

PREPARING 1040 AMT RETURNS

This guide will teach you the basic procedures for preparing 1040 returns with alternative minimum tax.

In this tutorial you will learn:

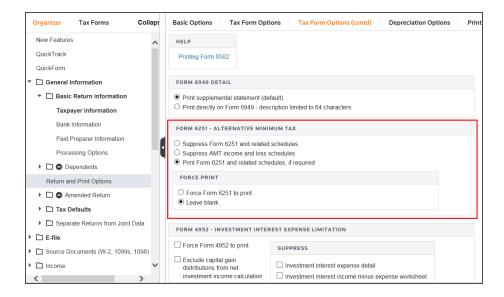
- Most AMT adjustments are automatically done by the system.
- Make any AMT entries and overrides on the Organizer screens.
- Form 6251 will print unless you select the option to suppress it.
- Review your entries and the system generated amounts on Form 6251 in Tax Forms and on the supporting workpapers.

TOPICS

- AMT Compute and Print Options (page 1)
- AMT Data Entry (page 4)
- AMT Adjustments (page 7)
- AMT Depreciation (page 10)
- Reviewing Form 6251 (page 16)

AMT COMPUTE AND PRINT OPTIONS

Form 6251 automatically prints unless you elect to suppress printing on the **General Information > Return** and **Print Options > Tax Form Options (cont'd)** tab. You can suppress the print of Form 6251 and related schedules, or just the income and loss schedules by selecting the appropriate option.



To print detail statements supporting the calculation of excess depletion and IDC tax preferences, click the **Print** radio button on the **Basic Options** tab of the **General Information > Return and Print Options** folder.

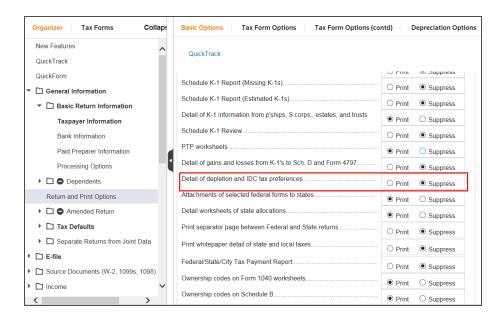


Figure 2

You may also select print options on the **Compute and Print** screen in the **Alternative Minimum Tax** folder. Supplemental IRS forms print automatically when applicable for AMT purposes. The following supplemental IRS forms print automatically with Form 6251 when applicable:

- Schedule D
- Form 1116
- Form 4797
- Form 4952
- Form 6198
- Form 8582

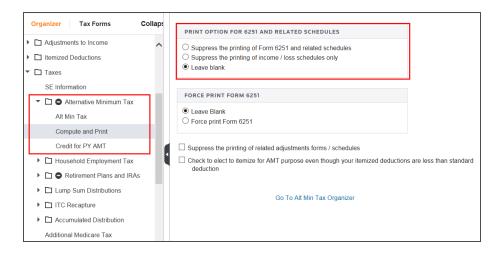


Figure 3

AMT DATA ENTRY

Form 6251 calculates the alternative minimum tax (AMT) liability and prints even if no entries are made on the **Alt Min Tax** screen of the **Taxes > Alternative Minimum Tax** folder.

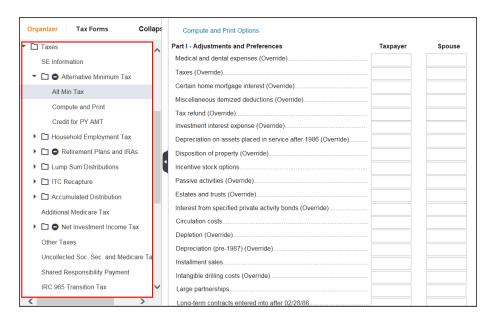


Figure 4

Use the **Alt Min Tax** screen to enter the transactions which are not automatically adjusted for AMT by the tax application. These transactions will not have **(Override)** after their descriptions such as Incentive Stock Options.

