



# Line by Line Instructions

**Line 1, Estates and Trusts.**—Adjusted gross income is figured in the same way as for an individual except that the costs of the administration of the estate or trust are allowed in figuring adjusted gross income.

**All taxpayers.**—Do not include in adjusted gross income, interest expense incurred to purchase or carry a limited business interest in a partnership or S corporation.

**Lines 2(a) through 2(g).**—Do not include on these lines any deduction that can be carried back or forward as a net operating loss or forward as a charitable contribution.

**Individuals.**—Complete Schedule A (Form 1040) for any deduction listed on these lines, whether or not you completed it in figuring Form 1040, line 34(a).

**Estates and Trusts.**—Enter on the applicable line any deduction listed on these lines allowable to the estate or trust. Include on line 2h the deductions allowable under sections 642(c), 651(a), and 661(a).

**Line 2(d).**—Enter the part of Schedule A, line 13 that is from debts you incurred in acquiring, constructing, or substantially rehabilitating property, other than a houseboat, which you, or certain family members as listed in section 267(c)(4), use as a residence.

If you incurred the interest before July 1, 1982 the following applies. At the time you incurred the interest, it must have been secured by property which you, or certain family members as listed in section 267(c)(4), used as a residence.

**Line 2(e)(2).**—Enter your investment income minus investment expenses.

Investment income is your gross income from interest, dividends, rents, and royalties, and any amount treated as ordinary income under sections 1245, 1250, and 1254. Do not include income from a trade or business. Include as investment income, your capital gain net income from the sale or exchange of property held for investment. Also include as investment income, any income from a limited business interest, and the amount to be entered on line 4(a).

Investment expenses are those expenses allowable against the production of investment income provided they are allowed in figuring adjusted gross income and not includible in line 4.

**Line 4(b), 60% Capital gain deduction.**—

**Individuals.**—Enter your 60% capital gain deduction from your Schedule D (Form 1040), line 22, or Form 4798, line 9. If you had an entry on Form 1040, line 14, enter 60% of your capital gain distributions. Do not include the capital gain deduction attributable to a sale or exchange of a principal residence.

**Estates and Trusts.**—Enter the capital gain deduction taken into account on Form 1041 or 990-T. However, an amount paid or permanently set aside for a charitable purpose is not a tax preference item.

**Lines 4(c) and 4(d), Accelerated depreciation on real property; Accelerated depreciation on leased personal property or leased recovery property other than 15-year real property.**—If you use the Class Life Asset Depreciation Range (CLADR) System, use the asset guideline period as the straight-line useful life to figure lines 4(c) and (d).

For (c) but not (d), use any variance in useful life under section 167(m)(1) as the straight-line useful life.

**Line 4(c).**—For property other than recovery property, enter the amount you get (never less than zero) by subtracting the depreciation that would have been allowable for the year if you had used the straight-line method, from the depreciation or amortization actually allowable. Figure this amount separately for each property.

For 15-year real property, enter the amount by which the deduction allowed under section 168(a) (or section 167 for section 167(k) property) is more than the deduction which would have been allowable had the property been depreciated using a 15-year period and the straight-line method without salvage value.

**Line 4(d).**—For leased property other than recovery property, enter the amount you get (never less than zero) by subtracting the depreciation that would have been allowable for the year if you had used the straight-line method, from the depreciation or amortization actually allowable. Figure this amount separately for each property.

For leased recovery property other than 15-year real property, enter the amount by which your deduction under section 168(a) is more than the deduction allowable using the straight-line method with a half-year convention, no salvage value, and the following recovery period:

3 year property.....	5 years
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 in 4(c) or 4(d), do not complete line 4(c) or 4(d).

**Line 4(e), Amortization of certified pollution control facilities.**—Enter the amount by which the amortization you took for 1983 is more than the depreciation deduction otherwise allowable.

**Line 4(f), Mining exploration and development costs.**—For each mine or other natural deposit (other than an oil or gas well), enter the amount by which the deductions you took under section 616(a) or 617 are more than the amount that would have been allowable if you had amortized the expenses over a ten-year period.

**Line 4(g), Circulation and research and experimental expenditures.**—Enter the amount by which the deductions you took for circulation and research and experimental expenditures under sections 173 or 174(a) are more than the amount that would have been allowable under section 58(i).

**Line 4(h), Reserves for losses on bad debts of financial institutions.**—Enter your share of the excess of the addition to the 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 tax years based on actual experience.

**Line 4(i), Depletion.**—In the case of mines, wells, and other natural deposits, enter the amount by which the deduction for depletion under section 611 (including percentage depletion for geothermal deposits), is more than the adjusted basis of such property at the end of the tax year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

**Line 4(j), Incentive stock options.**—If you received stock by the exercise of an incentive stock option (as defined in section 422A), enter the amount by which the fair market value of the shares at the time of exercise was more than the option price.

**Line 4(k), Intangible drilling costs.**—Intangible drilling costs are a tax preference item to the extent that the excess intangible drilling costs are more than your net income from oil, gas, and geothermal properties.

Figure excess intangible drilling costs as follows: From the allowable intangible drilling and development costs (except for costs in drilling a nonproductive well), subtract the amount that would have been allowable if you had capitalized these costs and either amortized them over the 120 months that started when production began, or treated them according to any election you made under section 57(d)(2).

Your net income from oil, gas, and geothermal properties is your gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 4(k) amount separately for oil and gas properties which are not geothermal deposits and for all properties which are geothermal deposits.

**Lines 5 and 8.**—If this is a short period return, use the formula in section 443(d)(1) to determine the amount to enter on these lines.

**Nonresident Alien Individuals.**—If you disposed of U.S. real property interests at a gain, see Form 1040NR instructions for a special rule in figuring line 8.

**Line 9, Estates and trusts.**—Enter the amount from Form 1041, line 30. Do not include any tax from Forms 4970, 4972 or 5544.

**Line 11, Foreign Tax Credit.**—If line 10 is more than zero, and you incurred foreign taxes and elect to take them as a credit, enter on line 11 the foreign tax credit allowed against the alternative minimum tax. Figure this credit as follows:

(1) Use and attach a separate Form 1116 for each type of income specified at the top of Form 1116.

(2) Print across the top of each Form 1116 used: "ALT MIN TAX."

(3) **Part I.**—Fill in a new Part I using your income, deductions and tax preference items used in figuring alternative minimum taxable income from sources outside the U.S. Part II need not be completed.

(4) **Part III.**—

(a) Skip lines 1 to 4.  
(b) Insert on line 5 the result of the following:

- the amount from Part III, line 5 of the Form 1116 used to figure the credit allowed against your regular tax, minus
- the amount from Part III, line 17 of that Form 1116, plus
- the smaller of (A) the amount from Part III, line 17 of that Form 1116, or (B) Form 6251, line 10 (or if more than one Form 1116 is being used, an allocable portion of Form 6251, line 10).

(c) Complete lines 6 through 8, using the result of step 3 for line 6.

(d) Skip lines 9 and 10.

- Line 11.—Enter Form 6251, line 5.
- Complete line 12 as indicated in Part III.
- Skip lines 13 and 14.
- Line 15.—Enter Form 6251, line 8.
- Complete lines 16 and 17 as indicated in Part III.

(5) **Part IV.**—

Enter on line 11, Form 6251, the amount from line 6, Part IV of this Form 1116 (but not more than the amount on Form 6251, line 10).

For more information, see **Publication 909**, Minimum Tax and Alternative Minimum Tax.