

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.

2 Preparing 1040 AMT Returns

AMT Compute and Print Options

The screenshot shows the 'Basic Options' tab in the software interface. The left sidebar contains a tree view with 'General Information' expanded, showing 'Basic Return Information' and 'Return and Print Options'. The main panel displays the 'FORM 6251 - ALTERNATIVE MINIMUM TAX' section. The 'Print' radio button is selected for 'Print supplemental statement (default)'. The 'FORCE PRINT' section has 'Leave blank' selected. The 'FORM 4952 - INVESTMENT INTEREST EXPENSE LIMITATION' section is also visible.

Figure 1

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.

The screenshot shows the 'Basic Options' tab in the software interface. The left sidebar contains a tree view with 'General Information' expanded, showing 'Basic Return Information' and 'Return and Print Options'. The main panel displays the 'Detail of depletion and IDC tax preferences' section. The 'Print' radio button is selected for this section. The 'Detail of depletion and IDC tax preferences' section is highlighted with a red box.

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

Organizer | **Tax Forms** | Collapse

Adjustments to Income
Itemized Deductions
Taxes
SE Information
Alternative Minimum Tax
Alt Min Tax
Compute and Print
Credit for PY AMT
Household Employment Tax
Retirement Plans and IRAs
Lump Sum Distributions
ITC Recapture
Accumulated Distribution
Additional Medicare Tax

PRINT OPTION FOR 6251 AND RELATED SCHEDULES

☐ Suppress the printing of Form 6251 and related schedules
☐ Suppress the printing of income / loss schedules only
☒ Leave blank

FORCE PRINT FORM 6251

☒ Leave Blank
☐ Force print Form 6251

☐ Suppress the printing of related adjustments forms / schedules
☐ Check to elect to itemize for AMT purpose even though your itemized deductions are less than standard deduction

[Go To Alt Min Tax Organizer](#)

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.

The screenshot displays the tax software interface. On the left, the 'Organizer' pane shows the 'Taxes' folder expanded, with 'Alternative Minimum Tax' and its sub-item 'Alt Min Tax' highlighted. The main window is titled 'Compute and Print Options' and contains a table for 'Part I - Adjustments and Preferences'. The table has three columns: 'Taxpayer', 'Spouse', and a description of the adjustment. The adjustments listed include Medical and dental expenses, Taxes, Certain home mortgage interest, Miscellaneous itemized deductions, Tax refund, Investment interest expense, Depreciation on assets placed in service after 1986, Disposition of property, Incentive stock options, Passive activities, Estates and trusts, Interest from specified private activity bonds, Circulation costs, Depletion, Depreciation (pre-1987), Installment sales, Intangible drilling costs, Large partnerships, and Long-term contracts entered into after 02/28/86.

	Taxpayer	Spouse
Part I - Adjustments and Preferences		
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.....		
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 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.

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		

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.

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.....		

Figure 7

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

The screenshot shows the 'Overland Mortgages' section of the software. The left sidebar lists various tax forms, with '1098 - Mortgage Interest and Taxes' expanded. The main area displays the 'Overland Mortgages' section, which includes a 'Lender' dropdown set to 'Overland Mortgages'. Below this, there are checkboxes for 'If Yes, check box' and 'If No, enter address of property securing mortgage below'. The 'Address of property securing mortgage' section includes fields for 'Street address (including apt. no.)', 'City', 'State', and 'ZIP code'. Below this, there is a section for 'If property securing mortgage has no address, provide description of the property'. The 'Number of properties securing the mortgage' is set to 1. The 'AMT partial disallowed interest amount' is highlighted with a red box and contains the value 2,700. Below this, there is a section for 'CHECK ITEM THAT APPLIES' with three radio buttons: 'Total amount of interest does not qualify as housing interest for Alternative Minimum Tax.', 'Interest is directly connected with child's unearned income.', and 'None' (which is selected). There is also a checkbox for 'Primary residence-for New Jersey returns only'.

Figure 8

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.

The screenshot shows the 'Compute and Print Options' screen. The 'Part I - Adjustments and Preferences' section is displayed, with columns for 'Taxpayer' and 'Spouse'. The 'Depreciation on assets placed in service after 1986 (Override)' line is highlighted with a red box. The 'Incentive stock options' line shows a value of 28,000 in the 'Taxpayer' column. The 'Passive activities (Override)' line is also visible.

	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).....		

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.

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.....		

Figure 10

The screenshot shows the 'Schedule K-1' form for 'Overland Trust'. The 'Schedule K-1 Information' section is highlighted with a red box. The 'Ownership' section shows 'Taxpayer' selected. The 'Schedule K-1 Type' section shows 'Estate/Trust' selected. The 'Activity Information' section shows 'Activity number (System generated)' and 'K-1 Name (Mandatory)' as 'Overland Trust'.