Compute and Print Options		
Part I - Adjustments and Preferences	Taxpayer	Spouse
Medical and dental expenses (Override)		
Taxes (Override)		
Certain home mortgage interest (Override)		
Miscellaneous itemized deductions (Override)		
Tax refund (Override)		
Investment interest expense (Override)		
Depreciation on assets placed in service after 1986 (Override)		
Disposition of property (Override)		
Incentive stock options	28,000	
Passive activities (Override)		
Estates and trusts (Override)		
Interest from specified private activity bonds (Override)		
Circulation costs		
Depletion (Override)		
Depreciation (pre-1987) (Override)		
Installment sales		
Intangible drilling costs (Override)		
Large partnerships		
Long-term contracts entered into after 02/28/86		

Figure 5

The following items are not automatic and will need to be entered here if applicable:

- Circulation, research, and experimental expenditures
- Mining exploration and development expenditures
- Long-term contracts entered into after 2/28/86
- Pollution control facilities
- Installment sales
- Incentive stock options
- Interest expense incurred on acquiring private activity bonds
- Disallowed portion of interest expense on private activity bonds
- AMT net operating loss carryover
- Charitable contributions of certain property

You can also use the **Alt Min Tax** screen to override the system-generated amounts.

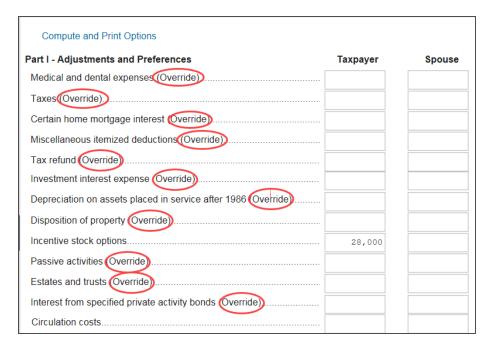


Figure 6

AMT ADJUSTMENTS

The **Taxes** adjustment is calculated from the total taxes on Schedule A, line 7. If you want an amount other than this for the taxes adjustment, make an overriding entry here.

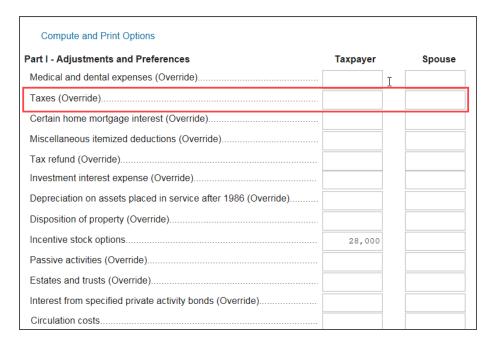
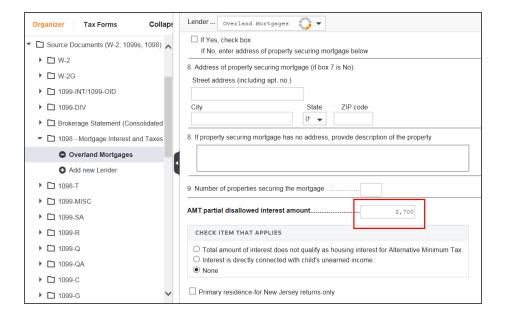


Figure 7

You can now disallow a portion of the AMT by entering an amount in the **AMT partial disallowed interest amount** field.



Depreciation recomputes for AMT purposes. The difference between the recomputed and the actual depreciation claimed in the return carries as an adjustment to taxable income for AMT. If the entity is reported on Form 8582, the depreciation adjustment is included in Form 6251 as a passive activity loss. It will not appear on the depreciation line.

