Instructions for Form 6251

Alternative Minimum Tax—Individuals

Section references are to the Internal Revenue Code.

General Instructions

What’s New

• For 2004, the minimum exemption amount for a child under age 14 has increased to $5,750.
• Beginning in 2004, you may benefit from the tax savings on Schedule J (Form 1040) even if you owe the alternative minimum tax. See the instructions for line 94 on page 8.

Purpose of Form

Use Form 6251 to figure the amount, if any, of your alternative minimum tax (AMT). The AMT applies to taxpayers who have certain types of income that receive favorable treatment, or who qualify for certain deductions, under the tax law. These tax benefits can significantly reduce the regular tax of some taxpayers with higher economic incomes. The AMT sets a limit on the amount these benefits can be used to reduce total tax.

Also use Form 6251 to figure the tax liability limit on the credits listed under Who Must File below.

Who Must File

Attach Form 6251 to your return if any of the following statements is true.

• Form 6251, line 31, is greater than line 34.
• You claim any general business credit, the qualified electric vehicle credit, the nonconventional source fuel credit, or the credit for prior year minimum tax.
• The total of Form 6251, lines 8 through 27, is greater than line 34 if you did not take into account account lines 8 through 27.

Recordkeeping

For the AMT, certain items of income, deductions, etc., receive different tax treatment than for the regular tax.

Therefore, you need to retain records for the AMT that you figured for the regular tax. In some cases, you may wish to do this by completing the applicable tax form a second time. If you do complete another form, do not attach it to your tax return, but keep it for your records. However, you must attach an AMT Form 1116, Foreign Tax Credit, to your return; see the instructions for line 32 beginning on page 7.

For the regular tax, some deductions and credits may result in carrybacks or carryforwards to other tax years.

Examples are investment interest expense, a net operating loss, a capital loss, a passive activity loss, and the foreign tax credit. Because you may have to relight these items for the AMT, the carryback or carryforward amount may be different for the AMT than for the regular tax. Your at-risk limits and basis amounts also may differ for the AMT. Therefore, you must keep records of these different amounts.

Partners and Shareholders

If you are a partner in a partnership or a shareholder in an S corporation, see Schedule K-1 and its instructions to figure your adjustments or preferences from the partnership or S corporation to include on Form 6251.

Nonresident Aliens

If you are a nonresident alien and you disposed of U.S. real property interests at a gain, you must make a special computation. Fill in Form 6251 through line 30. If your net gain from the disposition of U.S. real property interests and the amount on line 28 are both greater than the tentative amount you figured for line 30, replace the amount on line 30 with the smaller of that net gain or the amount on line 28. Also, enter “RPI” on the dotted line next to line 30. Otherwise, do not change line 30.

Form 1040NR. If you are filing Form 1040NR, treat any reference in these instructions or on Form 6251 to a line on Form 1040 as a reference to the corresponding line on Form 1040NR.

Credit for Prior Year Minimum Tax

See Form 8801, Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts, if you paid AMT for 2003 or your partner had a minimum tax credit carryforward on your 2003 Form 8801. If you pay AMT for 2004, you may be able to take a credit on Form 8801 for 2005.

Optional Write-Off for Certain Expenditures

There is no AMT adjustment for the following items if you elect for the regular tax to deduct them ratably over the period of time shown.

• Circulation expenditures—3 years (section 173).
• Research and experimental expenditures—10 years (section 174(a)).
• Mining exploration and development costs—10 years (sections 616(a) and 617(a)).
• Intangible drilling costs—60 months (section 263(c)).

See section 59(e) for more details.

Specific Instructions

If you owe AMT, you may be able to lower your total tax (regular tax plus AMT) by claiming itemized deductions. Your total itemized deductions are less than the standard deduction. This is because the standard deduction is not allowed for the AMT and, if you claim the standard deduction on Form 1040, you cannot claim itemized deductions for the AMT.

Part I—Alternative Minimum Taxable Income (AMTI)

To avoid duplication, any adjustment or preference for line 5, 18, or 19 or for a tax shelter farm activity on line 26 must not be taken into account in figuring the amount to enter for any other adjustment or preference.

Line 1

If Form 1040, line 42, includes a write-in amount such as a capital construction fund deduction for commercial fishermen, adjust line 1 by the write-in amount.

Line 3—Taxes

Enter the amount of all taxes from Form 1040 as a reference to the Enter the amount of all taxes from Form 6251.

Line 4—Home Mortgage Interest Adjustment

Complete the worksheet on page 2 to figure your home mortgage interest adjustment. The definitions of certain terms used in the worksheet are as follows.

Eligible mortgage. An eligible mortgage is a mortgage whose proceeds were used to buy, build, or substantially improve your main home or a second home that is a qualified dwelling. A mortgage whose proceeds were used to refinance another mortgage is not an eligible mortgage.

Qualified dwelling. A qualified dwelling is any house, apartment, condominium, or mobile home not used on a transient basis. Family. Family includes only your brothers and sisters (whether by whole or half blood), your spouse, your ancestors, and your lineal descendants.

