



Instructions for Form 6251

Alternative Minimum Tax—Individuals

Section references are to the Internal Revenue Code.

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., 12 min.
Preparing the form	1 hr., 47 min.
Copying, assembling, and sending the form to the IRS	20 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.

General Instructions

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 alternative minimum tax (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

Complete Form 6251 to see if the AMT applies to you. Attach it to your return **ONLY** if:

- You are liable for the AMT,

- You have certain credits (such as the credit for child and dependent care expenses, etc.) that are limited by the amount shown 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 you would be liable for the AMT without taking those lines 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, 1997, and at least one of whose parents was alive at the end of 1996.

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 6), 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 the amount on 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 1995, or you had a minimum tax credit carryforward on your 1995 Form 8801. If you pay AMT for 1996, you may be able to take a credit on Form 8801 for 1997.

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)), and mining exploration and development expenditures (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 1996 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. Complete line 1 of Form 4952. Follow the Form 4952 instructions for line 1, but add to 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). An example is interest on a home equity loan whose proceeds were invested in stocks or bonds. It is deductible as home mortgage interest for the regular tax, but not for the AMT. Add to this amount 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 1995 on line 2. Complete line 3.

Step 3. When completing Part II, refigure your gross income from property held for investment, any net gain from the disposition of property held for investment, and any investment expenses, taking into account all adjustments and preferences. Include any interest income and investment expenses from private activity bonds issued after August 7, 1986. Complete Part III.

Enter on this line 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 this line 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 this line 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

Caution: Do not include on this line any depreciation adjustment from: (a) incurring employee business expenses deducted on Schedule A (Form 1040); (b) a passive activity; (c) an activity for which you are not at risk, or from a partnership or an S corporation if the basis limitations under section 704(d) or 1366(d) apply; or (d) a tax shelter farm activity. Instead, take these depreciation adjustments into account when figuring the amount to enter on line 5, 11, 14h, or 14m.

For the AMT, depreciation must be refigured using the alternative depreciation system of section 168(g) for tangible property placed in service after 1986 (or after July 31, 1986, if an election was made under the transitional provision of section 203(a)(1) of the Tax Reform Act of 1986) as follows:

1. For any section 1250(c) real property (generally nonresidential real and residential rental), use the straight line method over 40 years.

2. For any tangible property not described in **1** above that is depreciated using the straight line method for the regular tax, refigure your depreciation using the straight line method over the property's class life (explained below).

3. For all other tangible property, use the 150% declining balance method over the property's class life, switching to the straight line method in the first tax year it yields a larger deduction.

In applying the above rules:

1. Use the same convention you used for the regular tax.

2. The class life to be used for the AMT is not necessarily the same as the recovery period used for the regular tax. The class lives you need to use for the AMT can be found in Rev. Proc. 87-56, 1987-2 C.B. 674, or in **Pub. 946**, How To Depreciate Property. For tangible personal property not assigned a class life, use 12 years.

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

4. Do not make an adjustment for motion picture films, videotapes, sound

recordings, or property depreciated under the unit-of-production method or any other method not expressed in a term of years.

5. Do not refigure depreciation for 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 an 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 both the regular tax and the AMT.

Enter on line 8 the difference between the regular tax and AMT depreciation. If the AMT depreciation is greater, enter the difference as a negative amount.

If depreciation is capitalized to inventory under the uniform capitalization rules, refigure the inventory using the rules above.

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 granted or exercised. However, this rule does not apply for the AMT. Instead, you must generally include on line 10 the excess, if any, of:

1. The fair market value of the option (determined without regard to any lapse restriction) at the first time your rights in the option become transferable or when these rights are no longer subject to a substantial risk of forfeiture, over

2. The amount you paid for the option.

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). See section 83 for more details.

Note: 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 1997 to see if you have a gain or loss from tax shelter passive farm activities for 1997.

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 for charitable contributions of appreciated property does not apply for any contribution made after 1992 or any contribution of tangible personal property made after 1990. It also does not apply to 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 14e—Installment sales.—For either of the following kinds of dispositions in which you used the installment method for the regular tax, you must refigure your income for the AMT without regard to the installment method:

1. Any disposition after March 1, 1986, of property used or produced in your

farming business that you held primarily for sale to customers.

2. Any nondealer disposition of property that occurred after August 16, 1986, but before January 1, 1987, if an obligation that arose from the disposition was an installment obligation to which the proportionate disallowance rule applied.

Enter on line 14e the difference between the AMT and regular tax income. If the AMT income is smaller, enter the difference as a negative amount.

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: 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. Then, 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 this page.

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.

Note: 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 2.

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 asset depreciation range 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.

Note: 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 2.

Line 14n—Related adjustments.—If you have an entry on line 7 (if 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 26).
- Keogh retirement plan or self-employed SEP deduction (Form 1040, line 27).
- IRA deductions (Form 1040, lines 23a and 23b), 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. But 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 35.

