

# 2010

# Instructions for Form 6251



Department of the Treasury  
Internal Revenue Service

## Alternative Minimum Tax—Individuals

Section references are to the Internal Revenue Code unless otherwise noted.

### General Instructions

#### What's New

- The exemption amount has increased to \$47,450 (\$72,450 if married filing jointly or qualifying widow(er); \$36,225 if married filing separately).
- If you received a Form 3921, it may help you figure any adjustment for incentive stock options on line 14. See the line 14 instructions.

#### Who Must File

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

1. Form 6251, line 31, is greater than line 34.
2. You claim any general business credit, and line 8 or line 24 of Form 3800 is more than zero.
3. You claim the qualified electric vehicle credit, the personal use part of the alternative fuel vehicle refueling property credit, or the credit for prior year minimum tax.
4. The total of Form 6251, lines 8 through 27, is negative and line 31 would be greater than line 34 if you did not take into account lines 8 through 27.

#### 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*.

#### Recordkeeping

For the AMT, certain items of income, deductions, etc., receive different tax treatment than for the regular tax. Therefore, you need to refigure items 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 may have to attach an AMT Form 1116, Foreign Tax Credit, to your return; see the instructions for line 32 that begin on page 9.

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 refigure 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.

#### Credit for Prior Year Minimum Tax

See Form 8801, Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts, if you paid AMT for 2009 or you had a minimum tax credit carryforward on your 2009 Form 8801. If you pay AMT for 2010, you may be able to take a credit on Form 8801 for 2011.

#### 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)).

For information on making the election, see section 59(e) and Regulations section 1.59-1. Also see Pub. 535.

### Specific Instructions

**TIP** *If you owe AMT, you may be able to lower your total tax (regular tax plus AMT) by claiming itemized deductions on Form 1040, even if your total itemized deductions are less than the standard deduction. This is because the standard deduction (except the part due to a net disaster loss or sales or excise tax on the purchase of a new motor vehicle) 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)

**CAUTION** *To avoid duplication, any adjustment or preference for line 5, 19, or 20 or for a tax shelter farm activity on line 27 must not be taken into account in figuring the amount to enter for any other adjustment or preference.*

#### Line 1

If Form 1040, line 43, includes a write-in amount (such as a capital construction fund deduction for commercial fishermen), adjust line 1 by the write-in amount.

**Form 1040NR.** If you are filing Form 1040NR, enter the amount from Form

## Home Mortgage Interest Adjustment Worksheet—Line 4

Keep for Your Records

## Line 5—Miscellaneous Deductions

If you are filing Form 1040NR, enter the amount from Schedule A (Form 1040NR), line 15.

## Line 7—Refund of Taxes

Include any refund from Form 1040, line 10 (or Form 1040NR, line 11), that is attributable to state or local income taxes. Also include any refunds received in 2010 and included in income on Form 1040, line 21, that are attributable to state or local personal property taxes or general sales taxes, foreign income taxes, or state, local, or foreign real property taxes. Enter the total as a negative amount. If you include an amount from Form 1040, 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 163(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 tax-exempt interest on private activity bonds were includible in gross income.

**Step 2.** Enter your AMT disallowed investment interest expense from 2009 on line 2. Complete line 3.

**Step 3.** When completing Part II, refigure 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 tax-exempt interest income from private activity bonds and any investment expenses that would have been deductible if the interest on the bonds were includible in gross income for the regular tax.

On line 4g, enter the smaller of:

1. The amount from line 4g of your regular tax Form 4952, or

1. Enter the total of the home mortgage interest you deducted on lines 10 through 12 of Schedule A (Form 1040) and any mortgage insurance premiums you deducted on line 13 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 this page). Include any mortgage insurance premiums included on line 1 above that were paid in connection with an eligible mortgage **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. Include any mortgage insurance premiums included on line 1 above that were paid in connection with such a mortgage. Do not include any interest paid on (or any mortgage insurance premiums paid in connection with) 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 refinanced 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 this page). 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.** \_\_\_\_\_

1040NR, line 39. If less than zero, enter as a negative amount.

## Line 3—Taxes

Enter the amount of all taxes from Schedule A (Form 1040), lines 5, 6, and 8, except any generation-skipping transfer taxes on income distributions.

Do not include any new motor vehicle taxes from Schedule A, line 7.

**Form 1040NR.** If you are filing Form 1040NR, enter the amount of all taxes from Schedule A (Form 1040NR), line 3, except any generation-skipping transfer taxes on income distributions.

## Line 4—Home Mortgage Interest Adjustment

Complete the worksheet on this page 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.

**Example.** In 2010, Dave and Jennifer paid \$10,000 in interest on a mortgage they took out to buy their home (an eligible mortgage). In May 2010, they refinanced that mortgage and paid \$9,000 in interest through the rest of the year. The balance of the new mortgage is the same as the balance of the old mortgage. In July 2010, they obtained a home equity loan on their home and used the proceeds to buy a new car. They paid \$5,000 in interest on the home equity loan in 2010. They enter the following amounts on the Home Mortgage Interest Adjustment Worksheet: \$24,000 on line 1 (\$10,000 plus \$9,000 plus \$5,000), \$10,000 on line 2, \$9,000 on line 3, \$-0- on line 4, \$19,000 on line 5 (\$10,000 plus \$9,000), and \$5,000 on line 6 (\$24,000 minus \$19,000).