2004

Instructions for Form 6251
Home Mortgage Interest Adjustment Worksheet—Line 4
(Keep for Your Records)

1. Enter the total of the home mortgage interest you deducted on lines 10 through 12 of Schedule A (Form 1040) ........................................... 1.
2. Enter the part, if any, of the interest included on line 1 above that was paid on an eligible mortgage (defined on page 1) ......................... 2.
3. Enter the part, if any, of the interest included on line 1 above that was paid on a mortgage whose proceeds were used in a refinancing (including a second or later refinancing) of an eligible mortgage. Do not include any interest paid on the part of the balance of the new mortgage that exceeded the balance of the original eligible mortgage immediately before it was refinanced (or, if smaller, the balance of any prior refinancing of the mortgage immediately before that mortgage was refinanced) ........................................... 3.
4. Enter the part, if any, of the interest included on line 1 above that was paid on a mortgage: 
   • Taken out before July 1, 1982, and
   • Secured, at the time the mortgage was taken out, by your main home or a qualified dwelling used by you or your family (see definitions on page 1). Do not include any amount entered on line 2 or line 3 above ........................................... 4.
5. Add lines 2 through 4 ........................................... 5.
6. Subtract line 5 from line 1 and enter the result on Form 6251, line 4 ........................................... 6.

Line 7—Refund of Taxes
Include any refund from Form 1040, line 10, that is attributable to state or local income taxes deducted after 1986. Also include any refunds received in 2004 and included in income on Form 1040, line 21, that are attributable to state or local personal property taxes, foreign income taxes, or state, local, or foreign real property taxes deducted after 1986. If you include an amount from line 21, you must enter a description and the amount next to the entry space for line 7. For example, if you include a refund of real property taxes, enter “real property” and the amount next to the entry space.

Line 8—Investment Interest
If you filled out Form 4952, Investment Interest Expense Deduction, for your regular tax, you will need to fill out a second Form 4952 for the AMT as follows:

Step 1. Follow the Form 4952 instructions for line 1, but also include the following amounts when completing line 1.
   • Any interest expense on Form 6251, line 4, that was paid or accrued on indebtedness attributable to property held for investment within the meaning of section 162(d)(5) (for example, interest on a home equity loan whose proceeds were invested in stocks or bonds);
   • Any interest that would have been deductible if interest earned on private activity bonds issued after August 7, 1986, had been includible in gross income.

Step 2. Enter your AMT disallowed investment interest expense from 2003 on line 2. Complete line 3.

Step 3. When completing Part II, refiurge the following amounts, taking into account all adjustments and preferences.
   • Gross income from property held for investment.
   • Net gain from the disposition of property held for investment.
   • Net capital gain from the disposition of property held for investment.
   • Investment expenses.
   • Include any interest income and investment expenses from private activity bonds issued after August 7, 1986.
   • On line 4g, enter the smaller of:
     1. The amount from line 4g of your regular tax Form 4952.
     2. The total of lines 4b and 4e of this AMT Form 4952.

Step 4. Complete Part III.
Enter on line 8 the difference between line 8 of your AMT Form 4952 and line 8 of your regular tax Form 4952. If your AMT expense is greater, enter the difference as a negative amount.

Investment interest expense that is not an itemized deduction. If you did not itemize deductions and you had investment interest expense, do not enter an amount on Form 6251, line 8, unless you reported investment interest expense on Schedule E. If you did, follow the steps above for completing Form 4952. Allocate the investment interest expense allowed on line 8 of the AMT Form 4952 in the same way you did for the regular tax.

Enter on Form 6251, line 8, the difference between the amount allowed on Schedule E for the regular tax and the amount allowed on Schedule E for the AMT.

Line 9—Depletion
You must figure your depletion deduction for the AMT. To do so, use only income and deductions allowed for the AMT when figuring the limit based on taxable income from the property under section 613(a) and the limit based on taxable income, with certain adjustments, under section 613A(d)(1). Also, your depletion deduction for mines, wells, and other natural deposits under section 611 is limited to the property’s adjusted basis at the end of the year, as figured for the AMT, unless you are an independent mineral owner or royalty owner.

Enter the difference between the regular tax and AMT deduction. If the AMT deduction is greater, enter the difference as a negative amount.

Line 11—Interest From Private Activity Bonds
Enter on line 11 interest you earned on specified private activity bonds (but not below zero) by any deduction that would have been allowable if the interest were includible in gross income for the regular tax. Generally, the term “specified private activity bond” means any private activity bond (as defined in section 141) issued after August 7, 1986. See section 57(a)(5) for exceptions and more details.

Exempt-interest dividends paid by a regulated investment company are treated as interest income on specified private activity bonds to the extent the dividends are attributable to interest on the bonds received by the company, minus an allocable share of the expenses paid or incurred by the company in earning the interest.

If you are filing Form 8814, Parents’ Election To Report Child’s Interest and Dividends, any tax-exempt interest income from line 1b of that form that is a preference item must be included on this line.

Line 12—Qualified Small Business Stock
If you claimed the exclusion under section 1202 for gain on qualified small business stock held more than 5 years, multiply the excluded gain (as shown on Schedule D (Form 1040)) by 7% (.07). Enter the result on line 12 as a positive amount.

Line 13—Exercise of Incentive Stock Options
For the regular tax, no income is recognized when an incentive stock option (ISO), as defined in section 422(b), is exercised. However, this rule does not apply for the AMT. Instead, you generally must include on line 13 the excess, if any, of:
   • The fair market value of the stock acquired through exercise of the option (determined without regard to any lapse restriction) when your rights in the acquired stock first become transferable or when these rights are no longer subject to a substantial risk of forfeiture, over
   • The amount, if any, you paid for the ISO stock, including any amount you paid for the ISO used to acquire the stock.

