

## Rebecca Bartholomae

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### ALTERNATIVE MINIMUM TAX

#### PRESENTED BY:

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#### The Alternative Minimum Tax

##### I A brief history:

The Alternative Minimum Tax (AMT) was enacted in 1969 for the claimed purpose of insuring that everyone paid some income tax. This would prevent high income individuals and corporations from eliminating or drastically lowering their income tax.

The basic scheme is to start with regular taxable income and add or subtract AMT Adjustment Items, add AMT Preferences, and subtract the allowable exemption amount to arrive at AMT taxable income. You then multiply AMT taxable income by the required AMT rate to arrive at the tentative minimum tax. If the tentative minimum tax is higher than the regular tax, the difference is the AMT for the tax year.

There is a possible credit for prior year AMT. This is calculated separately from the current year AMT.

##### II Individuals:

###### AMT Adjustment Items:

Standard deduction

Personal exemptions

Medical and dental expenses

Miscellaneous itemized deductions (as defined in IRC Sect. 67(b))

Taxes

Interest

Depreciation of property placed in service after 1986

Circulation and research and experimental costs paid or incurred after 1986

Mine exploration and development costs paid or incurred after 1986

Long-term contracts entered into after February 28, 1986

Pollution control facilities placed in service after 1986

Adjusted basis for gain or loss (if regular tax and AMT basis are different)

Incentive stock options

Tax shelter farm loss (IRC Sect. 58(a))

Passive activity loss (IRC Sect. 58(b))  
Distributions from estates and trusts (IRC Sect. 59( c ))  
Alternative tax net operating loss deduction  
Installment sale income

AMT Preference Items:

Accelerated depreciation of property placed in service before 1987  
The 50% exclusion for gain from IRC Sect. 1202 small business stock  
Percentage depletion  
Intangible drilling costs  
Tax-exempt interest on specified private activity bonds  
Patronage Distribution Deduction

Alternative Minimum Taxable Income

Exemption:

There are different exemption amounts depending on whether you are : Married filing jointly or a surviving spouse; Single filer or head of household; Married filing separately. If the AMT income is more than the exemption amount, the exemption is subject to being phased out. There is a different AMT exemption calculation for a child affected by the kiddie tax

Tax Calculation:

Alternative Minimum Tax Calculation  
AMT Foreign Tax Credit  
Tentative Minimum Tax  
Allowable Other Credits

III Estates and Trusts

Estates and Trusts are subject to AMT on the undistributed portion of AMT adjustments and preference items.

IV Other Pass Through Entities

Partnerships:

S Corporations:

V Corporations

AMT Adjustment Items:

Depreciation of post-1986 property  
Amortization of certified pollution control facilities  
Amortization of mining exploration and development costs  
Amortization of circulation expenditures (personal holding  
Companies only)  
Adjusted gain or loss  
Long term contracts  
Tax shelter farm activities (personal service corporations only)  
Passive activities (closely held corporations and personal  
Service corporations only)  
Loss limitations  
Depletion

Income eligible for the American Samoa economic development credit  
Income from the alcohol, biodiesel, and renewable diesel Fuels credit  
AMT adjustment from an estate or trust  
Net AMT adjustment from an electing large partnership  
Patron's AMT adjustment  
Cooperative's AMT adjustment  
Installment sales  
Domestic production activities deduction  
Deductions based on an income limit

AMT Preference Items:

Merchant marine capital construction funds  
Intangible drilling costs  
Tax-exempt interest income from specified private activity bonds  
Accelerated depreciation of real property and certain leased Personal property (pre-1987)

Adjusted Current Earnings (ACE) Adjustment:

Does not apply to a regulated investment company or a real Estate investment trust

Alternative Minimum Taxable Income:

There may be a difference if the corporation held a residual interest in a REMIC

Exemption and Exemption Phase-out:

The exemption is \$40,000 subject to being phased out

AMT Foreign Tax Credit:

Tentative Minimum Tax:

Alternative Minimum Tax:

VI Exempt Organizations

VII Credit for Prior Year Minimum Tax

Different calculation for individual and for corporations

VIII Changes from 2010 Tax Act