2. The total of lines 4b and 4e of this AMT Form 4952.

#### Step 4. Complete Part III.

Enter on Form 6251, 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 refigure your depletion deduction for the AMT. To do so, use only income and deductions allowed for the AMT when refiguring 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 refigured for the AMT, unless you are an independent producer or royalty owner claiming percentage depletion for oil and gas wells under section 613A(c). Figure this limit separately for each property. When refiguring the property's adjusted basis, take into account any AMT adjustments you made this year or in previous years that affect basis (other than current year depletion).

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

### Line 10—Net Operating Loss Deduction

If you are filing Form 1040NR, enter your net operating loss deduction from Form 1040NR, line 21, as a positive amount.

### Line 11—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 later on this page. Figure your ATNOLD as follows.

Your ATNOL 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 your AMT adjustments and preferences (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 without regard to the ATNOLD and any domestic production activities deduction. To do this, first figure a tentative amount for line 9 by treating line 11 as if it were zero. Next, figure a tentative total of lines 1 through 27 using the tentative line 9 amount and treating line 11 as if it were zero. Add any domestic production activities deduction to this tentative total. **Your ATNOLD is limited to 90% of the result.**

However, the 90% limit does not apply to an ATNOL that is attributable to qualified disaster losses (as defined in section 172(j)), qualified Gulf Opportunity Zone losses (as defined in section 1400N(k)(2)), qualified recovery assistance losses (as defined in Pub. 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes), qualified disaster recovery assistance losses (as defined in Pub. 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas), or a 2008 or 2009 loss that you elected to carry back more than 2 years under section 172(b)(1)(H). Therefore, if an ATNOL that is carried back or carried forward to the tax year is attributable to any of those losses, the ATNOLD for the tax year is limited to the sum of:

1. The smaller of:
  - a. The sum of the ATNOL carrybacks and carryforwards to the tax year attributable to net operating losses other than those losses described in 2a below, or
  - b. 90% of AMTI for the tax year (figured without regard to the ATNOLD and any domestic production activities deduction, as discussed earlier), plus
2. The smaller of:
  - a. The sum of the ATNOL carrybacks and carryforwards to the tax year attributable to qualified disaster losses, qualified Gulf Opportunity Zone losses, qualified recovery assistance losses, qualified disaster recovery assistance losses, and any 2008 or 2009 loss that you elected to carry back more than 2 years under section 172(b)(1)(H), or

b. 100% of AMTI for the tax year (figured without regard to the ATNOLD and any domestic production activities deduction, as discussed earlier) reduced by the amount determined under (1).

Enter on line 11 the smaller of the ATNOLD or the ATNOLD limitation.

Any ATNOL 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; for details, see Pub. 536. See Pub. 4492-A for the part of an ATNOL that is a qualified recovery assistance loss or Pub. 4492-B for the part of an ATNOL that is a qualified disaster recovery assistance loss. If you elect to carry back a 2008 or 2009 ATNOL 5 years under section 172(b)(1)(H) as amended by Public Law 111-92, the 50% taxable income limit under section 172(b)(1)(H)(iv) is applied separately based on the previously-determined AMTI for that carryback year. In other words, the ATNOLD in that 5th preceding year is limited to 50% of your AMTI for that year, which is determined without using the ATNOL for the loss year or any later tax year.

The treatment of ATNOLs does not affect your regular tax NOL.



*Since ATNOLs arising in loss years beginning before 1998 can be carried forward no more than 15 years, you cannot carry forward to 2010 an ATNOL from a loss beginning before 1995.*

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

### Line 12—Interest From Private Activity Bonds

Enter on line 12 interest you earned on "specified private activity bonds" reduced (but not below zero) by any deduction that would have been allowable if the interest were includable in gross income for the regular tax. Each payer of this type of interest should send you a Form 1099-INT showing the amount of this interest in box 9.

Generally, the term "specified private activity bond" means any private activity bond (as defined in section 141) the interest on which is not includable in gross income for the regular tax, if the bond was issued after August 7, 1986, and before 2009. See section 57(a)(5) for exceptions and more details.

Do not include interest on qualified Gulf Opportunity Zone bonds described in section 1400N(a) or qualified Midwestern disaster area bonds.

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. This amount should also be reported to you on Form 1099-INT in box 9.

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 13—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 13 as a positive amount.

### Line 14—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 14 the excess, if any, of:

1. 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
2. The amount you paid for the stock, including any amount you paid for the ISO used to acquire the stock.

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) over 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 through the exercise of an ISO by the amount of the adjustment. Keep adequate records for both the AMT and regular tax so that you can figure your adjustment. See the instructions for line 17.

**Form 3921.** If you received a Form 3921, it may help you figure your adjustment.

**Example.** You exercised an ISO to acquire 100 shares of stock in 2010. Your rights in the acquired stock first became transferable on the date you exercised the ISO and were not subject to a substantial risk of forfeiture. You did not pay anything for the ISO. You did not sell the acquired stock during 2010. You received a Form 3921 that shows \$10 in box 3 (the exercise price you paid for each share), \$25 in box 4 (the fair market value of each share), and 100 shares in box 5. To figure your adjustment, multiply the amount in box 4, \$25, by the 100 shares in box 5. The result is \$2,500, the fair market value of all the shares. Then multiply the amount in box 3, \$10, by the 100 shares in box 5. The result is \$1,000, the amount you paid for all the shares. Your adjustment is \$1,500 (\$2,500 – \$1,000). Enter it on Form 6251, line 14.