Note. Even if your rights in the stock are not transferable and are subject to a substantial risk of forfeiture, you may elect to include in AMT income the
excess of the stock’s fair market value (determined without regard to any lapse restriction), the exercise price upon the transfer to you of the stock acquired through exercise of the option. You must make the election by the 30th day after the date of the transfer. See Pub. 525, Taxable and Nontaxable Income, for more details.

If you acquired stock by exercising an ISO and you disposed of that stock in the same year, the tax treatment under the regular tax and the AMT is the same, and no adjustment is required.

Increase your AMT basis in any stock acquired after 1998 that is depreciated for the regular tax using the straight line method.

$3,000 of the $65,000 net capital loss is taking into account any adjustments you is depreciated for the regular tax using the straight line method. $3,000 of the $65,000 net capital loss is taking into account any adjustments you is depreciated for the regular tax using the straight line method.

$3,000 of the $65,000 net capital loss is taking into account any adjustments you is depreciated for the regular tax using the straight line method.

For the AMT, the $3,000 capital loss limitation is the same as for the regular tax. For the AMT, the $3,000 capital loss limitation is the same as for the regular tax.

To figure the difference between your adjusted basis in the stock at the time he exercised the option is not taxable for the regular tax. For the AMT, however, Ash must include the $180,000 as an adjustment on his 2003 Form 6251. His AMT basis in the stock at the end of 2003 is $200,000.

On January 20, 2004, Ash sold 100 of the shares for $75,000. Because Ash did not hold these shares more than 1 year, that sale is a disqualifying disposition.

For the regular tax, Ash has ordinary income of $50,000 (proceeds minus his $100,000 basis in the 100 shares). Ash has no capital gain or loss for the regular tax reported from the sale. For the AMT, Ash has no ordinary income, but has a short-term capital loss of $25,000 (proceeds minus his $100,000 AMT basis in the 100 shares).

On April 21, 2004, Ash sold the other 100 shares for $60,000. Because he held the shares for more than 1 year, the sale is not a disqualifying disposition. For the regular tax, Ash has a long-term capital gain of $50,000 (proceeds minus his regular tax basis of $100,000). For the AMT, Ash has a long-term capital loss of $40,000 (proceeds minus his AMT basis of $100,000).

Ash has no other sales of stock or other capital assets for 2004. Ash enters a negative adjustment of $3,000 on line 16 of his 2004 Form 6251, figured as follows:

- Ash figures a negative adjustment of $65,000 for the difference between the $65,000 of regular tax ordinary income and the $0 of AMT ordinary income for the first sale.
- For the regular tax, Ash has $50,000 capital gain net income reported on Schedule D for the second sale. For the AMT, Ash has a $25,000 short-term capital gain from the first sale, and a $40,000 long-term capital loss from the second sale, resulting in a net capital loss of $65,000 for the AMT. However, only $3,000 of the $65,000 net capital loss is allowed for 2004 for the AMT. The difference between the regular tax Schedule D gain of $50,000 and the $3,000 loss allowed for the AMT results in a $53,000 negative adjustment to include on line 16.
- Ash has an AMT capital loss carryover from 2004 to 2005 of $62,000, of which $22,000 is short-term and $40,000 is long-term. If he has no other Schedule D transactions for 2005, his adjustment reported on line 16 of his 2005 Form 6251 would be limited to ($3,000), the amount of his capital loss limitation for 2005.

Enter on line 16 the combined adjustments for the four items above.

**Example.** On March 13, 2003, Victor Ash, whose filing status is single, paid $20,000 to exercise an incentive stock option (which was granted to him on January 5, 2002) to buy 200 shares of stock worth $200,000. The $180,000 difference between his cost and the value of the stock at the time he exercised the option is not taxable for the regular tax. His regular tax basis in the stock at the end of 2003 is $200,000. For the AMT, however, Ash must include the $180,000 as an adjustment on his 2003 Form 6251. His AMT basis in the stock at the end of 2003 is $200,000.

**Line 15—Large Partnerships**

If you were a partner in an elective large partnership, enter the amount from Schedule K-1 (Form 1065-B), box 6. Take into account any amount from box 5 on Form 4684, Form 4797, and Form 6251.

**Line 16—Disposition of Property**

Use this line to report any AMT adjustment related to the disposition of property resulting from refiguring:

- Gain or loss from the sale, exchange, or involuntary conversion of property reported on Form 4797, Sales of Business Property;
- Casualty gain or loss to business or income-producing property reported on Form 4664, Casualties and Thefts;
- Ordinary income from the disposition of property not already taken into account in (1) or (2) above or on any other line, such as a disqualifying disposition of stock acquired in a prior year by exercising an incentive stock option; and
- Capital gain or loss (including any carryover that is different for the AMT) reported on Schedule D (Form 1040), Capital Gains and Losses.

The $3,000 capital loss limitation for the regular tax applies separately for the AMT. See the instructions and example below.

First figure any ordinary income adjustment related to (3) above. Then, refigure Form 4664, Form 4797, and Schedule D for the AMT, if applicable, by taking into account any adjustments you made this year or in previous years that affect your basis or otherwise result in a different amount for the AMT.

