

# Computation of Minimum Tax

▶ Attach to Form 1040

# 1977

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, **OR** if you have any minimum tax liability deferred from a prior taxable year until this year. 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) Adjusted 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) Reserves for losses on bad debts of financial institutions . . . . .
- (i) Stock options . . . . .
- (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 47\* . . . . .

**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 1977 net operating loss carryover to 1978 (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 47 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.

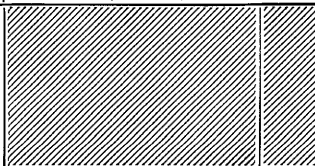
(a) Credit for the elderly . . . . .

(b) Credit for political contributions . . . . .

(c) Credit for child care expenses . . . . .

**18** Add lines 17(a) through 17(c) . . . . .

**19** Subtract line 18 from line 16. Enter here and on Form 1040, line 49 . . . . .



\*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), or any penalty tax under sec. 72(m)(5).

# 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) Adjusted itemized deductions.**—(Applicable only if you itemized deductions on Schedule A (Form 1040)).

The amount to be entered should be determined as follows:

**Step 1**—Subtract from your total itemized deductions (line 39, Schedule A, Form 1040):

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

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

(3) Any deduction allowable under Section 691(c).

**Step 2**—Multiply your adjusted gross income (line 31, Form 1040) by 60%.

**Step 3**—Subtract the amount determined in Step 2 from the lesser of your adjusted gross income or the amount determined in Step 1.

**(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 Class Life Asset Depreciation Range (CLADR) 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 amor-

tization allowable exceeds the depreciation deduction otherwise allowable.

**(h) 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).

**(i) 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.

**(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 15a;

(2) Form 1040, line 15 if you report only capital gain distributions; or

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

**(l) Intangible drilling costs.**—Excess intangible drilling costs are a tax preference item only to the extent that they exceed your net income from oil and gas properties.

Excess intangible drilling costs are the amount by which the allowable intangible drilling and development costs (other than costs incurred in drilling a nonproductive well) exceed the amount that would have been allowable if such costs had been capitalized and then (unless you make an election under section 57(d)(2)) amortized over a 120 month period beginning with the month production first began.

The net income from oil and gas properties is the gross income from oil and gas properties less the deductions allocable to such properties except for excess intangible drilling costs.

**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—1977 Net Operating Loss Carryover to 1978.**—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 a prior year(s) reduces taxable income for 1977, and the net operating loss giving rise to the carryover resulted in the deferral of minimum tax in that prior year(s), all or part of the deferred minimum tax may be includible on line 15 as tax liability for 1977. The deferred minimum tax should be computed at the rate in effect for the year of the loss (15% for 1976; 10% for 1975 and prior years).

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 1977. 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 1977 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 47 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 Schedule TC, Form 1040, Part I, line 4 and then to the minimum tax on Form 4625, line 16. For example, if the amount on Form 1040 line 47 is zero after applying the credit for the elderly and a portion of the credit for political contributions to which you are entitled, the balance of the credit for political contributions and credit for child care expenses 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(c), only that portion of the credit(s) that is used to reduce the minimum tax. Do not reduce the minimum tax below zero.