### Line 16—Large Partnerships

If you were a partner in an electing large partnership, enter the amount from Schedule K-1 (Form 1065-B), box 6. Take into account any amount from box 5 on Form 6251, line 19.

### Line 17—Disposition of Property

Your AMT gain or loss from the disposition of property may be different from your gain or loss for the regular tax. This is because the property may have a different adjusted basis for the AMT. Use this line to report any AMT adjustment resulting from refiguring:

1. Gain or loss from the sale, exchange, or involuntary conversion of property reported on Form 4797, Sales of Business Property;
2. Casualty gain or loss to business or income-producing property reported on Form 4684, Casualties and Thefts;
3. Ordinary income from the disposition of property not already taken into account in (1) or (2) or on any other line on Form 6251, such as a disqualifying disposition of stock acquired in a prior year by exercising an incentive stock option; and
4. Capital gain or loss (including any carryover that is different for the AMT) reported on Schedule D (Form 1040), Capital Gains and Losses.

First figure any ordinary income adjustment related to (3) above. Then, refigure Form 4684, 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. Because

the amount of your gains and losses may be different for the AMT, the amount of any capital loss carryover also may be different for the AMT. See the example that begins below. To figure your AMT capital loss carryover, fill out an AMT Capital Loss Carryover Worksheet in the Schedule D instructions.

For each of the four items listed earlier, 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 is zero or more.

Enter on line 17 the combined adjustments for the four items listed earlier.

**Example.** On March 13, 2009, Victor Ash, whose filing status is single, paid \$20,000 to exercise an incentive stock option (which was granted to him on January 3, 2008) 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 2009 is \$20,000. For the AMT, however, Ash must include the \$180,000 as an adjustment on his 2009 Form 6251. His AMT basis in the stock at the end of 2009 is \$200,000.

On January 18, 2010, 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 \$65,000 (\$75,000 minus his \$10,000 basis in the 100 shares). Ash has no capital gain or loss for the regular tax resulting from the sale. For the AMT, Ash has no ordinary income, but has a short-term capital loss of \$25,000 (\$75,000 minus his \$100,000 AMT basis in the 100 shares).

On April 21, 2010, Ash sold the other 100 shares for \$60,000. Because he held the shares for more than 1 year and more than 2 years had passed since the option was granted to him, the sale is not a disqualifying disposition. For the regular tax, Ash has a long-term capital gain of \$50,000 (\$60,000 minus his regular tax basis of \$10,000). For the AMT, Ash has a long-term capital loss of \$40,000 (\$60,000 minus his AMT basis of \$100,000).

Ash has no other sales of stock or other capital assets for 2010. Ash enters a total negative adjustment of \$118,000 on line 17 of his 2010 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 loss 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 2010 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 17.

Ash has an AMT capital loss carryover from 2010 to 2011 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 2011, his adjustment reported on his 2011 Form 6251 would be limited to (\$3,000), the amount of his capital loss limitation for 2011.

## Line 18—Post-1986 Depreciation

This section describes when depreciation must be refigured for the AMT and how to figure the amount to enter on line 18.

Do not use line 18 for depreciation related to the following.

- Employee business expenses claimed on line 21 of Schedule A (Form 1040) or line 9 of Schedule A (Form 1040NR). 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 if the basis limitations apply. Take this adjustment into account on line 20.
- A tax shelter farm activity. Take this adjustment into account on line 27.

## What Depreciation Must Be Refigured for the AMT?

Generally, you must refigure depreciation for the AMT, including depreciation allocable to inventory costs, for:

- Property placed in service after 1998 that is depreciated for the regular tax using the 200% declining balance method (generally 3-, 5-, 7-, and 10-year property under the modified accelerated cost recovery system (MACRS), except for qualified property eligible for the special depreciation allowance (discussed later on this page));
- Section 1250 property placed in service after 1998 that is not depreciated for the regular tax using the straight line method; and

- 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 rental 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.
- 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 alternative depreciation system (ADS) of section 168(g) for the regular tax.
- Qualified property that is or was eligible for a special depreciation allowance if the depreciable basis of the property for the AMT is the same as for the regular tax. This applies to any special depreciation allowance, including those for qualified disaster assistance property, qualified reuse and recycling property, qualified cellulosic biofuel plant property, qualified New York Liberty Zone property, qualified Gulf Opportunity Zone property, and Kansas disaster area qualified recovery assistance property. The special allowance is deductible for the AMT, and there also is no adjustment required for any depreciation figured on the remaining basis 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 to not have the special allowance apply is not qualified property.
- Any part of the cost of any property for which you elected to take a section 179 expense deduction. 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.
- Indian reservation property that meets the requirements of section 168(j).
- Qualified revitalization expenditures for which you elected to claim the

commercial revitalization deduction under section 1400I.

- A natural gas gathering line placed in service after April 11, 2005.