If you have a capital loss after refiguring Schedule D for the AMT, apply the $3,000 capital loss limitation separately to the AMT loss.

For each of the four items listed above, figure the difference between the amount included in taxable income for the regular tax and the amount included in income for the AMT. Treat the difference as a negative amount if a) both the AMT and regular tax amounts are zero or more and the AMT amount is less than the regular tax amount or b) the AMT amount is a loss, and the regular tax amount is a smaller loss or zero or more.

**Line 17—Post-1986 Depreciation**

This section describes when depreciation required for the AMT and regular tax may be deducted for the AMT.

- Employee business expenses claimed on line 20 of Schedule A (Form 1040). Take this adjustment into account on line 5.
- Passive activities. Take this adjustment into account on line 19.
- An activity for which you are not at risk or income or loss from a partnership or an S corporation is not included in income for the AMT. Take this adjustment into account on line 19.
- A tax shelter farm activity. Take this adjustment into account on line 26.

**What Depreciation Must Be Refigured for the AMT?**

Generally, you must refigure depreciation for the AMT, including any special depreciation allowance that is allocable to inventory costs, for:

- Personal property placed in service after 1998 that is depreciated for the regular tax using the 200% declining balance method (generally 3-5%);
- 10-year property under the modified accelerated cost recovery system (MACRS), except for qualified property eligible for the special depreciation allowance (see below);
- Section 1245 property placed in service after 1998 that is not depreciated for the regular tax using the straight line method;
- Tangible property placed in service after 1986 and before 1999. (If the transitional election was made under section 203(a)(1)(B) of the Tax Reform Act of 1986, this rule applies to property placed in service after July 31, 1986.)

**What Depreciation Is Not Refigured for the AMT?**

Do not refigure depreciation for the AMT for the following:

- Residential real property placed in service after 1998.
- Nonresidential real property with a class life of 27.5 years or more placed in service after 1998 that is depreciated for the regular tax using the straight line method.
- Other section 1250 property placed in service after 1998 that is depreciated for the regular tax using the straight line method.
- Other property (other than section 1250 property) placed in service after 1998 that is depreciated for the regular tax using the 150% declining balance method or the straight line method.
- Property for which you elected to use the alternate depreciation system (ADS) under section 168(g) for the regular tax.
- Property that is qualified property under section 168(k)(2) or 168(k)(4) (property eligible for the special depreciation allowance) if the depreciable basis of the property for the AMT is the same as for the regular tax. The special allowance is deductible for the AMT, and there is also no adjustment required for any depreciation figured on the remaining balance of the qualified property if the depreciable basis of the property for the AMT is the same as for the regular tax.
Property for which an election is in effect under section 168(k)(2)(C)(iii) to not have the special allowance applies to qualified property. See the instructions for Form 4862 for the definition of qualified property.

- Any part of the cost of any property for which you made the election under section 179 to treat the cost of the property as a deductible expense. The reduction to the depreciable basis of section 179 property by the amount of the section 179 expense deduction is the same for the regular tax and the AMT.
- Motion picture films, videotapes, or sound recordings.
- Property depreciated under the unit-of-production method or any other method not expressed in a term of years.
- Qualified Improvement property.
- Qualified revitalization expenditures for a building for which you elected to claim the qualified revitalization deduction under section 1400L.

How Is Depreciation Figuried for the AMT?

**Property placed in service before 1999.** Refugre depreciation for the AMT using ADS, with the same convention used for the regular tax. See the table below for the method and recovery period to use for the AMT. For property placed in service after 1998, use the same convention and recovery period used for the regular tax. For property other than section 1250 property, use the 150% declining balance method. For Tangible property (other than section 1250 property), depreciated using the straight line method for the regular tax. When you switch to straight line the first tax year it gives a larger deduction. For section 1250 property, use the straight line method. How Is the Adjustment Figuried? Tax Shelter Passive Farm Activities

Refugre any gain or loss from a tax shelter passive farm activity taking into account all AMT adjustments and preferences and any AMT prior year unallowed losses. If the amount is a gain, include it on the Form 8582. If the amount is a loss, do not include it on the Form 8582. Carry the loss forward to 2005 to see if you have a gain or loss from tax shelter passive farm activities for 2005. Insolvency

If at the end of the tax year your liabilities exceed the fair market value of your assets, increase your passive activity loss allowed by that excess (but not by more than your total loss). See section 58(c)(1).

**Line 19—Loss Limitations**

For passive activities, see the line 18 instructions instead. For tax shelter farm activities (that are not passive), see the line 26 instructions beginning on page 5. Refugre your gains and losses from activities for which you are not at risk and pass limitations applicable to partnerships and S corporations by taking into account all AMT adjustments and preferences that apply. See sections 59(h), 465, 704(d), and 1366(d).

Enter the difference between the amount that would be reported for the activity on Schedule C, Form 4835 for the AMT and the regular tax amount. If (a) the AMT loss is more than the regular tax loss, (b) the AMT gain is less than the regular tax gain, or (c) you have an AMT loss and a regular tax gain, enter the adjustment as a negative amount. The AMT amount of any gain or loss from activities for which you are not at risk is likely to differ from the regular tax amount. Keep adequate records for both the AMT and regular tax. Enter any adjustment for amounts reported on Schedule D, Form 4864, or Form 4797 for the activity on line 16 instead.