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.

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).....	5,000	
Interest from specified private activity bonds (Override).....		
Circulation costs.....		

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.

The screenshot shows the 'Organizer' and 'Tax Forms' tabs. Under 'Business Income', 'Craftiques' is expanded, and 'Desktop Computer' is selected under 'Columnar Depreciation Entry'. The main window displays the 'Depreciation Detail' tab for the 'Desktop Computer' asset. The 'BASIC INFORMATION' section includes the asset description, date placed in service, and a table for 'CURRENT YEAR DEDUCTION'. The 'AMT' row is highlighted, showing '3 Yr MACRS' and 'IRS prescribed (150% DB for ?)'.

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.

Asset ... Desktop Computer

Depreciation Detail

State Depreciation

Retirement/Disposal

4562 Vehicle Mileage

HELP

General Info

Property Type

BASIC INFORMATION

Description of asset (Mandatory).... Desktop Computer

Date placed in service..... 04/15/ Date placed in service (Print only)....

	Cost	Method	Life	Accumulated Depreciation	Current Year Deduction
Regular	2,500	5 Yr MACRS			
AMT		IRS prescribed (150% DB for P			

CURRENT YEAR DEDUCTION OVERRIDES

Regular

AMT

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.

The screenshot displays a software interface for preparing 1040 AMT Returns. At the top, the 'Asset ...' dropdown is set to 'Desktop Computer'. Below this, there are four tabs: 'Depreciation Detail' (highlighted in orange), 'State Depreciation', 'Retirement/Disposal', and '4562 Vehicle Mileage'. A 'HELP' section on the left contains links for 'General Info' and 'Property Type'. The main area is divided into sections. The 'AMORTIZATION' section is active, showing a dropdown menu for 'AMT preference' with the following options: 'Automatic for MACRS property', 'Real property - pre 1987', 'Leased personal property - pre 1987', and 'Do not compute for MACRS property' (which is highlighted in blue). To the right of this dropdown is a field for 'Amortization code section.....'. Below the 'AMORTIZATION' section is the 'SECTION 179 EXPENSE' section, which includes a dropdown for 'Section 179....' set to 'No current year/prior year Section 179 (Default)' and a text input for 'Current year override/Prior year Section 179....'. At the bottom is the 'PROPERTY PLACED IN SERVICE IN' section with radio buttons for 'Qualified Zone', 'New York Liberty Zone', and 'Not applicable' (which is selected). A note below these options states: 'Note: if qualified zone or New York Liberty Zone is selected, we use 50% of this asset's cost in computing the total cost of section 179 expense property.'

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.

Asset ... Desktop Computer

Depreciation Detail | State Depreciation | Retirement/Disposal | 4562 Vehicle Mileage

HELP

General Info | Property Type

BASIC INFORMATION

Description of asset (Mandatory) Desktop Computer

Date placed in service 04/15/ Date placed in service (Print only)

	Cost	Method	Life	Accumulated Depreciation	Current Year Deduction
Regular	2,500	5 Yr MACRS			
AMT		Straight-Line election for MACRS			

CURRENT YEAR DEDUCTION OVERRIDES

Regular AMT

Figure 16

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

The screenshot shows a software interface for entering asset information. At the top, there's a tab bar with 'Depreciation Detail' (selected), 'State Depreciation', 'Retirement/Disposal', and '4562 Vehicle Mileage'. Below the tabs is a 'HELP' section with links for 'General Info' and 'Property Type'. The main section is titled 'BASIC INFORMATION'. It contains fields for 'Description of asset (Mandatory)' (Desktop Computer), 'Date placed in service' (04/15/), and 'Date placed in service (Print only)'. Below these are two rows of input fields: 'Regular' and 'AMT'. The 'Regular' row has 'Cost' (2,500), 'Method' (5 Yr MACRS), 'Life' (500000), 'Accumulated Depreciation', and 'Current Year Deduction'. The 'AMT' row has 'Cost', 'Method' (Straight-Line election for MACI), 'Life', 'Accumulated Depreciation', and 'Current Year Deduction'. The 'Life' field in the 'Regular' row is highlighted with a red box. At the bottom, there's a section titled 'CURRENT YEAR DEDUCTION OVERRIDES' with 'Regular' and 'AMT' input fields.

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.