## How Is Depreciation Refigured for the AMT?

**Property placed in service before 1999.** Refigure depreciation for the AMT using ADS, with the same convention used for the regular tax. See the following table for the method and recovery period to use.

Property Placed in Service Before 1999	
IF the property is...	THEN use the...
section 1250 property	straight line method over 40 years.
tangible property (other than section 1250 property) depreciated using straight line method for the regular tax	straight line method over the property's AMT class life.
any other tangible property	150% declining balance method, switching to straight line method the first tax year it gives a larger deduction, over the property's AMT class life.

## 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, switching to straight line the first tax year it gives a larger deduction. For section 1250 property, use the straight line method.

## How Is the AMT Class Life Determined?

The class life used for the AMT is not necessarily the same as the recovery period used for the regular tax. The class lives for the AMT are listed in Rev. Proc. 87-56, 1987-2 C.B. 674, and in Pub. 946, How To Depreciate Property. Use 12 years for any tangible personal property not assigned a class life.

**TIP** See Pub. 946 for tables that can be used to figure AMT depreciation. Rev. Proc. 89-15, 1989-1 C.B. 816, has special rules for short years and for property disposed of before the end of the recovery period.

## How Is the Adjustment Figured?

Subtract the AMT deduction for depreciation from the regular tax deduction and enter the result. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount.

In addition to the AMT adjustment to your deduction for depreciation, you

must also adjust the amount of depreciation that was capitalized, if any, to account for the difference between the rules for the regular tax and the AMT. Include on this line the current year adjustment to taxable income, if any, resulting from the difference.


### Line 19—Passive Activities

Your passive activity gains and losses must be refigured for the AMT by taking into account all adjustments and preferences and any AMT prior year unallowed losses that apply to that activity. You may fill out a second Form 8582, Passive Activity Loss Limitations, and the other forms or schedules on which your passive activities are reported, to determine your passive activity loss allowed for the AMT, but do not file the second set of forms and schedules with your tax return.

**Example.** You are a partner in a partnership and the Schedule K-1 (Form 1065) you received shows the following.

- A passive activity loss of \$4,125,
- A depreciation adjustment of \$500 on post-1986 property, and
- An adjustment of \$225 on the disposition of property.

Because the two adjustments above are from the passive activity and are not allowed for the AMT, you must first reduce the passive activity loss by those amounts. The result is a passive activity loss for the AMT of \$3,400. You then enter this amount on the AMT Form 8582 and refigure the allowable passive activity loss for the AMT.

 **TIP** *The amount of any AMT passive activity loss that is not deductible and is carried forward is likely to differ from the regular tax amount, if any. Therefore, keep adequate records for both the AMT and regular tax.*

Enter the difference between the amount that would be reported for the activity on Schedule C, C-EZ, E, or F or Form 4835, Farm Rental Income and Expenses, 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 17 instead of line 19. See the instructions for line 17 that begin on page 4.

### Publicly Traded Partnership (PTP)

If you had a loss from a PTP, refigure the loss using any AMT adjustments and preferences and any AMT prior year unallowed loss.

### Tax Shelter Passive Farm Activities

Refigure 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 AMT Form 8582. If the amount is a loss, do not include it on the AMT Form 8582. Carry the loss forward to 2011 to see if you have a gain or loss from tax shelter passive farm activities for 2011.

### 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 20—Loss Limitations

For passive activities, see the line 19 instructions instead. For tax shelter farm activities (that are not passive), see the line 27 instructions that begin on page 7.


Refigure your gains and losses from activities for which you are not at risk and basis 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, C-EZ, 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.

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. Your AMT basis in partnerships and S corporations is also likely to differ from your regular tax basis. Therefore, keep adequate records for both the AMT and regular tax.

Enter any adjustment for amounts reported on Schedule D, Form 4684, or Form 4797 for the activity on line 17 instead of line 20.

### Line 21—Circulation Costs

 **CAUTION** *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) deducted 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 22—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(f)). However, this rule does not apply to any home construction contract (as defined in section 460(e)(6)). For contracts excepted from the percentage-of-completion method for the regular tax by section 460(e)(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 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts.

### Line 23—Mining Costs

 **CAUTION** *Do not make this adjustment for costs for which you elected the optional 10-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 had they remained capitalized or (b) the remaining costs to be amortized for the AMT.

## Line 24—Research and Experimental Costs



*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 had they remained capitalized or (b) the remaining costs to be amortized for the AMT.

## Line 25—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 to which the proportionate disallowance rule applied arose from the disposition. Enter the amount of installment sale income reported for the regular tax as a negative amount on line 25.

## Line 26—Intangible Drilling Costs (IDCs)



*Do not make this adjustment for costs for which you elected the optional 60-month write-off for the regular tax.*

IDCs from oil, gas, and geothermal wells are a preference to the extent that the excess IDCs exceed 65% of the net income from the wells. Figure the preference for all oil and gas properties separately from the preference for all geothermal properties.

**Excess IDCs.** Figure excess IDCs as follows.

**Step 1.** Determine the amount of your IDCs allowed for the regular tax under section 263(c), but do not include any section 263(c) deduction for nonproductive wells.

**Step 2.** Subtract the amount that would have been allowed had you amortized these IDCs over a 120-month period starting with the month the well was placed in production. If you prefer not to use the 120-month period, you can elect to use any method that is permissible in determining cost depletion.