**Line 20—Circulation Costs**

Note. Do not make this adjustment for costs for which you elected the optional 3-year write-off for the regular tax. Circulation costs (expenditures to establish, maintain, or increase the circulation of a newspaper, magazine, or other periodical) deduced in full for the regular tax in the year they were paid or incurred must be capitalized and amortized over 3 years for the AMT. Enter the difference between the regular tax and AMT deduction. If the AMT deduction is greater, enter the difference as a negative amount. If you had a loss on property for which circulation costs have not been fully amortized for the AMT, your AMT deduction is the smaller of (a) the amount of the loss allowable for the costs had they remained capitalized or (b) the remaining costs to be amortized for the AMT.
Line 21—Long-Term Contracts

For the AMT, you generally must use the percentage-of-completion method described in section 460(b) to determine your income from any long-term contract (defined in section 460(c)). However, this rule does not apply to any home construction contract (as defined in section 460(b)). For contracts accepted from the percentage-of-completion method for the regular tax by section 460(b)(1), you must use the simplified procedures for allocating costs outlined in section 460(b)(3) to determine the percentage of completion.

Enter the difference between the AMT and regular tax income. If the AMT income is smaller, enter the difference as a negative amount.

Note. If you are required to use the percentage-of-completion method for either the regular tax or the AMT, you may owe or be entitled to a refund of interest for the tax year the contract is completed or adjusted. For details, see Form 8897, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts.

Line 22—Mining Costs

Note. Do not make this adjustment for costs for which you elected the optional 15-year write-off for the regular tax.

Mining exploration and development costs deducted in full for the regular tax in the tax year they were paid or incurred must be capitalized and amortized over 10 years for the AMT. Enter the difference between the regular tax and AMT deduction. If the AMT deduction is greater, enter the difference as a negative amount.

If you had a loss on property for which mining costs have not been fully amortized for the AMT, your AMT deduction is the smaller of (a) the loss allowable for the costs they had remained capitalized or (b) the remaining costs to be amortized for the AMT.

Line 23—Research and Experimental Costs

Note. Do not make this adjustment for costs paid or incurred in connection with an activity in which you materially participated under the passive activity rules or for costs for which you elected the optional 10-year write-off for the regular tax.

Research and experimental costs deducted in full for the regular tax in the tax year they were paid or incurred must be capitalized and amortized over 10 years for the AMT. Enter the difference between the regular tax and AMT deduction. If the AMT deduction is greater, enter the difference as a negative amount.

If you had a loss on property for which research and experimental costs have not been fully amortized for the AMT, your AMT deduction is the smaller of (a) the loss allowable for the costs they had remained capitalized or (b) the remaining costs to be amortized for the AMT.

Line 24—Installment Sales

The installment method does not apply for the AMT to any nondealer disposition of property after August 16, 1986, but before January 1, 1987. If an installment obligation, by which the amount by which your regular tax depreciation exceeds the depreciation allowable using the straight line method. For leased 10-year recovery property and leased 15-year public utility property, enter the amount by which your regular tax depreciation exceeds the depreciation allowable using the straight line method with a half-year convention, no salvage value, and a recovery period of 15 years (22 years for 15-year public utility property).

Figure the excess of the regular tax depreciation over the AMT depreciation separately for each piece of property. Do not include on line 26 only positive amounts.

Patron’s Adjustment

Distributions you received from a cooperative may be includible in income. Unless the distributions are nontaxable, include on line 26 the total AMT patronage dividend adjustment reported to you by the cooperative.

Pollution Control Facilities

The section 189 election to amortize the basis of a certified pollution control facility over a 60-month period is not available for the AMT. For facilities placed in service before 1999, figure the AMT deduction using ADS. For facilities placed in service after 1998, figure the AMT deduction using the straight line method. Enter the difference between the regular tax and AMT deduction. If the AMT amount is greater, enter the difference as a negative amount.

Tax Shelter Farm Activities

Figure this adjustment only if you have a gain or loss from a tax shelter farm activity (as defined in section 58(a)(2)) that is not a passive activity but the activity is passive, you must include it with your other passive activities on line 18.

Refigure all gains and losses you reported for the regular tax from tax shelter farm activities by taking into account any AMT adjustments and preferences. Determine your tax shelter farm activity gain or loss for the AMT using the same rules you used for the regular tax with the following modifications. No regrouped loss is allowed, except to the extent you are insolvent (see section 58(c)(1)). A regrouped loss may not be used in the current tax year to offset gains from other tax shelter farm activities. Instead, any regrouped loss must be suspended and carried forward indefinitely until (a) you have a gain in a subsequent tax year from that same activity or (b) you dispose of the activity.

Enter the difference between the amount that would be reported for the activity on Schedule E or F or Form 4835 for the AMT and the regular tax amount. If (a) the AMT loss is more than the regular tax loss, (b) the AMT gain is less than the regular tax gain, or (c) you have an AMT loss and a regular tax gain, enter the adjustment as a negative amount.

Enter any adjustment for amounts reported on Schedule D, Form 4684, or...
Form 4797 for the activity on line 16 instead.

Charitable Contributions of Certain Property
If you made a charitable contribution of property to which section 170(e) applies and you had a different basis for AMT purposes, you may have to make an adjustment. See section 170(e) for details.