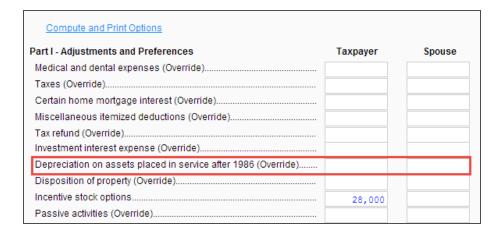
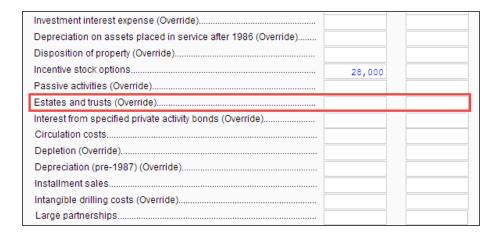


Figure 9

Amounts entered on the **K-1 Information** screen that are coded as *Estate / Trust* and any amount entered as an adjustment for minimum tax purposes will carry to Form 6251 automatically.



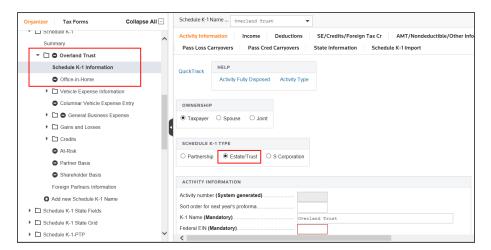


Figure 11

The sum of the private activity bonds entered on the **Interest Input** screen and Form 8814 is adjusted. Then the adjusted amount carries to Form 6251 as a preference item. This sum is then decreased by an entry on the **Interest expense incurred on acquiring private activity bonds** field and increased by an entry on the **Disallowed portion of interest expense on private activity bonds** field.

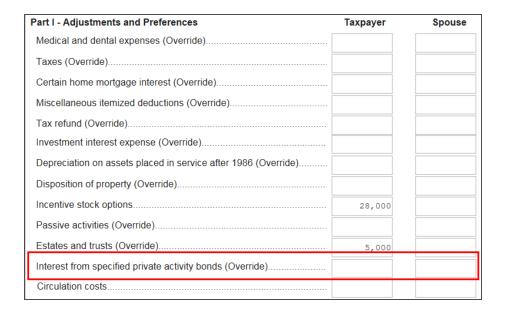


Figure 12

AMT DEPRECIATION

ADS depreciation computes using the 150% declining balance method (switching to straight line when the expense is greater). You can elect to compute AMT straight line depreciation on MACRS personal property. To compute AMT straight line depreciation on MACRS personal property instead of using the 150% declining balance method, you must select the Straight-Line election for MACRS property and enter an AMT life.

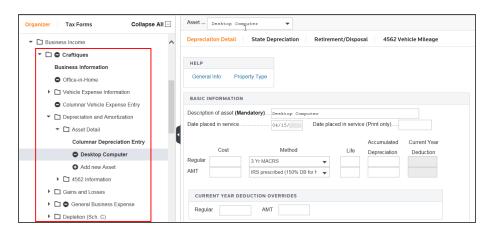


Figure 13

For MACRS real property, ADS depreciation always computes using the straight line method over a 40 year life. To suppress the AMT calculation of tax preference on MACRS real property, select Do not compute for MACRS.

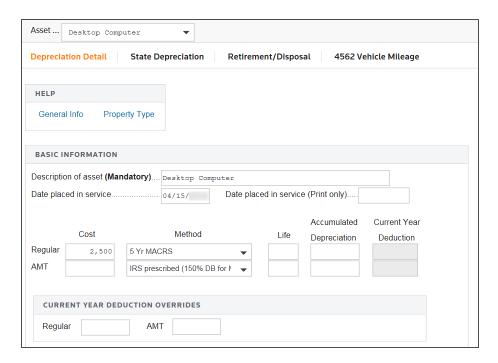


Figure 14

Still under the **Depreciation Detail** tab, scroll down to the **Amortization** section and select one of the AMT preference selections from the drop-down list.

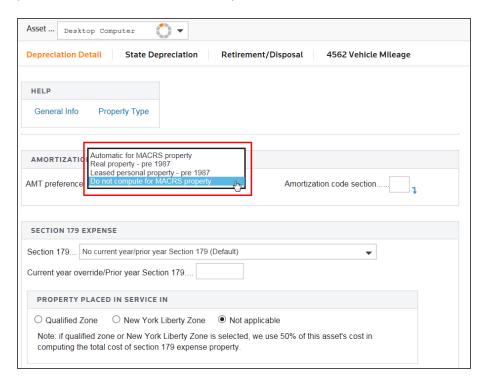


Figure 15

If you elect straight line depreciation for MACRS personal property for regular tax purposes, tax preference depreciation computes using the straight line method over the same life as used for regular tax purposes.