**Net income.** Determine net income by reducing the gross income that you

received or accrued during the tax year from all oil, gas, and geothermal wells by the deductions allocable to those wells (reduced by the excess IDCs). When refiguring net income, use only income and deductions allowed for the AMT.

**Exception.** The preference for IDCs from oil and gas wells does not apply to taxpayers who are independent producers (that is, not integrated oil companies as defined in section 291(b)(4)). However, this benefit may be limited. First, figure the IDC preference as if this exception did not apply. Then, for purposes of this exception, complete Form 6251 through line 27, including the IDC preference and treating line 11 as if it were zero, and combine lines 1 through 27. If the amount of the IDC preference exceeds 40% of the total of lines 1 through 27 (figured as described in the preceding sentence), enter the excess on line 26 (your benefit from this exception is limited). Otherwise, do not enter an amount on line 26 (your benefit from this exception is not limited).

## Line 27—Other Adjustments

Enter on line 27 the total of any other adjustments that apply to you, including the following.

### Depreciation Figured Using Pre-1987 Rules

This preference generally only applies to property placed in service after 1987, but depreciated using pre-1987 rules due to transitional provisions of the Tax Reform Act of 1986.

For the AMT, you must use the straight line method to figure depreciation on real property for which accelerated depreciation was determined using pre-1987 rules. Use a recovery period of 19 years for 19-year real property and 15 years for low-income housing. For leased personal property other than recovery property, enter the amount by which your regular tax depreciation using the pre-1987 rules 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 property and include on line 27 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 27 the total AMT patronage dividend adjustment reported to you by the cooperative, such as on Form 1099-PATR.

### Pollution Control Facilities

The section 169 election to amortize the basis of a certified pollution control facility over a 60-month or 84-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 under MACRS 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. If the activity is passive, you must include it with your other passive activities on line 19.

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 refigured loss is allowed, except to the extent you are insolvent (see section 58(c)(1)). A refigured loss may not be used in the current tax year to offset gains from other tax shelter farm activities. Instead, any refigured 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 17 instead of line 27.

### 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 and Cellulosic Biofuel Fuels Credit and Biodiesel and Renewable Diesel Fuels Credit

If your taxable income includes an amount from the alcohol and cellulosic biofuel fuels credit or the biodiesel and renewable diesel fuels credit under section 87, include that amount as a negative amount on line 27.

### 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, 13, 14, or 16 through 26, or you have any amount included on line 27 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 limit 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, or Form 1040NR, line 16b), if prior year IRA deductions were different for the AMT and the regular tax.
- Self-employed health insurance deduction (Form 1040, line 29, or Form 1040NR, line 29).

- Self-employed SEP, SIMPLE, and qualified plans deduction (Form 1040, line 28, or Form 1040NR, line 28).
- IRA deduction (Form 1040, line 32, or Form 1040NR, line 32), affected by the earned income limitation of section 219(b)(1)(B).

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 27. Keep a copy of all computations for your records, including any AMT carryover and basis amounts.



*Do not include on line 27 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. 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 AMT 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 27 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 28—Alternative Minimum Taxable Income

If your filing status is married filing separately and line 28 is more than \$219,900 you must include an additional amount on line 28. If line 28 is \$364,800 or more, include an additional \$36,225. Otherwise, include 25% of the excess of the amount on line 28 over \$219,900. For example, if the amount on line 28 is \$239,900, enter \$244,900 instead—the additional \$5,000 is 25% of \$20,000 (\$239,900 minus \$219,900).

### 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 2010, 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. Q" on the dotted line next to line 28.

If your filing status is married filing separately, be sure to include the additional amount that must be added to line 28 (as explained above) before you compare line 28 with the amount on Schedule E, line 38, column (c).

## 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, see the worksheet on this page to figure the amount to enter on line 29.

### Certain Children Under Age 24

Your exemption amount is limited to the amount of your earned income plus \$6,700 if condition 1, 2, or 3 below applies to you.

1. You were under age 18 at the end of 2010.
2. You were age 18 at the end of 2010 and did not have earned income that was more than half of your support.
3. You were a full-time student over age 18 and under age 24 at the end of 2010 and did not have earned income that was more than half of your support.

### Exemption Worksheet— Line 29

Keep for Your Records



**Note.** If Form 6251, line 28, is equal to or more than: \$302,300 if single or head of household, \$439,800 if married filing jointly or qualifying widow(er), or \$219,900 if married filing separately, your exemption is zero. **Do not** complete this worksheet; instead, enter the amount from Form 6251, line 28, on line 30 and go to line 31.