Alcohol Fuel Credit
If your taxable income includes an amount from the alcohol fuel credit under section 45, enter that amount as a negative AMTI from Form 6251, line 28.

Related Adjustments
If you have an entry on line 8 because you deducted investment interest allocable to an interest in a trade or business, or on line 9, 12, 13, or 15 through 25, or you have any amount included on line 26 from pre-1987 depreciation, patron’s adjustment, pollution control facilities, or tax shelter farm activities, you may have to refigure any item of income or deduction based on a share of income other than AGI or modified AGI.

AFFECTED ITEMS INCLUDE THE FOLLOWING:
• Section 179 expense deduction (Form 4562. line 12).
• Expenses for business or rental use of your home.
• Conservation expenses (Schedule F. line 14).
• Taxable IRA distributions (Form 1040, line 15b). if prior year IRA deductions were different for the AMT and the regular tax.
• Self-employed health insurance deduction (Form 1040, line 31).
• Self-employed SEP, SIMPLE, and qualified plans deduction (Form 1040, line 32).
• IRA deduction (Form 1040, line 25), affected by the earned income limitation of section 212. line 11).

Figure the difference between the AMT and regular tax amount for each item. Combine the amounts for all your related adjustments and include the total on line 26. Keep a copy of all computations for your records, including any AMT carryover and basis amounts.

Do not include on line 26 any adjustment for an item you refigured on another line of this form (for example, line 9).

Example. On your Schedule C (Form 1040), you have a net profit of $9,000 before figuring your section 179 deduction and (and you do not report any other business income on your return). During the year, you purchased an asset for $10,000 for which you elect to take the section 179 deduction. You also have an IRA depreciation adjustment of $700 for other assets depreciated on your Schedule C.

Your section 179 deduction for the regular tax is limited to your net profit (before any section 179 deduction) of $9,000. The $1,000 excess is a section 179 deduction carryforward for the regular tax.

For the AMT, your net profit is $9,700, and you are allowed a section 179 deduction of $9,700 for the AMT. You have a section 179 deduction carryforward of $300 for the AMT.

You include a $700 negative adjustment on line 26 because your section 179 deduction for the AMT is $700 greater than your allowable regular tax deduction.

In the following year, when you use the $1,000 regular tax carryforward, you will have a $700 positive related adjustment for the AMT because your AMT carryforward is only $300.

Line 27—Alternative Tax Net Operating Loss Deduction (ATNOLD)

The ATNOLD is the sum of the alternative tax net operating loss (ATNOL) carryovers and carrybacks to the tax year, subject to the limitation explained below. Figure your ATNOLD as follows.

Your ATNOLD for a loss year is the excess of the deductions allowed for figuring AMTI (excluding the ATNOLD) over the income included in AMTI. Figure this excess with the modifications in section 172(d), taking into account the adjustments in sections 56 and 58 and preferences in section 57 (that is, the section 172(d) modifications must be separately figured for the ATNOL). For example, the limitation of nonbusiness deductions to the amount of nonbusiness income must be separately figured for the ATNOL, using only nonbusiness income and deductions that are included in AMTI.

Your ATNOLD may be limited. To figure the ATNOLD limitation, you must first figure your AMTI with regard to the ATNOLD. To do this, first figure a tentative amount for line 6 by treating line 27 as if it were zero. Next, figure a tentative total of lines 1 through 26 using the tentative line 9 amount and treating line 27 as if it were zero. Your ATNOLD limitation is 90% of this tentative total.

Enter on line 27 the smaller of the ATNOLD or the ATNOLD limitation.

Any ATNOLD not used may be carried back 2 years or forward up to 20 years (15 years for loss years beginning before 1998). In some cases, the carryback period is longer than 2 years; see section 172(b) for details. The treatment of ATNOLs does not affect your regular tax NOL.

If you elected under section 172(b)(3) to forego the carryback period for the regular tax, the election also applies for the AMT.

Line 28—Alternative Minimum Taxable Income

If your filing status is married filing separately and line 28 is more than $191,000, you must include an additional amount on line 28. If line 28 is $307,000 or more, include an additional $29,000. Otherwise, include 25% of the excess of the amount on line 28 over $191,000. For example, if the amount on line 28 is $211,000, enter $211,000. Enter $216,000 — the additional $5,000 is 25% of $20,000 ($211,000 minus $191,000).

Special Rule for Holders of a Residual Interest in a REMIC

If you held a residual interest in a real estate mortgage investment conduit (REMIC) in 2004, the amount you enter on line 28 may not be less than the amount on Schedule E, line 38, column (c). If the amount in column (c) is larger than the amount you would otherwise enter on line 28, enter the amount from column (c) instead and enter “Sch. O’ on the dotted line next to line 28.

Part II—Alternative Minimum Tax

Line 29—Exemption Amount

If line 28 is more than the amount shown for your filing status in the middle column of the chart on line 29, complete the worksheet on this page to figure the amount to enter on line 29.

Child Under Age 14
If this form is for a child under age 14, complete the worksheet on this page. A child under age 14 is a child who was born January 1, 1991, and at least
one of whose parents was alive at the end of 2004.

