion of class lives.

Use the same convention that was used for regular tax purposes.

See Revenue Procedure 87-57, 1987-2 C.B. 687, or Pub. 534 for the optional tables for the alternative minimum tax, using the 150% declining balance.

Generally, no adjustment is made for property for which the 150% method was elected, property depreciated under the unit-of-production method, or any other method not expressed in a term of years. (See section 168(f)(1), (2), (3), or (4).)

When recomputing the depreciation deduction, be sure to report any adjustment from depreciation that was allocated to the beneficiary for regular tax purposes separately on line 11 of Schedule K-1 (Form 1041).

To compute the adjustment, subtract the recomputed depreciation for AMT purposes from the depreciation deduction for regular tax purposes.

If the depreciation figured for AMT purposes exceeds the depreciation allowed for regular tax purposes, enter the adjustment as a negative amount.

Line 5b—Circulation and research and experimental expenditures paid or incurred after 1986.—

Caution: *Skip this line if you elected the optional 3-year write-off period for circulation expenditures (10-year for research and experimental expenditures) under section 59(e) for regular tax purposes.*

Circulation expenditures.—

Circulation expenditures deducted under section 173(a) for regular tax purposes must be amortized for AMT purposes over 3 years beginning with the year the expenditures were paid or incurred.

Research and experimental expenditures.—

Research and experimental expenditures deducted under section 174(a) for regular tax purposes must be amortized for AMT purposes over 10 years beginning with the year the expenditures were paid or incurred.

Enter the difference between the amount allowed for AMT purposes and the amount allowed for regular tax purposes. If the amount for AMT purposes exceeds the amount allowed for regular tax purposes,

enter the difference as a negative amount.

See section 56(b)(2)(B) for a discussion of the rules for losses on properties for which a deduction was allowed under section 173(a) or 174(a).

Line 5c—Mining exploration and development costs paid or incurred after 1986.—Caution: *Skip this line if you elected the optional 10-year write-off period under section 59(e) for regular tax purposes.*

Expenditures for the development or exploration of a mine or certain other mineral deposits (other than an oil, gas, or geothermal well) deducted under sections 616(a) and 617(a) for regular tax purposes must be amortized for AMT purposes over 10 years beginning with the year the expenditures were paid or incurred.

Enter the difference between the amount allowed for AMT purposes and the amount allowed for regular tax purposes. If the amount allowed for AMT purposes exceeds the amount deducted for regular tax purposes, enter the difference as a negative amount.

See section 56(a)(2)(B) for a discussion of the rules for losses sustained on properties for which a deduction was allowed under section 616(a) or 617(a).

Line 5d—Long-term contracts entered into after February 28, 1986.—For AMT purposes, the percentage of completion method of accounting described in section 460(b) generally must be used. This rule does not apply to “home construction contracts” (as defined in section 460(e)(6)) that meet the requirements of section 460(e)(1)(B)(i) and (ii). **Note:** *Contracts described in section 460(e)(1) are subject to the simplified method of cost allocation of section 460(b)(4).*

Enter the difference between the amount reported for regular tax purposes and the amount reported using the percentage of completion method. If the amount for AMT purposes is less than the amount computed for regular tax purposes, enter the difference as a negative amount.

Line 5e—Pollution control facilities placed in service after 1986.—For any certified pollution facility placed in service after 1986, the deduction under section 169 is not allowed for AMT purposes. Instead, the

deduction is determined under the ADS described in section 168(g) using the ADR class life for the facility under the straight line method.

To compute the adjustment, subtract the amortization deduction taken for regular tax purposes, from the depreciation deduction determined under the ADS.

If the deduction allowed for AMT purposes is more than the amount allowed for regular tax purposes, enter the difference as a negative amount.

Line 5f—Installment sales of certain property.—For AMT purposes, income from dispositions of inventory or other property described in section 1221(1) may not be determined using the installment method, except for certain dispositions of timeshares or residential lots if you elected to pay interest under section 453(l)(2)(B).