1. Enter: \$47,450 if single or head of household; \$72,450 if married filing jointly or qualifying widow(er); \$36,225 if married filing separately . . . . .	1. _____
2. Enter your alternative minimum taxable income (AMTI) from Form 6251, line 28 . . . . .	2. _____
3. Enter: \$112,500 if single or head of household; \$150,000 if married filing jointly or qualifying widow(er); \$75,000 if married filing separately . . . . .	3. _____
4. Subtract line 3 from line 2. If zero or less, enter -0- . . . . .	4. _____
5. Multiply line 4 by 25% (.25) . . . . .	5. _____
6. Subtract line 5 from line 1. If zero or less, enter -0-. If any of the three conditions under <i>Certain Children Under Age 24</i> apply to you, complete lines 7 through 10. Otherwise, <b>stop here</b> and enter this amount on Form 6251, line 29, and go to Form 6251, line 30 . . . . .	6. _____
7. Minimum exemption amount for certain children under age 24 . . . . .	7. \$6,700
8. Enter your <b>earned income</b> , if any (see instructions) . . . . .	8. _____
9. Add lines 7 and 8 . . . . .	9. _____
10. Enter the <b>smaller</b> of line 6 or line 9 here and on Form 6251, line 29, and go to Form 6251, line 30 . . . . .	10. _____



If condition 1, 2, or 3 applies to you, complete the worksheet on this page, including lines 7 through 10, to figure the amount to enter on Form 6251, line 29.

**Exception.** If you filed a joint return for 2010 or neither of your parents was alive at the end of 2010, do not complete lines 7 through 10 of the worksheet on page 8. However, you still must complete lines 1 through 6 of the worksheet if Form 6251, line 28, is more than the amount shown for your filing status in the middle column of the chart on Form 6251, line 29.

**Certain January 1 birthdays.** If you were born on January 1, 1993, you are considered to be 18 at the end of 2010. Your exemption amount is limited only if you did not have earned income that was more than half of your support.

If you were born on January 1, 1992, you are considered to be 19 at the end of 2010. Your exemption amount is limited only if you were a full-time student who did not have earned income that was more than half of your support.

If you were born on January 1, 1987, you are considered to be 24 at the end of 2010. Your exemption amount is not limited.

**Line 8 of the worksheet.** Earned income includes wages, tips, and other amounts received for personal services performed. If you are a sole proprietor or 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, but not more than 30% of your 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 your personal services produced the business income, all of your gross income from the trade or business is considered earned income.

### Line 31

If you claimed the foreign earned income exclusion, housing exclusion, or housing deduction on Form 2555 or Form 2555-EZ, you must use the worksheet below to figure the amount to enter on line 31.

**Form 1040NR.** If you are filing Form 1040NR and you reported capital gain distributions directly on Form 1040NR, line 14; you reported qualified dividends on Form 1040NR, line 10b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on page 2 of Form 6251 and enter the amount from line 54 on line 31. All other Form 1040NR filers, do not complete Part III. Instead, if Form 6251, line 30, is \$175,000 or less (\$87,500 or less if you checked filing status box 3, 4, or 5 on Form 1040NR), figure the amount to enter on line 31 by multiplying line 30 by 26% (.26). Otherwise, figure the amount to enter on line 31 by multiplying line 30 by 28% (.28) and subtracting \$3,500 (\$1,750 if you checked filing status box 3, 4, or 5) from the result.

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

**TIP** To see if you need to figure your AMTFTC, fill in Form 6251, line 34, as instructed. (You will first need to figure your foreign tax credit for the regular tax and complete Form 1040, line 47, or Form 1040NR, line 45.) If the amount on line 34 is greater than or equal to the amount on line 31, you do not owe the AMT. Enter -0- on line 35 and see Who Must File on page 1 to find out if you must attach Form 6251 to your return. However, even if you do not owe the AMT, you may need to complete line 32 to see if you have an AMTFTC carryback or carryforward to other tax years.

If you made an election to claim the foreign tax credit on Form 1040 (or Form 1040NR) without filing Form 1116, your AMTFTC is the same as the foreign tax credit on Form 1040, line 47 (or Form 1040NR, line 45). Enter that amount on Form 6251, line 32. Otherwise, your AMTFTC is your foreign tax credit refigured as follows.

**Step 1.** Use a separate AMT Form 1116 for each separate category of income. Write "AMT" and specify the category of income in the top margin of each Form 1116.

When applying the separate categories of income, use the applicable AMT rate instead of the regular tax rate to determine if any income is "high-taxed."

**Step 2.** If you previously made or are making the simplified limitation election (see page 11), skip Part I and enter on the AMT Form 1116, line 16, the same amount you entered on that line for the regular tax. If you did not complete

## Foreign Earned Income Tax Worksheet—Line 31

Keep for Your Records



**Before you begin:** ✓ If Form 6251, line 30, is zero, do not complete this worksheet.

1. Enter the amount from Form 6251, line 30 . . . . .	1. _____
2. Enter the amount from your (and your spouse's if filing jointly) Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 . . . . .	2. _____
3. Add lines 1 and 2 . . . . .	3. _____
4. <b>Tax on the amount on line 3.</b>	
• If you reported capital gain distributions directly on Form 1040, line 13; or you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040), enter the amount from line 3 of this worksheet on Form 6251, line 36. Complete the rest of Part III of Form 6251. However, before completing Part III, see <i>Forms 2555 and 2555-EZ</i> , on page 11, to see if you must complete Part III with certain modifications. Then enter the amount from Form 6251, line 54, here.	} 4. _____
• <b>All others:</b> If line 3 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 3 by 26% (.26). Otherwise, multiply line 3 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result.	
5. <b>Tax on the amount on line 2.</b> If line 2 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 2 by 26% (.26). Otherwise, multiply line 2 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result. . . . .	5. _____
6. Subtract line 5 from line 4. Enter the result here and on Form 6251, line 31. . . . .	6. _____

Form 1116 for the regular tax and you previously made or are making the simplified limitation election, complete Part I and lines 14 through 16 of the AMT Form 1116 using regular tax amounts.

