

# Computation of Minimum Tax—Individuals

▶ Attach to Form 1040  
(Please see instructions on back)

# 1978

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 previous 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 line 8 is more than line 2, enter zero) . . . . .

**10** Multiply amount on line 9 by 15% and enter here . . . . .

**11** Enter any 1978 net operating loss carryover to 1979 (attach statement showing computation) . . . . .

**12** Multiply amount on line 11 by 15% and enter here . . . . .

**13** Deferred minimum tax. Enter the smaller of amount on line 10 or line 12 . . . . .

**14** Minimum Tax. Subtract line 13 from line 10 . . . . .

**15** Enter minimum tax deferred from previous 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 more than zero, this section will not apply; skip 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 . . . . .
- (d) Residential energy credits . . . . .

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

**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 of more than \$10,000 (\$5,000 if married filing separately) even if you owe no minimum tax, or (2) you have any minimum tax liability deferred from a previous 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.**—(This applies only if you itemized deductions on Schedule A (Form 1040).)

Determine the amount to be entered as follows:

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

- (1) Medical and dental expenses (Schedule A, Form 1040, line 10).
- (2) Casualty and theft losses (Schedule A, Form 1040, line 29).
- (3) Any deduction allowable under section 691(c).

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

**Step 3**—Subtract the amount determined in step 2 from the smaller of your adjusted gross income or the amount determined in step 1. If less than zero, enter zero.

**(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 you had used the straight line method. You must figure this excess on a property by property basis.

**Note:** If you amortized certain rehabilitation expenditures for certified historic structures or other section 1250 property over a 5-year period, enter on line 1(b)(1) the amount by which this amortization is more than 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 you had used the straight-line method. You must figure this excess on a property-by-property basis.

Amortization of (d) certified pollution control facilities, (e) railroad rolling stock, (f) on-the-job training facilities, and (g) child care facilities.—

In items (d), (e), (f) and (g), enter the amount by which the amortization allowable is more than the depreciation deduction otherwise allowable.

If you use the **Class Life Asset Depreciation Range (CLADR) System**, the asset guideline period provided is considered the same as straight line useful life for lines 1(b) and 1(c). Any variance in useful life allowable under section 167(m)(1) is also considered the same as straight line useful life for purposes of figuring tax preference item (b) but not (c). For lines 1(d) through 1(g), the asset guideline period provided

(including any variance in useful life) is considered the useful life of the property in figuring 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 you had maintained the bad debt reserve for all taxable years based on actual experience. See section 57(a)(7) and regulation section 1.57-1(g).

**(i) Stock options.**—If you received stock by 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 was more than the option price.

**(j) Depletion.**—Enter any excess of deduction for depletion allowable under section 611 over the property's adjusted basis at the end of the year. Include percentage depletion for geothermal deposits. Determine the excess without regard to depletion deduction for the taxable year. You must figure this excess on a property by property basis.

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

- (1) Schedule D (Form 1040), line 22;
- (2) Form 4798, Part I, line 15, if you report a pre-1970 capital loss carryover.
- (3) The excludable part of capital gain distributions if you did not use Schedule D or Form 4798.

Do not include as a tax preference item, the capital gain deduction attributable to a sale or exchange of a principal residence after 7/26/78.

**(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, gas and geothermal 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, gas and geothermal properties is the gross income from such properties less the deductions allocable to them, except for excess intangible drilling costs.

This tax preference item must be figured separately with respect to oil and gas properties which are not geothermal deposits and all properties which are geothermal deposits.

**Limitations on Amounts Treated as Tax Preference Items in Certain Cases.**—See section 58(h) for limitations where the tax preference item did not result in a tax benefit. If limitations apply, attach a schedule showing computation.

**Partners, Beneficiaries of Estates and Trusts, etc.**—If you are a partner, you must take into account separately your distributive share of items of income and deductions that enter into the computa-

tion of tax preference items. If you are a partner and have elected the optional adjustment to basis (see section 743), adjust the tax preference items that apply 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.**—If this is a short period return, use the formula described in section 443(d) to determine the adjustment in exclusion for figuring minimum tax on tax preference items.

**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—1978 Net Operating Loss Carryover to 1979.**—Under certain conditions, you may defer part or all of the amount on line 10 to a later year. See section 56(b).

**Line 15—Minimum Tax Deferred from Previous Year(s).**—If a net operating loss carryover from a previous year(s) reduces taxable income for 1978, and the net operating loss giving rise to the carryover resulted in the deferral of minimum tax in that previous year(s), all or part of the deferred minimum tax may be includable on line 15 as tax liability for 1978. Figure the deferred minimum tax at the rate in effect for the year of the loss (15% for 1976 and 1977; 10% for 1975 and previous years).

Include the deferred minimum tax on line 15 to the extent the part of the net operating loss carryover attributable to the deferred minimum tax reduces taxable income for 1978. In figuring the amount attributable, the part of the net operating loss carried over not attributable to the deferred minimum tax has priority. Apply it in reducing the 1978 taxable income before the part of the carryover that is attributable to 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 part of certain credits against your minimum tax. Apply the credits in the order listed on Form 4625, first to the tax on Form 1040, line 37, 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 part of the credit for political contributions, the balance of the credit for political contributions, credit for child care expenses and residential energy credits can be applied to the extent of the minimum tax on Form 4625, line 16. Enter on lines 17(a) through 17(d), only that part of the credit(s) that is used to reduce the minimum tax. Do not reduce the minimum tax below zero.

For further information about minimum tax, see Publication 525.