

Computation of Minimum Tax

▶ Attach to Form 1040

Name(s) as shown on Form 1040

Your social security number

1 Tax Preference Items. File this form if the total of tax preference items (line 2) is more than \$10,000 (\$5,000 if married filing separately) even though you owe no minimum tax. If this is a short period return, see instructions for line 8. **Caution:** See "Limitations on amounts treated as tax preference items in certain cases" in instructions.

- (a) Excess itemized deductions
- (b) Accelerated depreciation on real property:
 - (1) Low-income rental housing under section 167(k)
 - (2) Other real property
- (c) Accelerated depreciation on personal property subject to a lease
- (d) Amortization of certified pollution control facilities
- (e) Amortization of railroad rolling stock
- (f) Amortization of on-the-job training facilities
- (g) Amortization of child care facilities
- (h) Stock options
- (i) Reserves for losses on bad debts of financial institutions
- (j) Depletion
- (k) Capital gains
- (l) Intangible drilling costs

2 Total tax preference items (add lines 1(a) through 1(l))

3 Amount from Form 1040, line 20*

4 Tax from recomputing prior-year investment credit

5 Tax from recomputing prior-year Work Incentive (WIN) credit

6 Tax on premature redemption of Individual Retirement Bond(s)

7 Add lines 3 through 6

8 Enter the larger of: (a) one-half of the amount on line 7, or (b) \$10,000 (\$5,000 if married filing separately)

9 Subtract line 8 from line 2 (if zero or less, enter zero)

10 Multiply amount on line 9 by .15 and enter result

11 Enter amount of any 1976 net operating loss carryover to 1977 (attach statement showing computation)

12 Multiply amount on line 11 by .15 and enter result

13 Deferred minimum tax—enter amount from line 10 or line 12, whichever is smaller

14 Minimum Tax. Subtract line 13 from line 10

15 Enter minimum tax deferred from prior year(s) until this year (attach statement showing computation)

16 Total minimum tax. Add lines 14 and 15

17 Excess tax credits. See instructions for line 17 before completing this section. If Form 1040, line 20 is greater than zero this section will not apply; omit lines 17(a) through 18 and enter the amount from line 16 on line 19.

- (a) General tax credit
- (b) Credit for the elderly
- (c) Credit for political contributions
- (d) Credit for purchase of new principal residence
- (e) Credit for child care expenses

18 Add lines 17(a) through 17(e)

19 Subtract line 18 from line 16. Enter here and on Form 1040, line 56

*Do not include any tax imposed under sec. 402(e) (ordinary income portion of lump-sum distributions) or any partial tax under sec. 667 (accumulation distribution by trusts).

Instructions

(Section references are to the Internal Revenue Code unless otherwise specified.)

Who Must File.—You must file this form if: (1) you have tax preference items in excess of \$10,000 (\$5,000 if married filing separately) even if you owe no minimum tax, or (2) if you have any minimum tax liability deferred from a prior taxable year until this year. If this is a short period return see the note in instructions for line 8.

Line 1—Tax Preference Items.—

(a) Excess itemized deductions.—(Applicable only if you itemized deductions on Schedule A (Form 1040)). Enter the amount by which your itemized deductions as adjusted exceed 60 percent (but do not exceed 100 percent) of your adjusted gross income (Form 1040, line 15c).

Itemized deductions as adjusted equal your itemized deductions for the year (Schedule A (Form 1040), line 40), reduced by:

(1) Medical and dental expenses (Schedule A (Form 1040), line 10), and

(2) Casualty and theft losses (Schedule A (Form 1040), line 29).

(b) Accelerated depreciation on real property.—

(1) Low income rental housing under section 167(k)

(2) Other real property

Enter on the appropriate line(s) the excess of depreciation allowable over the depreciation that would have been allowable if the straight line method had been used. You must compute this excess on a property by property basis.

Note: If you amortized certain rehabilitation expenditures for section 1250 property over a 5-year period, enter on line 1(b)(1) the amount by which this amortization exceeds straight-line depreciation over the improvement's normal useful life.

(c) Accelerated depreciation on personal property subject to a lease.—Enter the excess of depreciation allowable over the depreciation that would have been allowable if the straight-line method had been used, determined without regard to the Asset Depreciation Range variance in useful life. This excess must be computed on a property by property basis.

(d) Amortization of certified pollution control facilities.

(e) Amortization of railroad rolling stock,

(f) Amortization of on-the-job training facilities, and

(g) Amortization of child care facilities.—For items (d), (e), (f) and (g) with respect to each certified pollution control facility, unit of railroad rolling stock, on-the-job training facility, and child care facility, enter the amount by which the amortization allowable exceeds the depreciation deduction otherwise allowable.

