

# 1997



Department of the Treasury  
Internal Revenue Service

# Instructions for Form 6251

## Alternative Minimum Tax—Individuals

Section references are to the Internal Revenue Code.

### General Instructions

#### Changes To Note

- The reduced tax rates that apply to net capital gain for sales, exchanges, or conversions of assets (including installment payments received) after May 6, 1997, also apply when figuring the alternative minimum tax (AMT). Use new Part IV of Form 6251 if you completed Schedule D (Form 1040) and had an amount on line 25 or 27 of Schedule D (as refigured for the AMT, if necessary).
- For tax years beginning after 1986, the installment method is allowed for both the regular tax and the AMT for dispositions of property used or produced in a farming business and held primarily for sale to customers. No adjustment should be made on line 14e for these sales. You should file **Form 1040X**, Amended U.S. Individual Income Tax Return, to amend any prior year income tax return affected by this retroactive change. However, you generally must file Form 1040X within 3 years after the date you filed your original return or within 2 years after the date you paid the tax, whichever is later.

#### Purpose of Form

The tax laws give special treatment to some types of income and allow special deductions for some types of expenses. These laws enable some taxpayers with substantial economic income to significantly reduce their regular tax. The purpose of the AMT is to ensure that these taxpayers pay a minimum amount of tax on their economic income. Use Form 6251 to figure the amount, if any, of your AMT.

#### Who Must File

Attach Form 6251 to your return **ONLY** if:

- Line 24 is greater than line 27,
- You have certain credits (such as the credit for child and dependent care expenses, etc.) that are limited by the amount on line 24 (or in some cases, line 26) (the forms used to figure these credits have details on the limits), **or**
- The total of lines 7 through 14 is negative and line 24 would exceed line 27 if you did not take lines 7 through 14 into account.

#### Children Under Age 14

File Form 6251 for a child under age 14 if the child's AMT is limited by using the worksheet for line 28 or if line 22 is more than \$1,300 plus the child's earned income. A "child under age 14" is any child who was under age 14 on

January 1, 1998, and at least one of whose parents was alive at the end of 1997.

#### 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 (except for **Form 1116**, Foreign Tax Credit—see the instructions for line 25 on page 7), but keep it for your records.

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, 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. Therefore, you should keep records of these different amounts.

#### Partners, Shareholders, etc.

If you are a member of a partnership or a shareholder in an S corporation, your Schedule K-1 will give you information on any adjustments or preferences from the partnership or S corporation that you have to take into account for 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 23. If your net gain from the disposition of U.S. real property interests and the amount on line 21 are **BOTH** greater than the tentative amount you figured for line 23, replace the amount on line 23 with the smaller of that net gain or the amount on line 21. Also, write "RPI" on the dotted line next to line 23. Otherwise, do not change line 23.

#### Credit For Prior Year Minimum Tax

Get **Form 8801**, Credit For Prior Year Minimum Tax—Individuals, Estates, and Trusts, if you paid AMT for 1996, or you had a minimum tax credit carryforward on your 1996 Form 8801. If you pay AMT for 1997, you may be able to take a credit on Form 8801 for 1998.

#### Earned Income Credit

If you have an earned income credit, you must reduce it by any AMT.

#### Optional Write-Off for Certain Expenditures

If you elect to deduct certain expenditures ratably over a period of time for the regular tax, there is no AMT adjustment for these expenditures. These items are:

- Circulation expenditures (section 173).
- Research and experimental expenditures (section 174(a)).
- Intangible drilling costs (section 263(c)).
- Mining exploration and development costs (sections 616(a) and 617(a)).

See section 59(e) for more details.

### Specific Instructions

#### Part I—Adjustments and Preferences

**Caution:** To avoid duplication, any adjustment or preference for line 5, 11, 14h, or 14m should not be taken into account in figuring the amount to enter for any other adjustment or preference.

#### Line 3—Taxes

Do not include any generation-skipping transfer taxes on income distributions.

#### Line 4—Certain Home Mortgage Interest

Include on this line home mortgage interest from line 10, 11, or 12 of Schedule A (Form 1040) except for interest on a mortgage whose proceeds were used to:

- **1.** Buy, build, or substantially improve **(a)** your main home or **(b)** your second home that is a qualified dwelling (as defined below), or
- **2.** Refinance a mortgage that meets the requirements of **1** above, but only to the extent that the refinanced amount did not exceed the balance of that mortgage immediately before the refinancing.