To compute the adjustment, subtract the income reported for regular tax purposes from the income determined for AMT purposes. If the income determined for AMT purposes is less than the income reported for regular tax purposes, enter the difference as a negative amount.

For nondealer dispositions occurring after March 1, 1986, but before the first day of your tax year that began in 1987, and reported under the installment method, the entire gain was required to be reported for AMT purposes in the year of disposition. Enter on line 5f as a negative amount any income on such a disposition reported during the current year under the installment method for regular tax purposes.

Line 5g—Adjusted gain or loss.—Incentive Stock Options (ISOs).—For regular tax purposes, you do not report the income from the exercise of an ISO if the requirements of section 421 are met. For AMT purposes, the rules of section 83 apply.

Therefore, if the estate or trust exercised an ISO in 1991 but did not sell the stock, include as an adjustment on this line the difference, if any, between the amount reportable as income under section 83 for AMT purposes and that reported for regular tax purposes. If the estate or trust sold the stock during 1991, there is no

AMT adjustment because the entire gain must be reported as income on Form 1041.

Recomputed Gain or Loss.—If the estate or trust sold or exchanged property during the year, or had a casualty gain or loss to business or income producing property, you may have an adjustment. The gain or loss on the disposition of certain assets is recomputed for AMT purposes. Use this line if you reported a gain or loss on Form 4797, Schedule D (Form 1041), or Form 4684 (Section B). When computing the adjusted basis for those forms, take into account any AMT adjustments made this year, or in previous years, for items related to lines 5a, 5b, 5c, and 5e of Form 8656. For example, to compute the adjusted basis for AMT purposes, reduce the cost of an asset only by the depreciation allowed for AMT purposes.

Enter the difference between the gain or loss reported for regular tax purposes, and that computed for AMT purposes. If the gain computed for AMT purposes is less than the gain reported for regular tax purposes, enter the adjustment as a negative amount. If the loss computed for AMT purposes is more than the loss allowed for regular tax purposes, enter the adjustment as a negative amount.

Line 5h—Certain loss limitations.—Caution: *If the loss is from a passive activity, use line 5j instead. If the loss is from a tax shelter farm activity (that is not passive), use line 5i.*

Refigure your allowable losses from activities for which you are not at risk and basis limitations applicable to interests in partnerships and stock in S corporations, taking into account your AMT adjustments and tax preference items. See sections 59(h), 465, 704(d), and 1366(d).

To compute the adjustment, enter the difference between the loss reported for regular tax purposes, and the recomputed loss. If the recomputed loss is more than the loss reported for regular tax purposes, enter the adjustment as a negative amount.

Line 5i—Tax shelter farm activities.—Note: *Use this line only if the tax shelter farm activity is not a passive activity. Otherwise, use line 5j.*

For AMT purposes, no loss is allowed from any tax shelter farm activity as defined in section 58(a)(2).

An excess farm loss from one farm activity cannot be netted against income from another farming activity. Any disallowed loss (for AMT purposes) is carried forward until offset by income from the same activity or when the entire activity is sold.

Include any other adjustment or tax preference item and your prior year AMT unallowed loss when refiguring the farm loss. For example, if depreciation must be refigured for AMT purposes, include the adjustment on this line. DO NOT include it again on line 5a, 7a, or 7b.

Determine your tax shelter farm activity gain or loss for AMT purposes using the same rules you used for regular tax purposes except that any recomputed loss is allowed only to the extent that a taxpayer is insolvent (see section 58(c)(1)). Any recomputed loss may not be used in the current tax year to offset gains from other tax shelter farm activities. Instead, it must be suspended and carried forward indefinitely until either you have a gain in a subsequent tax year from that same tax shelter farm activity or the activity is disposed of.

Line 5j—Passive activities.—For AMT purposes the rules described in section 469 apply, except that in applying the limitations, minimum tax rules apply.

Passive activity gains and losses must be refigured on an AMT basis. Refigure a passive activity gain or loss by taking into account all AMT adjustments or tax preference items that pertain to that activity.

You may complete a second **Form 8582**, Passive Activity Loss Limitations, to determine the passive activity losses allowed for AMT purposes, but do not send this AMT Form 8582 to the IRS.