If the election does not apply, complete Part I using only income and deductions that are allowed for the AMT and attributable to sources outside the United States. If you have any foreign source qualified dividends or foreign source capital gains (including any foreign source capital gain distributions) or losses, use the instructions under *Step 3* to determine whether you must make adjustments to those amounts before you include the amounts on line 1a or line 5 of the AMT Form 1116.

**Step 3.** Follow the instructions below, if applicable, to determine the amount of foreign source qualified dividends, capital gain distributions, and other capital gains and losses to include on line 1a and line 5 of the AMT Form 1116.

**Foreign qualified dividends.** You must adjust your foreign source qualified dividends before you include those amounts on line 1a of the AMT Form 1116 if:

- Line 52 of Form 6251 is smaller than line 53, and
- Line 41 of Form 6251 is greater than zero.

But you do not need to make any adjustments if:

- You qualify for the adjustment exception under *Qualified Dividends and Capital Gain Tax Worksheet (Individuals) or Adjustments to foreign qualified dividends under Schedule D Filers* in the Form 1116 instructions, and
- Line 41 of Form 6251 is not more than \$175,000 (\$87,500 if married filing separately).

**Note.** Use your capital gains and losses as refigured for the AMT to determine whether your total amounts are less than the \$20,000 threshold under the adjustment exception.

To adjust your foreign source qualified dividends, multiply your foreign source qualified dividends in each separate category by 0.5357 if the foreign source qualified dividends are taxed at a rate of 15%. Include the results on line 1a of the applicable AMT Form 1116.

You adjust your foreign source qualified dividends taxed at the 0% rate by **not** including them on line 1a. Amounts taxed at the 0% rate are on line 11 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions, line 9 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions, or line 20 of the Schedule D Tax Worksheet.



**Do not adjust the amount of any foreign source qualified dividends you elected to include on line 4g of AMT Form 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 if the foreign source capital gain distributions are taxed at a rate of 15%. Include the results on line 1a of the applicable AMT Form 1116.

You adjust your foreign source capital gain distributions taxed at the 0% rate by **not** including them on line 1a. Amounts taxed at the 0% rate are on line 11 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions, line 9 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions, or line 20 of the Schedule D Tax Worksheet.



**Do not adjust the amount of any foreign source capital gain distributions 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 or losses (as refigured for the AMT) in no more than two separate categories and any of the following apply.

- You are not required to make adjustments to your foreign source qualified dividends under the rules described earlier (or you would not be required to make those adjustments if you had foreign source qualified dividends).
- Line 15 or 16 of the AMT Schedule D (Form 1040) is zero or a loss.
- On the AMT Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions, (a) line 3 of that worksheet minus the amount on Form 4952, line 4e, that you elected to include on Form 4952, line 4g, is zero or less, (b) line 7 of that worksheet is zero, or (c) line 17 of that worksheet is equal to or greater than line 18.

- On the AMT Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions, (a) line 3 of that worksheet is zero, (b) line 5 of that worksheet is zero, or (c) line 15 of that worksheet is equal to or greater than line 16.

- On the AMT Schedule D Tax Worksheet (Form 1040), (a) line 18 is zero, (b) line 9 is zero or less, or (c) line 35 is equal to or greater than line 36.

Use Worksheet B if you:

- Cannot use Worksheet A,
- Have foreign source capital gains and losses in no more than two separate categories,
- Did not have any item of unrecaptured section 1250 gain or 28% rate gain or loss for the AMT, and
- Do not have any capital gains taxed at a rate of 0%.

**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 you are required to complete a Schedule D for the AMT, use line 16 of that AMT Schedule D to complete line 3 of Worksheet A or line 4 of the Line 2 Worksheet for Worksheet B. Use 0.5357 instead of 0.4286 to complete lines 11, 13, and 15 of Worksheet B and to complete lines 8, 11, and 17 of the Line 15 Worksheet for Worksheet B.

If you do not qualify to use Worksheet A or Worksheet B, use the instructions for *Capital Gains and Losses* in Pub. 514 to determine the adjustments you make.

**Step 4.** Complete Part II and lines 9 through 13 of the AMT Form 1116. Use your AMTFTC carryover, if any, on line 10.

**Step 5.** If the simplified limitation election does not apply, complete lines 14 through 16 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*. If you completed Part III of Form 6251, you must complete, for the AMT, the Worksheet for Line 17 in the Form 1116 instructions to determine the amount to enter on line 17 of the AMT Form 1116 if:

- Line 52 of Form 6251 is smaller than line 53, and
- Line 41 of Form 6251 is greater than zero.

But you do not need to complete the Worksheet for Line 17 if:

- You qualify for the adjustment exception under *Qualified Dividends and Capital Gain Tax Worksheet (Individuals) or Adjustments to foreign qualified dividends under Schedule D*

Filers in the Form 1116 instructions, and

- Line 41 of Form 6251 is not more than \$175,000 (\$87,500 if married filing separately).

**Note.** Use your capital gains and losses as refigured for the AMT to determine whether your total amounts are less than the \$20,000 threshold under the adjustment exception.