**Exception.** If the mortgage was taken out before July 1, 1982, **do not** include interest on the mortgage if it was secured by property that was your main home or a qualified dwelling used by you or a member of your family at the time the mortgage was taken out. See section 56(e)(3).

A **qualified dwelling** is any house, apartment, condominium, or mobile home not used on a transient basis.

## Line 6—Refund of Taxes

Include any refund from line 10 of Form 1040 that is attributable to state or local income taxes deducted after 1986.

Also include any refunds received in 1997 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 such amounts, you **must** write a description and the amount next to the entry space for line 6. For example, if you include a refund of real property taxes, write "real property" and the amount next to the entry space.

## Line 7—Investment Interest

If you completed **Form 4952**, Investment Interest Expense Deduction, figure your AMT investment interest expense on another Form 4952 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 line 4 of Form 6251 that was paid or accrued on indebtedness attributable to property held for investment within the meaning of section 163(d)(5).

**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 1996 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.
- Investment expenses.

Include any interest income and investment expenses from private activity bonds issued after August 7, 1986.

**Step 4.** Complete Part III.

Enter on line 7 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.

**Note:** *If you did not itemize deductions and you had investment interest expense, do not enter an amount on line 7 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 line 7 the difference between the amount allowed on Schedule E for the regular tax and the amount allowed on Schedule E for the AMT.*

## Line 8—Post-1986 Depreciation

This section describes when depreciation must be refigured for the AMT and how to figure the amount to enter on line 8.

### DO NOT use line 8 for:

• **Employee business expenses.** If you deducted these expenses on Schedule A (Form 1040), do not make a depreciation adjustment on line 8 for these expenses. Instead, take this adjustment into account on line 5.

• **Passive activities.** Do not make a depreciation adjustment on line 8 for these activities. Instead, take this adjustment into account on line 11.

• **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.** Do not make a depreciation adjustment on line 8 for this activity or entity. Instead, take this adjustment into account on line 14h.

• **A tax shelter farm activity.** Do not make a depreciation adjustment on line 8 for this activity. Instead, take this adjustment into account on line 14m.

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

Generally, depreciation must be refigured for the AMT if, for the regular tax, it is either:

- Claimed for tangible property placed in service after 1986, or
- Capitalized to inventory.

**Transitional election.** 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?

Depreciation is not refigured for the AMT for:

- Property for which you elected to use the alternative depreciation system (ADS) for the regular tax.
- 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.

## How Is Depreciation Refigured for the AMT?

For the AMT, depreciation must be refigured using ADS. The following table summarizes the rules for using ADS to refigure depreciation for the AMT.

IF the property is . . .	THEN refigure AMT depreciation using the . . .
Section 1250(c) real property (generally nonresidential real and residential rental property).	Straight line method over 40 years, with the same mid-month convention used for the regular tax.
Tangible property (other than section 1250(c) real property) that was depreciated under straight line for the regular tax.	Straight line method over the property's class life with the same convention used for the regular tax.
Any other tangible property.	150% declining balance method, switching to the straight line method for the first tax year it gives a larger deduction, over the property's class life. Use the same convention used for the regular tax.

## 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 Rev. Proc. 87-57, 1987-2 C.B. 687, for optional tables (14 through 18) that can be used to figure AMT depreciation. These optional tables also appear in Pub. 946. Rev. Proc. 89-15, 1989-1 C.B. 816, has special rules for applying Rev. Proc. 87-57 to short years and for property disposed of before the end of the recovery period.*

**Special rules for transition property.** Be sure to consider the transitional rules described in section 56(a)(1)(C).

## How Is the Adjustment To Enter on Line 8 Figured?

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

## Line 9—Adjusted Gain or Loss

Use this line to report any AMT adjustment resulting from refiguring a gain or loss from the sale or exchange of property during the year, or from refiguring a casualty gain or loss to business or income-producing property.

Make an entry on this line only if you reported gain or loss on **Form 4797**, Sales of Business Property, **Schedule D** (Form 1040), Capital Gains and Losses, or **Form 4684**, Casualties and Thefts, for property that has a different basis for the AMT than for the regular tax. Refigure your gain or loss for those forms. When figuring your adjusted basis, take into account any AMT adjustments you made this year or in previous years that affect basis.

Enter on line 9 the difference between the gain or loss reported for the regular tax and that figured for the AMT. If **(a)** the AMT gain is less than the regular tax gain, **(b)** the AMT loss is more than the regular tax loss, or **(c)** you have an AMT loss and a regular tax gain, enter the difference as a negative amount.