Note: *The amount of any passive activity loss that is not deductible (and is therefore carried forward) for AMT purposes is likely to differ from the amount (if any) that is carried forward for regular tax purposes. Therefore, it is essential that you retain adequate records for both AMT and regular tax purposes.*

To compute the adjustment, enter the difference between the loss reported on Form 1041, and the

recomputed AMT allowable loss, if any.

Caution: *No AMT adjustment or tax preference item is to be accounted for twice. Any AMT adjustment or tax preference item included on this line is not to be entered again elsewhere on this form.*

Publicly Traded Partnerships (PTPs).—If the estate or trust had a loss from a PTP, refigure the loss using any AMT adjustments and tax preference items.

Line 5k.—Beneficiaries of other estates or trusts.—If the estate or trust is the beneficiary of another estate or trust, enter the minimum taxable income adjustment from line 8, Schedule K-1 (Form 1041).

Tax preference items.—Enter all adjustments on lines 6 and 7 as positive amounts. Also, when you recompute an item for AMT, if the AMT amount is more than that deducted for regular tax purposes, do not make a negative adjustment for that item.

Line 6a—Appreciated property charitable deduction.—Enter the amount by which the contribution deduction would be reduced if all capital gain and section 1231 property were taken into account at its adjusted basis (usually cost), instead of its fair market value. For 1991, do not include gain from any tangible personal property.

Line 6b—Tax-exempt interest on specified private activity bonds.—Enter the interest earned from private activity bonds issued after August 7, 1986, reduced by any deduction that would have been allowable if the interest were includible in gross income for regular tax purposes. The term “specified private activity bonds” means any qualified bond (as defined in section 141) issued after August 7, 1986.

Exempt-interest dividends paid by a regulated investment company are treated as interest from a private activity bond to the extent of a pro-rata share of the interest the company received on such bonds. See section 57(a)(5) for more information.

Line 6c—Depletion.—The excess of the depletion deduction allowed for the current year under section 611 over the adjusted basis of the property at the end of the year is a tax preference item. However, do not reduce the adjusted basis by the depletion deduction for the current

year. This computation is done on a property-by-property basis. There is no tax preference item until the depletion deduction exceeds the adjusted basis of the property.

Line 7a—Accelerated depreciation of real property placed in service before 1987.—For AMT purposes, use the straight line method to figure depreciation. Enter the excess of depreciation claimed for regular tax purposes over depreciation refigured using the straight line method.

Figure this amount separately for each property. For 15-, 18-, or 19-year real property, use the straight line method over 15, 18, or 19 years. For low-income housing, use the straight line method over 15 years.

Line 7b—Accelerated depreciation of leased personal property placed in service before 1987.—For AMT purposes, use the straight line method to figure depreciation for leased personal property. Enter the excess of the depreciation taken for regular tax purposes over the depreciation using the straight line method. Figure this amount separately for each property.

For leased recovery property, other than 15-, 18-, or 19-year real property, or low-income housing, enter the amount by which the depreciation deduction determined for regular tax purposes is more than the deduction allowable using the straight line method with a half-year convention, no salvage value, and the following recovery period:

5-year property	8 years
10-year property	15 years
15-year public utility property	22 years

Note: *If the recovery period actually used is longer than the recovery period used in line 7a or 7b, do not complete those lines for that recovery property.*

Line 7c—Amortization of certified pollution control facilities placed in service before 1987.—Enter the amount by which the amortization allowable under section 169 is more than the depreciation deduction otherwise allowable. There is no tax preference in the year of disposition.

Line 7d—Intangible drilling costs.—**Caution:** *Skip this line if you elected the optional 60-month write-off under section 59(e) for regular tax purposes.*

Intangible drilling costs (IDCs) from oil, gas, and geothermal wells are a tax preference item to the extent that the excess IDCs exceed 65% of the net income from the wells. The tax preference item for geothermal properties is computed separately from the preference for oil and gas properties.