Asset ... Apartment Building

Depreciation Detail | State Depreciation | Retirement/Disposal | 4562 Vehicle Mileage

HELP

General Info | Property Type

BASIC INFORMATION

Description of asset (Mandatory) ... Apartment Building

Date placed in service 08/15/ Date placed in service (Print only)

	Cost	Method	Life	Accumulated Depreciation	Current Year Deduction
Regular	250,000	19 Yr Real Prop. ACRS			
AMT		IRS prescribed (150% DB for P			

CURRENT YEAR DEDUCTION OVERRIDES

Regular AMT

SPECIAL DEPRECIATION ALLOWANCE UNDER IRC SECTIONS 168(K), 1400L, 1400N, AND ITC

Special depreciation allowance and ITC type

No basis reduction (Default)

Basis reduction (Override, double-click for basis adjustment calc)

☐ Asset NOT eligible for special depreciation
(AMT adjustment computation will apply to asset placed in service after 12/31/2015)

AMORTIZATION

AMT preference Real property - pre 1987

Amortization code section

Figure 18

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.

Asset ...
Apartment Building

Depreciation Detail
State Depreciation
Retirement/Disposal
4562 Vehicle Mileage

HELP
General Info
Property Type

BASIC INFORMATION

Description of asset (Mandatory)....
Apartment Building

Date placed in service.....
08/15/
Date placed in service (Print only).....

	Cost	Method	Life	Accumulated Depreciation	Current Year Deduction
Regular	250,000	19 Yr Real Prop. ACRS			
AMT		IRS prescribed (150% DB for 1			

CURRENT YEAR DEDUCTION OVERRIDES

Regular
AMT

SPECIAL DEPRECIATION ALLOWANCE UNDER IRC SECTIONS 168(K), 1400L, 1400N, AND ITC

Special depreciation allowance and ITC type
No basis reduction (Default)

Basis reduction (Override, double-click for basis adjustment calc).....

☐ Asset NOT eligible for special depreciation
(AMT adjustment computation will apply to asset placed in service after 12/31/2015)

AMORTIZATION

AMT preference
Real property - pre 1987
Amortization code 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**.

Figure 20

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.

1040 | Ruggles, Edward

Compute Print Tools View History Resources

Organizer > Taxes > Alternative Minimum Tax > Alt Min Tax

Organizer Tax Forms Collapse All

E-file
Source Documents (W-2, 1099s, 1098)
Income
Gains and Losses
Adjustments to Income

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).....		

Figure 22

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

Name(s) shown on Form 1040 or Form 1040NR: JAMES & TINA CARLSON

Your social security number: XXX-XX-1111

Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

1 Enter the amount from Form 1040, line 10, if more than zero. If Form 1040, line 10, is zero, subtract lines 8 and 9 of Form 1040 from line 7 of Form 1040 and enter the result here. (If less than zero, enter as a negative amount.)	1	1,181,120
2a If filing Schedule A (Form 1040), enter the taxes from Schedule A, line 7; otherwise, enter the amount from Form 1040, line 8	2a	100
b Tax refund from Schedule 1 (Form 1040), line 10 or line 21	2b	
c Investment interest expense (difference between regular tax and AMT)	2c	
d Depletion (difference between regular tax and AMT)	2d	
e Net operating loss deduction from Schedule 1 (Form 1040), line 21. Enter as a positive amount	2e	
f Alternative tax net operating loss deduction	2f	
g Interest from specified private activity bonds exempt from the regular tax	2g	
h Qualified small business stock: see instructions	2h	
i Exercise of incentive stock options (excess of AMT income over regular tax income)	2i	28,000
j Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	2j	

Figure 23

The workpaper gives an AMT adjustment summary.

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).....	5,000	
Interest from specified private activity bonds (Override).....		
Circulation costs.....		
Depletion (Override).....		
Depreciation (pre-1987) (Override).....		
Installment sales.....		
Intangible drilling costs (Override).....		
Large partnerships.....		

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.

k	Disposition of property (difference between AMT and regular tax gain or loss)	2k		↓
l	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	2l		↓
m	Passive activities (difference between AMT and regular tax income or loss)	2m	-4,000	↓
n	Loss limitations (difference between AMT and regular tax income or loss)	2n		↓
o	Circulation costs (difference between regular tax and AMT)	2o		↓

Figure 25

Passive Activity Loss					
TSJ	Activity Name	(a)	(b)	(b)-(a)	
		Regular	AMT	Income\Loss	Adjustment
J	1-Family House	-6,120	-6,120	NONE	
J	Carson County Trust	170,050	170,050	NONE	
T	CRAFTIQUES	NONE	NONE	NONE	
J	APARTMENT BUILDING	100	100	NONE	
Total:		164,030	164,030		

Figure 26

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