## Line 10—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 10 the excess, if any, of:

**y1.** 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 stock first become transferable or when these rights are no longer subject to a substantial risk of forfeiture, over

**y2.** The amount you paid for the 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) over the exercise price upon the transfer to you of the stock acquired through exercise of the option. See section 83(b) for more details. The election must be made no later than 30 days after the date of transfer.*

Increase your AMT basis of any stock acquired through the exercise of an ISO by the amount of the adjustment. 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 (no adjustment is required).

Your AMT basis in stock acquired through an ISO is likely to differ from your regular tax basis. Therefore, keep adequate records for both the AMT and regular tax so that you can figure your adjusted gain or loss in the year you sell the stock. See the instructions for line 9.

## Line 11—Passive Activities

Your passive activity gains and losses must be refigured for the AMT by taking into account all adjustments, preferences, and any AMT prior year unallowed losses that apply to that

activity. You may wish to 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.

**Example.** Assume 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 for adjusted gain or loss.

Because the adjustments 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 would then enter this amount on Worksheet 2 of the AMT Form 8582 and refigure the allowable passive activity loss for the AMT.

**Note:** *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, F, or **Form 4835**, Farm Rental Income and Expenses, for the AMT and the amount that was reported for the activity on that form or schedule for the regular tax. 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 9 instead of line 11. See the instructions for line 9.

## Publicly Traded Partnership (PTP)

If you had losses from a PTP, you will have to 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 1998 to see if you have a gain or loss from tax shelter passive farm activities for 1998.

## 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 13—Tax-Exempt Interest From Private Activity Bonds

Enter on line 13 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 includible in gross income for the regular tax. Generally, the term "specified private activity bonds" 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 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 from line 1b of that form that is a preference must be included on this line.

## Line 14—Other Adjustments and Preferences

Enter the amounts of any other adjustments or preferences that apply to you on lines 14a through 14n. Enter the total on line 14.

## Line 14a—Charitable Contributions

If you have an AMT or regular tax carryover of charitable contributions, refigure your deduction using your AMT carryover instead of your regular tax carryover.

For the AMT, use the cost or other basis (instead of fair market value) for any contribution of capital gain or section 1231 property for which the preference for charitable contributions of appreciated property applies. The preference **does not** apply to:

- Any contributions made after 1992,
- Contributions of tangible personal property made after 1990, or
- Contributions of property for which you elected under section 170(b)(1)(C)(iii) to figure the deduction using the property's adjusted basis rather than its fair market value.

Enter the difference, if any, between the regular tax and AMT deduction.

## Line 14b—Circulation Expenditures

**Note:** *Do not make this adjustment for expenditures for which you elected the optional 3-year write-off for the regular tax.*

For the regular tax, circulation expenditures may be deducted in full when paid or incurred. For the AMT, these expenditures must be capitalized and amortized over 3 years.

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 expenditures have not been fully amortized for the AMT, your AMT deduction is the **smaller** of **(a)** the amount of the loss allowable for the expenditures had they remained capitalized, or **(b)** the remaining expenditures to be amortized for the AMT.

#### Line 14c—Depletion

Your depletion deduction must be refigured for the AMT. To do so, you must 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 the current year's 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 14d—Depreciation (Pre-1987)

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 14d only positive amounts.

#### Line 14—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 as a negative amount on line 14e the amount of installment sale income reported for the regular tax.

#### Line 14f—Intangible Drilling Costs (IDCs)

**Note:** 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.

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.

**Note:** 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 is determined by taking the gross income that you received or accrued during the tax year from all oil, gas, and geothermal wells and reducing the gross income by the deductions allocable to these properties (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 (i.e., 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 19, including the IDC preference.

If the amount of the IDC preference exceeds 40% of the amount figured for line 19, enter the excess on line 14f (your benefit of this exception is limited).

If the amount of the IDC preference is equal to or less than 40% of the amount figured for line 19, do not enter an amount on line 14f (your benefit of this exception is not limited).

#### Line 14g—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 more details, get **Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts**.

#### Line 14h—Loss Limitations

For passive activities, see the line 11 instructions on page 3 instead. For tax shelter

farm activities (that are not passive), see the line 14m instructions on page 5.

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, 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 9 instead. See the instructions for line 9 on page 3.