Excess IDCs are computed by taking the amount of your IDCs allowed for regular tax purposes under section 263(c) (not including any section 263(c) deduction for nonproductive wells) minus the amount that would be allowed if that amount had been amortized over a 120-month period starting with the month the well was placed in production.

Note: *Cost depletion can be substituted for the amount allowed using amortization over 120 months.*

Net income is determined by taking the gross income from all oil, gas, and geothermal wells reduced by the deductions allocable to those properties (determined without regard to excess IDCs).

Line 9a—Adjustment based on energy preferences.—For AMT purposes a special deduction based on a specified portion of oil and gas related tax preference items is allowed. Use the worksheet below to compute this adjustment if you have an entry on line 6c or 7d.

Instructions for Line 9a Worksheet to Compute Adjustment Based on Energy Preferences

Line 2.—The term “qualified exploratory costs” means intangible drilling and development costs which: (1) you may elect to deduct as expenses under section 263(c); and (2) are paid or incurred in connection with the drilling of an exploratory well located in the United States.

Qualified exploratory costs do not include any cost paid or incurred in constructing, acquiring, transporting, erecting, or installing an offshore platform; or with respect to the drilling of a well from an offshore platform unless it is the first well which penetrates a reservoir.

For a definition of exploratory well, see section 56(h)(6)(B).

Line 6.—Enter the portion of percentage depletion preference from line 6c of Form 8656 that is specifically attributable to percentage depletion from marginal wells.

Line 9b—Alternative tax net operating loss deduction.—For tax years beginning after 1986, the net operating loss (NOL) under section 172(c) is modified for alternative tax purposes by: (1) adding the adjustments made under sections 56 and 58 (subtracting if the adjustments were negative); and (2) reducing the NOL by any item of tax preference under section 57 (except the appreciated charitable contribution preference item).

When computing an NOL from a loss year prior to 1987, the rules in effect before enactment of the Tax Reform Act (TRA) of 1986 apply. The NOL under section 172(c) is reduced by the amount of the tax preference items that were taken into account in computing the NOL. In addition, the NOL is computed by taking into account only itemized deductions which were alternative tax itemized deductions for the tax year and that were a modification to the NOL under section 172(d). See sections 55(d) and 172 as in effect before the TRA of 1986.

The alternative tax net operating loss deduction (ATNOLD) is limited to 90% of the amount on line 8, reduced by the amount, if any, on line 9a. If the 90% limitation applies, the unused ATNOLD can be carried back or forward in accordance with the rules contained in section 172(b).

Note: *If you elected, under section 172(b)(3), to forego the carryback period for regular tax purposes, the election will also apply for the AMT.*

Line 9a Worksheet to Compute Adjustment Based on Energy Preferences

1	Intangible drilling cost preference (from line 7d, Form 8656)	_____
2	Portion on line 1 above attributable to qualified exploratory costs	_____
3	Subtract line 2 from line 1	_____
4	Multiply line 2 above by 75% (.75)	_____
5	Multiply line 3 above by 15% (.15)	_____
6	Marginal production depletion preference (see instructions)	_____
7	Multiply line 6 above by 50% (.50)	_____
8	Alternative tax energy preference deduction (add lines 4, 5, and 7)	_____
9	Alternative minimum taxable income (from line 8, Form 8656)	_____
10	Multiply line 9 above by 40% (.40)	_____
11	Adjustment based on energy preferences (Enter the lesser of line 8 or line 10.) Enter here and on line 9a, Form 8656	_____

Part II—Income Distribution Deduction on a Minimum Tax Basis

Line 14—Adjusted tax-exempt interest.—To figure the adjusted tax-exempt interest, subtract the total of: (1) any tax-exempt interest from line 2 of Schedule A (Form 1041) computed for AMT purposes; and (2) any section 212 expense allowable for AMT purposes allocable to tax-exempt interest from the amount of tax-exempt interest received. DO NOT subtract any deductions reported on lines 4a through 4c. Figure section 212 expenses allocable to tax-exempt interest as follows: Divide the total tax-exempt interest received for AMT purposes by the total of all items of gross income (including tax-exempt interest) included in the DNAMTI. Multiply the result by the total section 212 expenses that are not directly attributable to any items of income.