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 28, on line 1 of the worksheet.
2. Skip lines 2 and 3 of the worksheet.
3. Enter the amount from Form 6251, line 50, on line 4 of the worksheet.
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 48, on line 6 of the worksheet.
6. Multiply line 6 of the worksheet by 0.4643 (instead of 0.5714). Enter the result on line 7 of the worksheet.
7. Enter the amount from Form 6251, line 47, on line 8 of the worksheet.
8. Complete lines 9 and 10 of the worksheet as instructed on 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.

Enter on Form 6251, line 32, the amount from line 29 of the first AMT Form 1116.

Attach to your tax return, after Form 6251, all AMT Forms 1116 you used to figure your AMTFTC. But do not attach AMT Forms 1116 if your AMTFTC is the same as your regular tax foreign tax credit.

### AMTFTC Carryback and Carryforward

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

### Simplified Limitation Election

You may elect to use a simplified section 904 limitation to figure your AMTFTC. If you do, 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 AMTFTC. 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 44 (or Form 1040NR, line 42), 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 44 (or Form 1040NR, line 42).

**Form 1040NR.** If you are filing Form 1040NR, enter the tax from Form 1040NR, line 42 (minus any tax from Form 4972 and any foreign tax credit from Form 1040NR, line 45). If you used Schedule J to figure your tax, the amount on line 42 of Form 1040NR must be refigured without using Schedule J (see preceding paragraph).

### 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 any of the following statements apply.

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 2009).
2. You did not complete either the Qualified Dividends and Capital Gain Tax Worksheet or the Schedule D Tax Worksheet because Form 1040, line 43 (or Form 1040NR, line 41), is zero.
3. You received a Schedule K-1 (Form 1041) that shows an amount in box 12 with code B, C, D, E, or F. If this applies, see *Beneficiaries of estates or trusts*. Then read the following instructions.

If (1) or (3) applies, complete lines 1 through 20 of an AMT Schedule D by refiguring the amounts of your gains and losses for the AMT. Next, if (1), (2), or (3) applies, complete lines 2 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 AMT Form 4952. 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 13.

**Forms 2555 and 2555-EZ.** If you are filing either of these forms and you have a capital gain excess, you must complete Part III of Form 6251 with certain modifications. To see if you have a capital gain excess, subtract Form 6251, line 30, from line 6 of your AMT Qualified Dividends and Capital Gain Tax Worksheet (or line 10 of your AMT Schedule D Tax Worksheet). If the result is greater than zero, that amount is your capital gain excess.

If you have capital gain excess, figure the amounts to enter on lines 37, 38, and 39 of Form 6251 using the following modifications (only for purposes of Part III of Form 6251).

1. Reduce the amount you would otherwise enter on line 3 of your AMT Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your AMT Schedule D Tax Worksheet (but not below zero) by your capital gain excess.
2. Reduce the amount you would otherwise enter on line 2 of your AMT Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your AMT Schedule D Tax Worksheet (but not below zero) by any of your capital gain excess not used in (1).
3. Reduce the amount on your AMT Schedule D (Form 1040), line 18, (but not below zero) by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your AMT Unrecaptured Section 1250 Gain Worksheet on page D-9 of the Instructions for Schedule D (Form 1040).

**Beneficiaries of estates or trusts.** If you received a Schedule K-1 (Form 1041) that shows an adjustment in box 12, follow the instructions in the following table.

IF the code in box 12 is...	THEN include that adjustment in figuring the amount on...
B	line 2 of an AMT Qualified Dividends and Capital Gain Tax Worksheet or an AMT Schedule D Tax Worksheet, whichever applies.
C	line 5, column (f), of an AMT Schedule D.
D	line 12, column (f), of an AMT Schedule D.
E	line 11 of an AMT Unrecaptured Section 1250 Gain Worksheet.
F	line 4 of an AMT 28% Rate Gain Worksheet.

**Form 1040NR.** If you are filing Form 1040NR, enter on Form 6251, line 37, the amount from line 4 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040NR, line 42, or the amount from line 13 of the Schedule D Tax Worksheet on page D-10 of the instructions for Schedule D (Form 1040), whichever applies (as refigured for the AMT, if necessary).

**Line 42**

If you are filing Form 1040NR and Form 6251, line 41, is \$175,000 or less (\$87,500 or less if you checked filing status box 3, 4, or 5), multiply line 41 by 26% (.26). Otherwise, multiply line 41 by 28% (.28) and subtract \$3,500 (\$1,750 if you checked filing status box 3, 4, or 5) from the result.

**Line 43**

If you are filing Form 1040NR, enter \$34,000 (\$68,000 if you checked filing status box 6).

**Line 44**

If you are filing Form 1040NR, enter on Form 6251, line 44, the amount from line 5 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040NR, line 42, or the amount from line 14 of the Schedule D Tax Worksheet on page D-10 of the instructions for Schedule D (Form 1040), whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter -0-.

**Line 53**

If you are filing Form 1040NR and Form 6251, line 36, is \$175,000 or less (\$87,500 or less if you checked filing status box 3, 4, or 5), multiply line 36 by 26% (.26). Otherwise, multiply line 36 by 28% (.28) and subtract \$3,500 (\$1,750 if you checked filing status box 3, 4, or 5) from the result.