#### Line 14i—Mining Costs

**Note:** 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 paid or incurred after 1986 and deducted in full in the tax year they were paid or incurred for the regular tax 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 14j—Patron's Adjustment

Distributions you received from a cooperative may be includible in income. Unless the distributions are nontaxable, enter on line 14j the total AMT patronage dividend adjustment reported to you by the cooperative.

#### Line 14k—Pollution Control Facilities

The section 169 election to amortize the basis of a certified pollution control facility over a 60-month period is not available for the AMT. Instead, the deduction is determined using the alternative depreciation system and the class life for the facility under 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.

## Line 14l—Research and Experimental

**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 paid or incurred after 1986 and deducted in full in the tax year they were paid or incurred for the regular tax 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 14m—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 11.

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.

The AMT amount of any tax shelter farm activity loss that is not deductible and is carried forward is likely to differ from the regular tax amount. 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 E, 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 9 instead. See the instructions for line 9 on page 3.

## Line 14n—Related Adjustments

If you have an entry on line 7 (because you deducted investment interest allocable to an interest in a trade or business), 8 through 11, or 14b through 14m, 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:

- 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 27).
- Keogh retirement plan or self-employed SEP or SIMPLE deduction (Form 1040, line 28).
- IRA deduction (Form 1040, line 23), 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 enter the total on line 14n. Keep a copy of all computations for your records, including any AMT carryover and basis amounts.

**Note:** Do not include on line 14n any adjustment for an item you refigured on another line of this form (e.g., line 14c).

**Example.** On your Schedule C (Form 1040) you have a net profit of \$9,000 before figuring your section 179 deduction (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 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, so 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 would include a \$700 negative adjustment on line 14n 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 adjustment for the AMT because your AMT carryforward is only \$300.

## Part II—Alternative Minimum Taxable Income (AMTI)

### Line 16

Because personal exemptions are not allowed in figuring AMTI, enter on line 16 your taxable income figured without the deduction for personal exemptions. This amount is shown on Form 1040, line 36.

If Form 1040, line 38, includes a write-in amount (such as a capital construction fund deduction for commercial fishermen), add lines 37 and 38 of Form 1040 and use that result on line 16 instead of the amount from Form 1040, line 36. If your taxable income includes an amount from the alcohol fuel credit under section 87, reduce line 16 by the amount of the credit included in income.

## Line 20—Alternative Tax Net Operating Loss Deduction (ATNOLD)

The ATNOLD is the aggregate 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:

For loss years beginning after 1986, your ATNOLD is the excess of the deductions allowed for figuring AMTI (excluding the ATNOLD) over the income included in AMTI. This excess is figured with the modifications in section 172(d), taking into account the adjustments in sections 56 and 58 and preferences in section 57 (i.e., the section 172(d) modifications should be separately computed in figuring the ATNOLD). For example, the limitation of nonbusiness deductions to the amount of nonbusiness income must be separately computed in figuring the ATNOLD, using only nonbusiness income and deductions that are included in figuring AMTI.

For loss years beginning before 1987, your ATNOLD is your ATNOLD carryover to 1987.

Your ATNOLD may be limited. To figure the ATNOLD limitation, you must first figure your AMTI without regard to the ATNOLD. For this purpose, figure a tentative amount for line 14c by treating line 20 as if it were zero. Then, figure a tentative amount for line 19. Your ATNOLD limitation is 90% of the tentative line 19 amount. Enter on line 20 the smaller of the ATNOLD or the ATNOLD limitation. Any ATNOLD not used can be carried back or forward. See section 172(b) for details. The treatment of ATNOLs does not affect your regular tax NOL.

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

### Pre-1983 NOL Carryover

If your regular tax is reduced because of an NOL deduction on Form 1040, line 21, from a year before 1983, you may owe deferred minimum tax. The amount of the tax is 15% of the portion of the NOL deduction that is for the loss year's excess tax preference items. Include the tax in the total on Form 1040, line 48, and write "Deferred Minimum Tax" and the amount on the dotted line next to line 48.

## Line 21—Alternative Minimum Taxable Income

If your filing status is married filing separately and line 21 is more than \$165,000, you must include an additional amount on line 21. If line 21 is \$255,000 or more, include an additional \$22,500. Otherwise, include 25% of the excess of the amount on line 21 over \$165,000. For example, if the amount on line 21 is \$185,000, enter \$190,000 instead—the additional \$5,000 is 25% of \$20,000 (\$185,000 minus \$165,000).