If Form 1040, line 37, includes a write-in amount (such as a capital construction fund deduction for commercial fishermen), add lines 36 and 37 of Form 1040 and use that result on line 16 instead of the amount from Form 1040, line 35. 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 ATNOL 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 ATNOL). For example, the limitation of nonbusiness deductions to the amount of nonbusiness income must be separately computed in figuring the ATNOL, using only nonbusiness income and deductions that are included in figuring AMTI.

For loss years beginning before 1987, your ATNOL is your ATNOL 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 ATNOL 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 46, and write "Deferred Minimum Tax" and the amount on the dotted line next to line 46.

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).

Part III—Exemption Amount and Alternative Minimum Tax

Line 22—Exemption Amount

If this form is for a child under age 14, or line 21 is equal to or more than the amount shown for your filing status in the middle column of the chart on line 22, complete the worksheet on this page to figure the amount to enter on line 22.

If this form is **not** for a child under age 14, go to the worksheet now. If this form is for a child under age 14, when an amount from the parent's return is asked for on the worksheet, you must first determine which parent's return to use (see below). Before completing the worksheet, Form 6251 must be completed through line 21 for the return of the parent and each of the parent's other children who were under age 14 on January 1, 1997.

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 you do not know which parent had the higher taxable income, see **Pub. 929**, Tax Rules for Children and Dependents. 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.

Child's earned income.—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 25.

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

Your AMTFTC is your foreign tax credit refigured as follows:

1. Complete and attach a separate Form 1116 for each separate limitation specified

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 **7.** _____
8. Enter the AMTI from the **parent's** Form 6251, line 21 **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 **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.** _____

at the top of Form 1116 to help you figure your AMTFTC. Write across the top of each Form 1116 "AMT."

2. Complete Part I using only income and deductions allowed for the AMT that are attributable to sources outside the United States.

3. 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, reduced by the child care credit, the credit for the elderly or the disabled, and the mortgage interest credit.

4. 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, for purposes of this line 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% and subtract the result from the tax on line 24. Enter the smaller of that amount or the amount from Form 1116, line 32, on Form 6251, line 25.

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, 1997, 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 **Which parent's return to use** on page 6.

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, 1997.

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**, Amended U.S. Individual Income Tax Return, to correct the child's tax.

Line 6 of the worksheet.—If Form 6251 was not required to be completed for the parent, use the following instructions to find the amount to enter for this line. If the parent filed:

- **Form 1040.** Enter the amount from line 38 (excluding any tax from Form 4972), reduced by any foreign tax credit from line 41.

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

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

- **TeleFile.** Enter the tax from line J.

- **Form 1040NR.** Enter the amount from line 37 (excluding any tax from Form 4972), reduced by any foreign tax credit from line 39.

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

Line 7 of the worksheet.—If Form 6251 was not required to be completed for all of the parent's other children who were under age 14, figure the amount to enter on line 7 as follows. First, if Form 6251 was completed for some of these children, add the amounts from line 27 on each of their Forms 6251. To that total add the amounts figured below for each of the children for whom Form 6251 was not completed. If the parent's other child filed:

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

1. Enter the child's TMT from Form 6251, line 26	1. _____
2. Enter the TMT from line 26 of the parent's Form 6251	2. _____
3. Enter the total TMT, if any, from line 26 of Form 6251 of all the parent's other children under age 14 who completed Form 6251	3. _____
4. Add lines 1, 2, and 3	4. _____
5. Enter the amount from the child's Form 6251, line 27.	5. _____
6. Enter the amount from the parent's Form 6251, line 27. If the parent did not complete Form 6251, see instructions	6. _____
7. Enter the total from line 27 of Form 6251 of all the parent's other children . See instructions	7. _____
8. Add lines 5, 6, and 7	8. _____
9. Subtract line 8 from line 4. If zero or less, skip lines 10 through 16, and enter -0- on line 17	9. _____
10. Enter the AMT, if any, from line 28 of the parent's Form 6251	10. _____
11. Subtract line 10 from line 9. If zero or less, skip lines 12 through 16, and enter -0- on line 17	11. _____
12. Subtract line 5 from line 1	12. _____
13. Enter the total AMT for all the parent's other children . See instructions	13. _____
14. Add lines 12 and 13	14. _____
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"	15. $\times$. _____
16. Multiply line 11 by line 15	16. _____
17. Child's AMT. Enter the smaller of line 12 or line 16 here and on Form 6251, line 28. If line 16 is smaller or you skipped line 16, write "C" to the left of the entry space for Form 6251, line 28	17. _____

- **Form 1040.** Use the amount from line 38 (excluding any tax from Form 4972), reduced by any foreign tax credit from line 41.

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

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

- **TeleFile.** Use the tax on line J.

- **Form 1040NR.** Use the amount on line 37 (excluding any tax from Form 4972), reduced by any foreign tax credit from line 39.

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

Line 13 of the worksheet.—Figure the AMT of each of the parent's other children under age 14 for whom Form 6251 was completed. To do this, 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.

Example. The parent of the child 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 is \$7,000 (\$7,000 + \$0).