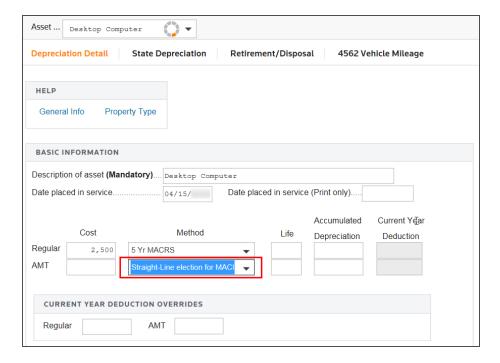


Figure 16

The system makes no adjustments. You may override the life used in the **AMT life** field.

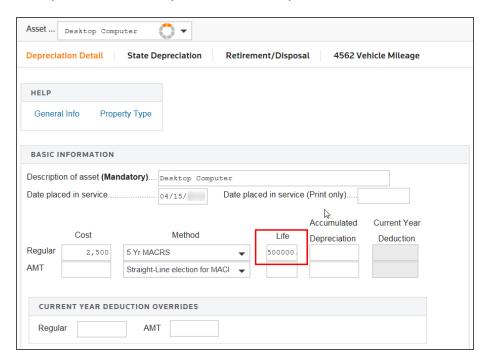
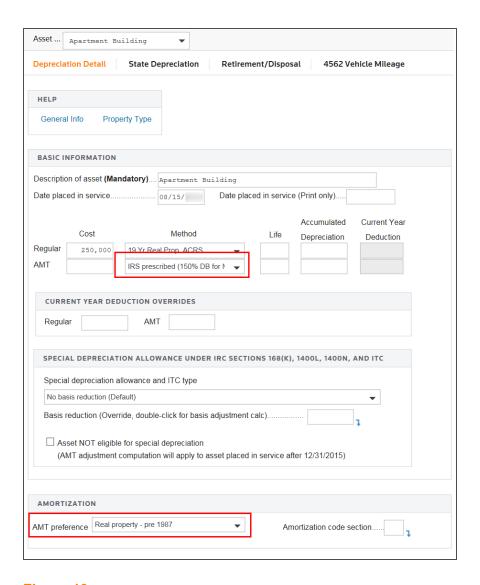


Figure 17

Entering a life in a MACRS method asset forces straight-line.

For ACRS property to have a preference calculation for AMT, you must make a tax preference selection (leased personal property or real property) in the **Compute AMT for** field on the **Depreciation Detail** tab. To access this option, scroll down the **Depreciation Detail** tab to the **Amortization** section.



If you choose, you can override the current year AMT deduction calculation on the **Depreciation Detail** tab. Make your tax preference selections in the **Compute AMT for** field in the **Amortization** section.

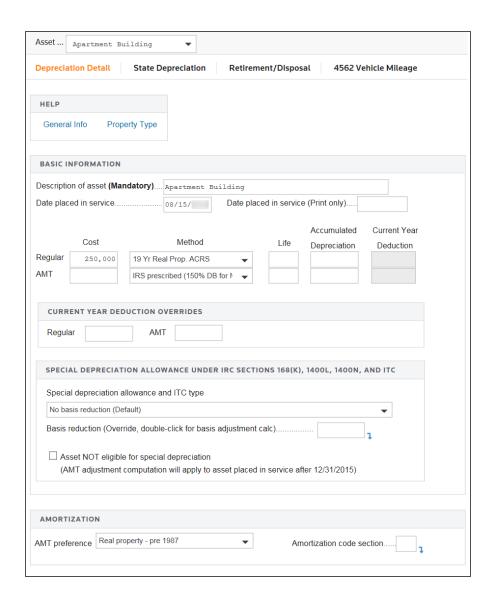
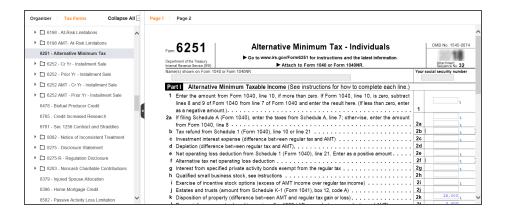


Figure 19

REVIEWING FORM 6251

You can review Form 6251 through Tax Forms. Click the **Tax Forms** tab and scroll down to **Form 6251 - Alternative Minimum Tax**.