### 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 1997, the amount you enter on line 21 may not be less than the amount on Schedule E, line 37, column (c). If the amount in column (c) is larger than the amount you would otherwise enter on line 21, enter the amount from column (c) instead and write "Sch. Q" on the dotted line next to line 21.

## Part III—Exemption Amount and Alternative Minimum Tax

### Line 22—Exemption Amount

If line 21 is more than the amount shown for your filing status in the middle column of the chart on line 22, see the worksheet on this page to figure the amount to enter on line 22.

#### Child Under Age 14

If this form is for a child under age 14, read the rest of these instructions and complete the worksheet on this page. When an amount from the parent's return is asked for on the worksheet, you must first determine which parent's return to use.

If the child's parents were married to each other and filed a joint return, enter amounts from the joint return. If the parents were married to each other but filed separate returns, enter amounts from the return of the parent who had the **higher** taxable income. If the parents were unmarried, treated as unmarried for Federal income tax purposes, or separated either by a divorce or separate maintenance decree, enter amounts from the return of the parent who had custody of the child for most of the year, even if that parent remarried and filed a joint return with his or her new spouse.

**Exception.** If the custodial parent and his or her new spouse filed separate returns, enter the amounts from the return of the person with the **higher** taxable income, even if that person is not the child's parent.

**Note:** *If the parents were unmarried but lived together during the year with the child, enter amounts from the return of the parent who had the higher taxable income.*

#### Instructions for the Line 22 Worksheet

Before the worksheet can be filled in, Form 6251 must be completed through line 22 for the parent and each of the parent's other children who were under age 14 on January 1, 1998. However, Form 6251 does not have to be completed if Form 1040 or 1040NR was not filed by the parent or child. If Form 1040A was filed, the Alternative Minimum Tax Worksheet in the Instructions for Form 1040A must be completed through line 5. If any other form was filed or TeleFile was used, see the instructions for lines 7, 8, and 11.

**Line 7 of the worksheet.** Enter the exemption amount for the parent's filing status shown in the chart for line 22 on Form 6251. But if the parent's status was married filing separately, enter the amount from line 2 of the Form 1040A AMT Worksheet, reduced by the amount on line 5 of that worksheet.

**Line 8 of the worksheet.** Use the following instructions to find the amount to enter for this line. If the parent filed:

- **Form 1040A.** Enter the amount from line 1 of the Form 1040A AMT Worksheet.
- **Form 1040EZ.** Enter the amount on Form 1040EZ, line 4 (increased by any tax-exempt interest from specified private activity bonds).
- **TeleFile.** Enter the AGI from line H of the TeleFile Tax Record.
- **Form 1040NR-EZ.** Enter the AGI from Form 1040NR-EZ, line 9 (increased by any tax-exempt interest from specified private activity bonds).

**Line 11 of the worksheet.** For the children under age 14 who completed Form 6251, include the amount from their Form 6251, line 21, on line 11 of the worksheet. For any other children under age 14, use the following instructions to find the amount to include on this line. If the child filed:

- **Form 1040A.** Enter the amount from line 1 of the Form 1040A AMT Worksheet.
- **Form 1040EZ.** Enter the amount on Form 1040EZ, line 4 (increased by any tax-exempt interest from specified private activity bonds).
- **TeleFile.** Enter the AGI from line H of the TeleFile Tax Record.
- **Form 1040NR-EZ.** Enter the AGI from Form 1040NR-EZ, line 9 (increased by any tax-exempt interest from specified private activity bonds).

**Line 16 of the worksheet.** Earned income includes wages, tips, and other payments received for personal services performed. Generally, earned income is the amount reported on Form 1040, line 7; Form 1040A, line 7; or Form 1040NR, lines 8, 13, and 19. For statutory employees, earned income also includes the amount from line 31 of Schedule C or line 3 of Schedule C-EZ. See the instructions for Schedule C (Form 1040).