(h) Stock options.—If you received stock pursuant to the exercise of a qualified stock option (as defined in section 422(b)) or a restricted stock option (as

defined in section 424(b)), enter the amount by which the fair market value of the shares at the time of exercise exceeds the option price.

(i) Reserves for losses on bad debts of financial institutions.—Enter your share of the excess of the addition to reserve for bad debts over the reasonable addition to the reserve for bad debts that would have been allowable if the bad debt reserve had been maintained for all taxable years on the basis of actual experience. See section 57(a)(7).

(j) Depletion.—Enter any excess of deduction for depletion allowable under section 611 over the adjusted basis of the property at the end of the year (determined without regard to depletion deduction for the taxable year). You must compute this excess on a property by property basis.

(k) Capital gains.—Enter the amount from:

(1) Schedule D (Form 1040), line 15(a);
(2) Form 1040, line 30b if you report only capital gain distributions; or

(3) Form 4798, Part IV, line 8(a) if you report a pre-1970 capital loss carryover.

(l) Intangible drilling costs.—Enter the amount by which (computed on a well-by-well basis):

(1) the intangible drilling and development costs described in section 263(c), paid or incurred in connection with oil and gas wells (other than costs incurred in drilling a nonproductive well), allowable under Chapter 1 of the Internal Revenue Code for the taxable year, exceeds

(2) the amount that would have been allowable for the taxable year if such costs had been capitalized and the straight line recovery of intangibles (as defined below) had been used with respect to such costs.

For this purpose the term "straight line recovery of intangibles" means (except in the case of an election under section 57(d) (2)) the ratable amortization of such costs over the 120-month period beginning with the month in which production from such well begins.

Limitations on Amounts Treated as Tax Preference Items in Certain Cases.—See proposed Income Tax Regulations section 1.57-4 for limitations on amounts treated as tax preference items in certain cases where the item of tax preference resulted in no tax benefit. If limitations apply, attach a schedule showing computation.

Partners, Beneficiaries of Estates and Trusts, etc.—You, as a partner, must take into account separately your distributive share of items of income and deductions which enter into the computation of tax preference items. If you are a partner and have elected the optional adjustment to basis (see section 743), adjust the applicable tax preference items to reflect the election.

If you are a:

beneficiary of an estate or trust, see sec. 58(c);

shareholder of an electing small business corporation, see sec. 58(d);
participant in a common trust fund, see sec. 58(e);

shareholder or holder of beneficial interest in a regulated investment company or a real estate investment trust, see sec. 58(f).

If you have tax preferences attributable to foreign sources, see sec. 58(g).

Line 8—Adjustment in Exclusion for Computing Minimum Tax for Tax Preferences for Short Period Returns.—If this return is for a short period, a special formula is used for determining the adjustment in exclusion for computing the minimum tax for tax preferences. See section 443(d).

However, if you are married filing separately, substitute \$5,000 for \$10,000.

Note: If line 2 is more than either the adjusted exclusion or \$10,000 (\$5,000 if married filing separately), file this form even though you owe no minimum tax.

Line 11—1976 Net Operating Loss Carryover to 1977.—Under certain conditions, part or all of the amount shown on line 10 may be deferred to a subsequent year. See section 56(b).

Line 15—Minimum Tax Deferred from Prior Year(s).—If a net operating loss carryover from 1975 reduces taxable income for 1976, and the net operating loss giving rise to the carryover resulted in the deferral of minimum tax in 1975, all or part of the deferred minimum tax may be includable on line 15 as tax liability for 1976 (computed at the 10 percent rate in effect for 1975).

The deferred minimum tax is to be included on line 15 to the extent the portion of the net operating loss carryover attributable to the deferred minimum tax reduces taxable income for 1976. For purposes of computing the amount attributable, the portion of the net operating loss carried over that is not attributable to the deferred minimum tax has priority and is applied in reducing the 1976 taxable income before the portion of the carryover that is attributable to the deferred minimum tax. See section 56(b).

Line 17—Excess Tax Credits.—If Form 1040, line 20 is zero, you may be able to claim any unused portion of the credits against your minimum tax. The credits are applied in the order listed on Form 4625, first to the tax on Form 1040, line 16, and then to the minimum tax on Form 4625, line 16. For example, if the amount on Form 1040, line 20 is zero after applying the general tax credit and a portion of the credit for the elderly to which you are entitled, the balance of the credit for the elderly and any of the other credits shown on line 17 to which you are entitled can be applied to the extent of the minimum tax on Form 4625, line 16. Enter on lines 17(a) through 17(e), only that portion of the credit(s) that is used to reduce the minimum tax. Do not reduce the minimum tax below zero.