Use the hyperlinks to drill down and review the supporting workpapers and Organizer data entry from Form 6251. Right-click a corresponding hyperlink and select the **Direct to Organizer** option to review the Organizer entries.

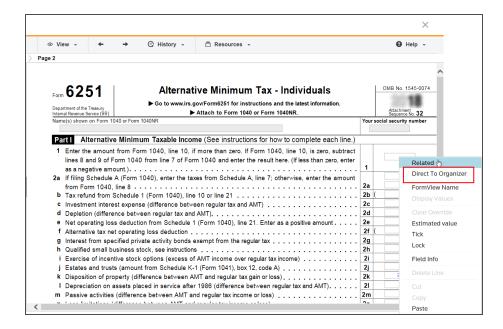


Figure 21

Note that the incentive stock options were entered on the **Alt Min Tax** Organizer screen. Click **Previous** to return to Form 6251.

Reviewing Form 6251

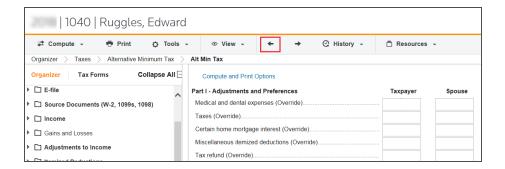


Figure 22

Click **line 2i** to view the supporting workpaper showing the calculation of the AMT adjustment for the exercise of incentive stock options.

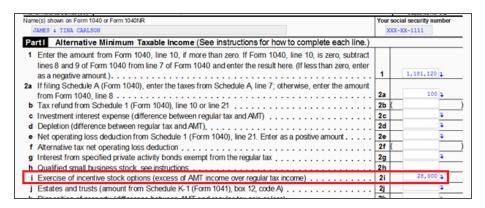


Figure 23

The workpaper gives an AMT adjustment summary.

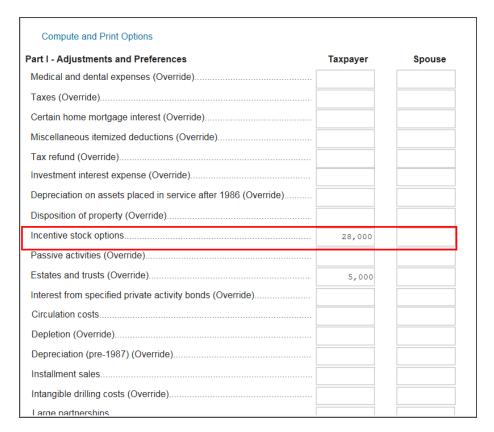


Figure 24

Return to the tax form, and click **line 2m** to view a workpaper showing the difference between and AMT and regular income/loss for passive activities.

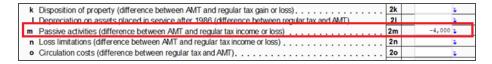


Figure 25

This workpaper gives you a breakdown of the AMT differences for passive activities.

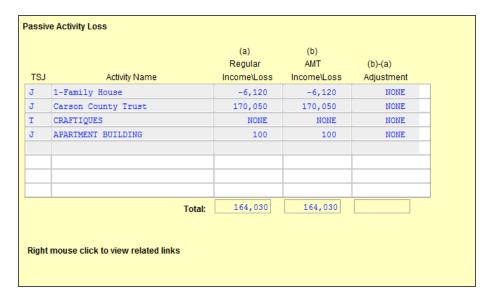


Figure 26

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