**Note:** *If the child is self-employed, earned income also includes the amount from Schedule SE, Section A, line 3, or Section B, lines 3 and 4b, minus any amount reported on Form 1040, line 26.*

### Exemption Worksheet—Line 22 (keep for your records)

**Note:** *If Form 6251, line 21, is equal to or more than \$247,500 (\$330,000 if married filing jointly or qualifying widow(er), \$165,000 if married filing separately), your exemption is zero; do not complete this worksheet. Instead, enter the amount from line 21 on line 23 and go to line 24.*

1. Enter \$33,750 (\$45,000 if married filing jointly or qualifying widow(er), \$22,500 if married filing separately) . . . . . 1. \_\_\_\_\_
2. Enter your alternative minimum taxable income (AMTI) from Form 6251, line 21 . . . . . 2. \_\_\_\_\_
3. Enter \$112,500 (\$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 this form is for a child under age 14, go to line 7 below. Otherwise, stop here and enter this amount on Form 6251, line 22, and go to Form 6251, line 23. . . . . 6. \_\_\_\_\_
7. Enter the exemption from the **parent's** Form 6251, line 22. See instructions if Form 6251 was not completed. . . . . 7. \_\_\_\_\_
8. Enter the AMTI from the **parent's** Form 6251, line 21. If zero or less, enter -0-. See instructions if Form 6251 was not completed . . . . . 8. \_\_\_\_\_
9. Subtract line 8 from line 7. If zero or less, skip lines 10 through 13, enter -0- on line 14 below, and go to line 15 . . . . . 9. \_\_\_\_\_
10. Enter the **child's** AMTI from Form 6251, line 21 . . . . . 10. \_\_\_\_\_
11. Enter the total AMTI from Form(s) 6251, line 21, of the parent's **other children** under age 14. See instructions if Form 6251 was not completed . . . . . 11. \_\_\_\_\_
12. Add lines 10 and 11 . . . . . 12. \_\_\_\_\_
13. Divide line 10 by line 12 and enter the result as a decimal (rounded to four places) . . . . . 13.  $\times$  \_\_\_\_\_
14. Multiply line 9 by line 13 . . . . . 14. \_\_\_\_\_
15. Enter the larger of \$1,300 or the amount on line 14 . . . . . 15. \_\_\_\_\_
16. Enter the **child's earned income**, if any. See instructions . . . . . 16. \_\_\_\_\_
17. Add lines 15 and 16 . . . . . 17. \_\_\_\_\_
18. Enter the smaller of line 6 or line 17 here and on Form 6251, line 22, and go to Form 6251, line 23. If line 14 above is more than \$1,300, write "C" on the dotted line to the left of the entry space for Form 6251, line 22 . . . . . 18. \_\_\_\_\_

**Line 25—Alternative Minimum Tax Foreign Tax Credit (AMTFTC)**

Your AMTFTC is your foreign tax credit refigured as follows:

- ÿ1. Complete and attach a separate Form 1116 for each separate limitation specified at the top of Form 1116 to help you figure your AMTFTC. Write across the top of each Form 1116 "AMT."
- ÿ2. Complete Part I using only income and deductions allowed for the AMT that are attributable to sources outside the United States.
- ÿ3. Complete Part III, but do not enter on line 9 any taxes taken into account in a tax year beginning after 1986 that are treated under section 904(c) as paid or accrued in a tax year beginning before 1987. Enter your AMTFTC carryover on Form 1116, line 10, and enter the AMTI from Form 6251, line 21, on Form 1116, line 17. Enter on Form 1116, line 19, the amount from Form 6251, line 24.
- ÿ4. Complete Part IV of Form 1116. The foreign tax credit from line 32 of the AMT Form 1116 is limited to the tax on Form 6251, line 24, minus 10% of what the tax on line 24 would have been if Form 6251, line 20, had been zero and the exception for intangible drilling costs (IDCs) did not apply (see the instructions for line 14f on page 4).

If you have no entry on Form 6251, line 20, and no IDCs (or the exception did not apply to you), enter on Form 6251, line 25, the **smaller** of:

- 90% of Form 6251, line 24, or
- The amount from Form 1116, line 32.

If line 20 has an amount or the exception for IDCs applies to you:

- Refigure what your tax on line 24 would have been if line 20 were zero and the exception did not apply.
- Multiply that amount by 10%.
- Subtract the result from the tax on line 24.
- Enter on Form 6251, line 25, the smaller of that amount or the amount from Form 1116, line 32.

If your AMTFTC is limited, the unused amount can be carried back or forward according to section 904(c).

**Line 28—Alternative Minimum Tax**

If you are completing this form for a child under age 14 and line 26 is more than line 27, complete the worksheet on this page. Using the worksheet may reduce or eliminate the child's AMT if:

- The child's parent has regular tax that is more than the parent's tentative minimum tax (TMT) (line 27 is more than line 26 of the parent's Form 6251); **or**
- Another child of the parent who was under age 14 on January 1, 1998, has regular tax that is more than that child's TMT.