Line 8 of the worksheet. Earned income includes wages, tips, and other amounts received for personal services performed. If the child is engaged as a sole proprietor or as a partner in a trade or business in which both personal services and capital are material income-producing factors, earned income also includes a reasonable allowance for compensation for personal services performed by the child, but not more than 30% of his or her share of the net profits from that trade or business (after subtracting the deduction for one-half of self-employment tax). However, the 30% limit does not apply if there are no net profits from the trade or business. If capital is not an income-producing factor and the child’s personal services produced the business income, all of the child’s gross income from the trade or business is considered earned income.

Line 32—Alternative Minimum Tax Foreign Tax Credit (AMTFTC)

TIP
To see if you need to figure your foreign tax credit using regular tax amounts. If you did not complete Part III of the AMT Form 1116 (or are required to adjust your foreign source capital gains or losses as refigured for the AMT), use amounts as $175,000 ($350,000 married filing separately). Complete Part I using only income and losses as refigured for the AMT to complete this separately. If the simplified limitation election does not apply, complete lines 14 through 16 of the AMT Form 1116 instructions when you complete your regular tax Form 1116 (or line 4 of the Line 15 Worksheet B, use foreign source capital gains and losses as refigured for the AMT for the regular tax and complete Form 1040, line 1 of the applicable AMT Form 1116). If you would have qualified for that adjustment exception if you had completed a regular tax Form 1116, and Line 41 of Form 6251 is not more than $175,000 ($350,000 married filing separately).

To adjust your foreign source qualified dividends, multiply your foreign source qualified dividends in each separate category by 0.5357, include the results on line 1 of the applicable AMT Form 1116. But do not adjust the amount of any foreign source qualified dividends you elected to include on line 4g of Form AMT 4952.

Individuals with capital gain distributions only. If you have no capital gains or losses other than capital gain distributions from box 2a of Form(s) 1099—DIV or substitute statement(s), you must adjust your foreign source capital gain distributions if you are required to adjust your foreign source qualified dividends under the rules just described or you would be required to adjust your foreign source qualified dividends if you had any.

To adjust your foreign source capital gain distributions, multiply your foreign source capital gain distributions in each separate category by 0.5357, include the results on line 1 of the applicable AMT Form 1116. But do not adjust the amount of any foreign source capital gain distribution you elected to include on line 4g of AMT Form 4952.

Individuals with other capital gains or losses. If any capital gain or loss is different for the AMT, use amounts as refigured for the AMT to complete this step. Use Worksheet A in the instructions for Form 1116 to determine the adjustments you must make to your foreign source capital gains or losses (as refigured for the AMT) if:

• You have foreign source capital gains and losses (as refigured for the AMT) in no more than two separate categories, and
• Either you did not complete Part III of Form 6251 or you were not required to make adjustments to your foreign source qualified dividends under the rules described above (or you would not have been required to make those adjustments if you had foreign source qualified dividends).

Use Worksheet B if you:
• Cannot use Worksheet A.
• Have foreign source capital gains and losses in no more than two separate categories, and
• Did not have any item of unrecaptured section 1250 gain or 28% rate gain or loss for either regular tax or AMT.

Instructions for Worksheets A and B. When you complete Worksheet A or Worksheet B, use foreign source capital gains and losses as refigured for the AMT if necessary and do not use any foreign source capital gains you elected to include on line 4g of AMT Form 4952.

If the simplified limitation election does not apply, complete lines 14 through 16 of the AMT Form 1116, use your AMTFTC carryover, if any, on line 10 of the Line 13 of the AMT Form 1116.

Step 5. If the simplified limitation election does not apply, complete lines 14 through 16 of the AMT Form 1116, use your AMTFTC carryover, if any, on line 10 of the Line 13 of the AMT Form 1116.

Step 6. If you did not complete Part III of Form 6251, enter the amount from line 28 of Form 6251 on line 17 of the AMT Form 1116 and go to Step 7 on page 8. If you completed Part III of Form 6251, you must complete, for the AMT, the Worksheet for Line 17 in the AMT Form 1116 instructions to determine the amount to enter on line 17 of the AMT Form 1116 if:

• Line 33 of Form 6251 is less than line 54, and
• Line 41 of Form 6251 is greater than zero.

But you do not need to complete the Worksheet for Line 17 if:
• You qualified for the adjustment exception under Qualified Dividends and Capital Gains Tax Credit (Individuals) or Adjustments to foreign qualified dividends under Schedule D Filers in the instructions for Form 1116 when you completed your regular tax Form 1116 (or you would have qualified for that adjustment exception if you had completed a regular tax Form 1116), and
• Line 41 of Form 6251 is not more than $175,000 ($350,000 married filing separately).

If you do not need to complete the Worksheet for Line 17, enter the amount from line 28 of Form 6251 on line 17 of the AMT Form 1116.
Instructions for AMT Worksheet for Line 17. Follow these steps to complete, for the AMT, the Worksheet for Line 17 in the Form 1116 instructions.

1. Enter the amount from Form 6251, line 32, or the amount from the worksheet (excluding IDCs).
2. Skip lines 2 and 3 of the worksheet.
3. Enter the amount from Form 6251, line 32.
4. Multiply line 4 of the worksheet by 0.1071 (instead of 0.2857). Enter the result on line 5 of the worksheet.
5. Enter the amount from Form 6251, line 32.
6. Multiply line 6 of the worksheet by 0.4643 (instead of 0.5714). Enter the result on line 7 of the worksheet.