Lines 18 and 19.—Capital gains and losses must take into account any basis adjustments from line 5g, Part I.

Line 24.—In computing the income distribution deduction on a minimum tax basis, the estate or trust is not allowed a deduction for any item of DNAMTI that is not included in the gross income of the estate or trust computed on an AMT basis. Thus, for purposes of computing the allowable income distribution deduction on a minimum tax basis, the DNAMTI (line 20) is computed without regard to any tax-exempt interest (except for amounts from line 6b).

If tax-exempt interest is the only tax-exempt income included in the total distributions (line 23), and the

DNAMTI (line 20) is less than or equal to line 23, then enter on line 24 the amount from line 14.

If tax-exempt interest is the only tax-exempt income included in the total distributions (line 23), and the DNAMTI is more than line 23 (i.e., the estate or trust made a distribution that is less than the DNAMTI), then compute the adjustment as follows:

Multiply line 14 by a fraction, the numerator of which is the total distributions (line 23), and the denominator of which is the DNAMTI (line 20). Enter the result on line 24.

If line 23 includes tax-exempt income other than tax-exempt interest (except for amounts from line 6b), figure line 24 as follows:

From tax-exempt income included on line 23, subtract the expenses allocable to tax-exempt income that are allowable for AMT purposes.

To compute the expenses allocable to tax-exempt income, divide tax-exempt income by total income. Multiply the result by expenses allowable for AMT purposes not directly allocable to any item of income.

Line 27—Income distribution deduction on a minimum tax basis.—The income distribution deduction computed on a minimum tax basis is to be allocated among the beneficiaries in the same manner as income was allocated for regular

tax purposes. Report each beneficiary's share on line 6 of their respective Schedules K-1 (Form 1041).

Part III—Computation of Alternative Minimum Tax

Line 36—Alternative minimum foreign tax credit.—Foreign tax credits cannot offset more than 90% of the AMT liability computed without regard to foreign tax credits and NOLs. To compute the foreign tax credit for AMT purposes, complete and attach Form 1116, with the notation at the top, "Alt Min Tax" for each type of income specified at the top of Form 1116.

Complete Part I, entering income, deductions, etc., attributable to sources outside the U.S. computed on a minimum tax basis.

Complete Part III. On line 9, do not enter any taxes taken into account in a tax year beginning after 1986 which are treated under section 904(c) as paid or accrued in a tax year beginning before 1987. On line 10 of Form 1116, enter the alternative minimum foreign tax credit carryover, and on line 17 of Form 1116, enter the alternative minimum taxable income from line 12 of Form 8656. On line 19 of Form 1116, enter the amount from line 35 of Form 8656.

Complete Part IV. The foreign tax credit from line 32 of the AMT Form

1116 is limited to the tax on line 35 of Form 8656, less 10% of what would have been the tentative AMT on line 35 of Form 8656, if line 9c of Form 8656 had been zero. If you had no entry on line 9c of Form 8656, enter on line 36 of Form 8656 the smaller of: **(1)** 90% of line 35 of Form 8656; or **(2)** the amount from line 32 of Form 1116.

If there is an entry on line 9c of Form 8656, recompute what your tentative AMT would have been if line 9c were zero. Multiply that amount by 90% (.90). Enter the smaller of that amount or line 32, of Form 1116 on line 36 of Form 8656.

If your foreign tax credit is limited for AMT purposes, any unused amount can be carried back or forward in accordance with section 904(c).

Note: *If you elected to forego the carryback period for regular tax purposes, the election will also apply for the AMT.*

Line 38a—Regular tax before credits.—Enter the total of the fiduciary's regular tax from line 1a, Schedule G of Form 1041; plus any section 667(b) tax from Form 4970 entered on line 1b, Schedule G of Form 1041. From that amount subtract any foreign tax credit that was allocated to the fiduciary from line 2a, Schedule G of Form 1041. DO NOT deduct any foreign tax credit that was allocated to the beneficiaries.