**Note:** For purposes of this line, use the return of the same parent that was used in completing the worksheet for line 22. See **Child Under Age 14** on page 6.

**Amended Return**

If, after the child's return is filed, the parent's tax liability is changed or the tax liability of any of the parent's other children under age 14 is changed, the child's AMT must be refigured using the adjusted amounts. If the child's AMT changes, file Form 1040X to correct the child's tax.

**Instructions for the Line 28 Worksheet**

Before the worksheet can be filled in, Form 6251 must be completed through line 27 for the parent and each of the parent's other children who were under age 14 on January 1, 1998. However, if Form 1040 or 1040NR was not filed by the parent or child, you do not have to complete Form 6251. If Form 1040A was filed, the Alternative Minimum Tax Worksheet in the Instructions for Form 1040A must be completed. If any other form was filed or TeleFile was used, see the instructions for lines 2, 3, 6, 7, 10, and 13.

**Line 2 of the worksheet.** Use the following instructions to find the amount to enter for this line. If the parent filed:

- **Form 1040A.** Enter the amount from line 7 of the AMT Worksheet.
- **Form 1040EZ.** Subtract \$33,750 (\$45,000 if married filing jointly) from the amount on Form 1040EZ, line 4 (increased by any tax-exempt interest from specified private activity bonds). If the result is zero or less, enter -0-. If the result is greater than zero, multiply the result by 26% (.26) and enter that result.

- **TeleFile.** Subtract \$33,750 (\$45,000 if married filing jointly) from the amount on line H of the TeleFile Tax Record. If the result is zero or less, enter -0-. If the result is greater than zero, multiply the result by 26% (.26) and enter that result.

- **Form 1040NR-EZ.** Subtract \$33,750 (\$22,500 if married) from the amount on Form 1040NR-EZ, line 9 (increased by any tax-exempt interest from specified private activity bonds). If the result is zero or less, enter -0-. If the result is greater than zero, multiply the result by 26% (.26) and enter that result.

**Line 3 of the worksheet.** For the children under age 14 who filed Form 1040 or 1040NR, include the amount from their Form 6251, line 26, on line 3 of the worksheet. For any other children under age 14, use the following instructions to find the amount to include on this line. If the child filed:

- **Form 1040A.** Include the amount from line 7 of the AMT Worksheet.

**Worksheet for Limit on AMT for Children Under Age 14—Line 28**  
(keep for your records)

<p>1. Enter the <b>child's</b> TMT from Form 6251, line 26 . . . . .</p> <p>2. Enter the TMT from line 26 of the <b>parent's</b> Form 6251. See instructions if Form 6251 was not completed . . . . .</p> <p>3. Enter the total TMT, if any, from line 26 of Form 6251 of all the parent's <b>other children</b> under age 14. See instructions if Form 6251 was not completed . . . . .</p> <p>4. Add lines 1, 2, and 3 . . . . .</p> <p>5. Enter the amount from the <b>child's</b> Form 6251, line 27 . . . . .</p> <p>6. Enter the amount from the <b>parent's</b> Form 6251, line 27. See instructions if Form 6251 was not completed . . . . .</p> <p>7. Enter the total from line 27 of Form 6251 of all the parent's <b>other children</b> under age 14. See instructions if Form 6251 was not completed . . . . .</p> <p>8. Add lines 5, 6, and 7 . . . . .</p> <p>9. Subtract line 8 from line 4. If zero or less, skip lines 10 through 16, and enter -0- on line 17 . . . . .</p> <p>10. Enter the AMT, if any, from line 28 of the <b>parent's</b> Form 6251. See instructions if Form 6251 was not completed . . . . .</p> <p>11. Subtract line 10 from line 9. If zero or less, skip lines 12 through 16, and enter -0- on line 17 . . . . .</p> <p>12. Subtract line 5 from line 1 . . . . .</p> <p>13. Enter the total AMT for all the parent's <b>other children</b> under age 14. See instructions if Form 6251 was not completed . . . . .</p> <p>14. Add lines 12 and 13 . . . . .</p> <p>15. Divide line 12 by line 14 and enter the result as a decimal (rounded to four places). If the amounts on lines 12 and 14 are the same, enter "1.00" . . . . .</p> <p>16. Multiply line 11 by line 15. . . . .</p> <p>17. <b>Child's AMT.</b> Enter the smaller of line 12 or line 16 here and on Form 6251, line 28. If line 16 is smaller <b>or</b> you skipped line 16, write "C" to the left of the entry space for Form 6251, line 28 . . . . .</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. × _____</p> <p>16. _____</p> <p>17. _____</p>
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- **Form 1040EZ.** Subtract \$33,750 (\$45,000 if married filing jointly) from the amount on Form 1040EZ, line 4 (increased by any tax-exempt interest from specified private activity bonds). If the result is zero or less, do not include an amount for that child. If the result is greater than zero, multiply the result by 26% (.26) and include that result.