Step 7. Enter the amount from Form 6251, line 31, on the AMT Form 1116, line 19. Complete lines 18, 20, and 21 of the AMT Form 1116.

Step 8. Complete Part IV of the first AMT Form 1116 only.

Follow the instructions below to figure the amount to enter on Form 6251, line 32.

1. If you have no entry on Form 6251, line 27, and no intangible drilling costs (IDCs) (or the exception for IDCs does not apply to you)—see the instructions for line 25 on page 5), enter on Form 6251, line 32, the smaller of:
   a. 90% of Form 6251, line 31, or
   b. 90% of Form 6251, line 31, or
   c. Subtract the amount from (b) above from the amount from line 33 of the first AMT Form 1116.

If you have an entry on line 27 or the exception for IDCs applies to you:
1. Figure the amount of tax that would be on line 31 if line 27 were zero and the exception did not apply.
2. Multiply the amount from (1) above by 10%.
3. Subtract the amount from (2) above from the amount from line 31, and
4. Enter on Form 6251, line 32, the smallest of 
   a. 90% of Form 6251, line 31, or
   b. The amount from Form 6251, line 32.
5. If you have an entry on line 27 or the exception for IDCs applies to you:
   a. Figure the amount of tax that would be on line 31 if line 27 were zero and the exception did not apply.
   b. Multiply the amount from (a) by 10%.
   c. Subtract the amount from (b) from the tax on line 31, and
   d. Enter on Form 6251, line 32, the smaller of the amount from (c) or the amount from Form 1040, line 46.

AMFTTC Carryback and Carryforward
If your AMFTTC is limited, the unused amount generally may be carried back or forward according to sections 59A(2)(B) and 904(c). However, if you made the election to claim the foreign tax credit on Form 1040 without filing Form 1116, any unused AMFTTC cannot be carried back or forward. In addition, no unused AMFTTC from another year can be used in any year for which the election has been made.

Simplied Limitation Election
You may elect to use a simplified section 904 limitation to figure your AMFTTC. If you use your regular tax income for Form 1116, Part I, instead of refiguring your foreign source income for the AMT, as described earlier. You must make the election for the first tax year after 1997 for which you claim an AMFTTC. If you do not make the election for that year, you may not make it for a later year. Once made, the election applies to all later tax years and may be revoked only with IRS consent.

Line 34
If you used Schedule J to figure your tax on Form 1040, line 43, you must refigure that tax (including any tax from Form 8814) without using Schedule J before completing this line. This is only for Form 6251; do not change the amount on Form 1040, line 43. You also must refigure any foreign tax credit on Form 1040, line 46.

If you claim the foreign tax credit without filing a regular tax Form 1116, the refigured amount for Form 1040, line 46, is the smaller of (a) your total foreign taxes that qualify for the credit, or (b) the refigured amount for Form 1040, line 43.

If you filed a regular tax Form 1116, complete a worksheet Form 1116. Enter your refigured tax on the worksheet Form 1116, line 19. If filing more than one Form 1116, do this on each worksheet Form 1116. Complete the rest of the worksheet(s) Form 1116 according to its instructions. You do not need to complete a worksheet Form 1116 for separate tax category or a tax category g. or h. Instead, use your regular tax Form 1116 for these two categories.

Part III—Tax Computation Using Maximum Capital Gains Rates

Lines 37, 38, and 39
You generally can fill out lines 37, 38, and 39 using the amounts from the Qualified Dividends and Capital Gain Tax Worksheet or the Schedule D Tax Worksheet, whichever applies, and Schedule D (Form 1040), if you completed Schedule D. But do not use those amounts if either of the following applies:
1. Any gain or loss on Schedule D is different for the AMT (for example, because of a different basis for the AMT due to depreciation adjustments, an incentive stock option adjustment, or a different AMT capital loss carryover from 2005).
2. You did not complete either the Qualified Dividends and Capital Gain Tax Worksheet or the Schedule D Tax Worksheet because Form 1040, line 42, is zero.

If (1) above applies, complete lines 1 through 20 of an AMT Schedule D by refiguring the amounts from Form 1040, line 43, and filled losses for the AMT. Next, if (1) or (2) above applies, complete lines 1 through 6 of an AMT Qualified Dividends and Capital Gain Tax Worksheet or lines 2 through 13 of an AMT Schedule D Tax Worksheet, whichever applies. (See line 20 of your AMT Schedule D, if you completed one, to determine which worksheet applies.) Complete line 5 of the AMT Qualified Dividends and Capital Gain Tax Worksheet or lines 3 and 4 of the AMT Schedule D Tax Worksheet, whichever applies, using your Form 4982. Use amounts from Schedule D or the AMT Schedule D, whichever applies, and either the AMT Qualified Dividends and Capital Gain Tax Worksheet or the AMT Schedule D Tax Worksheet, whichever applies, to complete lines 37, 38, and 39 of Form 6251. Keep the AMT Schedule D and applicable worksheet for your records, but do not attach the AMT Schedule D to your tax return.

Note. Do not decrease your section 1202 exclusion by the amount, if any, on line 12.

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You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 19 minutes; Learning about the law or the form, 1 hr., 16 min.; Preparing the form, 1 hr., 44 min.; Copying, assembling, and sending the form to the IRS, 34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.