- **TeleFile.** Subtract \$33,750 (\$45,000 if married filing jointly) from the amount on line H of the TeleFile Tax Record. If the result is zero or less, do not include an amount for that child. If the result is greater than zero, multiply the result by 26% (.26) and include that result.

- **Form 1040NR-EZ.** Subtract \$33,750 (\$22,500 if married) from the amount on Form 1040NR-EZ, line 9 (increased by any tax-exempt interest from specified private activity bonds). If the result is zero or less, do not include an amount for that child. If the result is greater than zero, multiply the result by 26% (.26) and include that result.

**Line 6 of the worksheet.** Use the following instructions to find the amount to enter for this line. If the parent filed:

- **Form 1040A.** Enter the amount from Form 1040A, line 23.

- **Form 1040EZ.** Enter the amount from Form 1040EZ, line 10.

- **TeleFile.** Enter the tax from line J of the TeleFile Tax Record.

- **Form 1040NR-EZ.** Enter the amount from Form 104NR-EZ, line 14.

**Line 7 of the worksheet.** For the children under age 14 who filed Form 1040 or 1040NR, include the amount from their Form 6251, line 27, on line 7 of the worksheet. For any other children under age 14, use the following instructions to find the amount to include on this line. If the parent's other child filed:

- **Form 1040A.** Use the amount on Form 1040A, line 23.

- **Form 1040EZ.** Use the amount on Form 1040EZ, line 10.

- **TeleFile.** Use the tax on line J of the TeleFile Tax Record.

- **Form 1040NR-EZ.** Use the amount on Form 1040NR-EZ, line 14.

**Line 10 of the worksheet.** If the parent filed Form 1040A, the parent's AMT is the amount on line 9 of the Form 1040A AMT Worksheet, if any. If the parent filed Form 1040EZ or 1040NR-EZ or used TeleFile, the parent's AMT is zero.

**Line 13 of the worksheet.** Figure the AMT of each of the parent's other children under age 14. If the child filed Form 1040 or 1040NR, subtract the amount on line 27 of each child's Form 6251 from the amount on line 26 of that form. If the result is zero or less, that child does not owe AMT. If the result is more than zero, include the result on line 13. If the child did not file Form 1040 or 1040NR, the child's AMT is zero.

**Example.** The parent of the child (Helen) for whom this form is being completed had two other children (Toni and Jason) who were under age 14. The amount on line 26 of Toni's Form 6251 is \$10,000 and the amount on line 27 is \$3,000. Toni's AMT is \$7,000 (\$10,000 – \$3,000). Jason has \$2,500 on line 26 of his Form 6251 and \$3,000 on line 27. Jason's AMT is zero. The amount to enter on line 13 for Helen is \$7,000 (\$7,000 + \$0).

## Part IV—Line 24 Computation Using Maximum Capital Gains Rates

### Lines 30, 31, and 33

You generally may enter the amounts from Schedule D (Form 1040), lines 27, 25, and 22 on Form 6251, lines 30, 31, and 33, respectively. But if the gain or loss for any asset disposition reported on Schedule D is different for the AMT than for the regular tax (e.g., because of a different basis for the AMT from depreciation adjustments or an incentive stock option adjustment), you must refigure the amounts from Schedule D, lines 27, 25, and 22 for the AMT. You should complete a second

Schedule D using amounts for the AMT. Keep that Schedule D for your records, but **do not** attach it to your tax return. Enter the amounts from lines 27, 25, and 22 of the AMT Schedule D on Form 6251, lines 30, 31, and 33, respectively.

**Note: Do not refigure the amount from Schedule D, line 36, when completing Form 6251, line 37.**

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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**..... 2 hr., 17 min.

**Learning about the law or the form**..... 1 hr., 20 min.

**Preparing the form**..... 2 hr., 19 min.

**Copying, assembling, and sending the form to the IRS**..... 28 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.