

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Part I Net Minimum Tax on Exclusion Items

| | | | | |
|----|---|----|---|---|
| 1 | Combine lines 16 through 18 of your 1996 Form 6251. Estates and trusts, see instructions | 1 | | |
| 2 | Enter adjustments and preferences treated as exclusion items. See instructions | 2 | | |
| 3 | Minimum tax credit net operating loss deduction. See instructions | 3 | (|) |
| 4 | Combine lines 1, 2, and 3. If zero or less, enter -0- here and on line 15 and go to Part II. If more than \$165,000 and you were married filing separately for 1996, see instructions | 4 | | |
| 5 | Enter \$45,000 (\$33,750 if single or head of household for 1996, \$22,500 if married filing separately for 1996). Estates and trusts, enter \$22,500 | 5 | | |
| 6 | Enter \$150,000 (\$112,500 if single or head of household for 1996, \$75,000 if married filing separately for 1996). Estates and trusts, enter \$75,000 | 6 | | |
| 7 | Subtract line 6 from line 4. If zero or less, enter -0- here and on line 8 and go to line 9 | 7 | | |
| 8 | Multiply line 7 by 25% (.25) | 8 | | |
| 9 | Subtract line 8 from line 5. If zero or less, enter -0-. If this form is for a child under age 14, see instructions | 9 | | |
| 10 | Subtract line 9 from line 4. If zero or less, enter -0- here and on line 15, and go to Part II. Form 1040NR filers, see instructions | 10 | | |
| 11 | If line 10 is \$175,000 or less (\$87,500 or less if married filing separately for 1996), multiply line 10 by 26% (.26). Otherwise, multiply line 10 by 28% (.28), and subtract \$3,500 (\$1,750 if married filing separately for 1996) from the result. Caution: For a fiscal year taxpayer with a prior tax year that includes May 7, 1997, the amount on this line cannot exceed the amount figured under section 55(b)(3) (maximum rate of tax on net capital gain). | 11 | | |
| 12 | Minimum tax foreign tax credit on exclusion items. See instructions | 12 | | |
| 13 | Tentative minimum tax on exclusion items. Subtract line 12 from line 11 | 13 | | |
| 14 | Enter the amount from your 1996 Form 6251, line 27, or Form 1041, Schedule I, line 40 | 14 | | |
| 15 | Net minimum tax on exclusion items. Subtract line 14 from line 13. If zero or less, enter -0- | 15 | | |

Part II Minimum Tax Credit and Carryforward to 1998

| | | | | |
|----|---|----|--|--|
| 16 | Enter the amount from your 1996 Form 6251, line 28, or Form 1041, Schedule I, line 41 | 16 | | |
| 17 | Enter the amount from line 15 above | 17 | | |
| 18 | Subtract line 17 from line 16. If less than zero, enter as a negative amount | 18 | | |
| 19 | 1996 minimum tax credit carryforward. Enter the amount from your 1996 Form 8801, line 26 | 19 | | |
| 20 | Enter the total of your 1996 unallowed nonconventional source fuel credit and 1996 unallowed qualified electric vehicle credit. See instructions. | 20 | | |
| 21 | Combine lines 18, 19, and 20. If zero or less, stop here and see instructions | 21 | | |
| 22 | Enter your 1997 regular income tax liability minus allowable credits. See instructions | 22 | | |
| 23 | Enter the amount from your 1997 Form 6251, line 26, or 1997 Form 1041, Schedule I, line 38. | 23 | | |
| 24 | Subtract line 23 from line 22. If zero or less, enter -0- | 24 | | |
| 25 | Minimum tax credit. Enter the smaller of line 21 or line 24. Also enter this amount on the appropriate line of your 1997 tax return. See instructions | 25 | | |
| 26 | Minimum tax credit carryforward to 1998. Subtract line 25 from line 21. See instructions | 26 | | |

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Form 8801 is used by individuals, estates, and trusts to figure the minimum tax credit, if any, for alternative minimum tax (AMT) incurred in prior tax years after 1986. The form is also used to figure any minimum tax credit carryforward.

Who Should File

Form 8801 should be completed by individuals, estates, and trusts that had:

- An AMT liability in 1996 and adjustments or preferences (other than exclusion items) in 1996,
- A minimum tax credit carryforward from 1996 to 1997, or
- A nonconventional source fuel credit or a qualified electric vehicle credit not allowed for 1996 (see the instructions for line 20).

File Form 8801 only if line 21 is more than zero.

Specific Instructions

The AMT is attributable to two types of adjustments and preferences—deferral items and exclusion items. **Deferral items** generally do not cause a permanent

difference in taxable income over time (e.g., depreciation). **Exclusion items**, on the other hand, do cause a permanent difference (e.g., the standard deduction). The minimum tax credit is allowed only on the AMT attributable to deferral items.

Line 1. Estates and trusts. Skip lines 1 through 3 of Form 8801. Complete Parts I and II of another 1996 Form 1041, Schedule I. For Part I of Schedule I, take into account only exclusion items (the amounts included on lines 4a through 4d, 4p, and 4q of Schedule I) and any other adjustments related to exclusion items included on line 4u of Schedule I. On line 7 of Schedule I, use the minimum tax credit net operating loss deduction (MTCNOLD).

However, do not limit the MTCNOLD to 90% of the amount on line 6 of Schedule I (see the instructions for line 3 below for how to figure the MTCNOLD). On Part II of Schedule I, do not take into account any basis adjustments arising from deferral items in completing lines 18 and 19. If the amount on line 12 of Schedule I is zero or less, enter zero on line 4 of Form 8801. Otherwise, enter the amount from line 12 of Schedule I, adjusted for exclusion items that were allocated to the beneficiary, on line 4 of Form 8801.

Line 2. Enter on this line the adjustments and preferences treated as exclusions. Exclusion items are your AMT adjustments and preferences for: the standard deduction, itemized deductions (including any investment interest expense reported on Schedule E), charitable contributions of appreciated property, certain tax-exempt interest, depletion, and any other adjustments related to exclusion items. Combine lines 1 through 7, 13, 14a, and 14c of your 1996 Form 6251. If you included on line 14n any adjustments related to exclusion items, also include those adjustments in the amount to be entered on line 2. Enter the total on line 2.

Note: If you included any exclusion item on a line not listed above, include that item in the amount to be entered on line 2. For example, if depletion was included on Form 6251 as an adjustment on line 11 (passive activities) instead of on line 14c (depletion), include it as an exclusion item when figuring the amount for line 2.

Line 3. Minimum tax credit net operating loss deduction (MTCNOLD). Your MTCNOLD is the aggregate of the minimum tax credit net operating loss (MTCNOL) carryovers and carrybacks to 1996. Your MTCNOL is figured as follows:

For loss years beginning after 1986, your MTCNOL is the excess of the deductions (excluding the MTCNOLD), over the income used to figure AMTI, taking into account only exclusion items. Figure this excess with the modifications in section 172(d), taking into account only exclusion items (i.e., the section 172(d) modifications should be figured separately for the MTCNOL).

For example, the limitation of nonbusiness deductions to the amount of nonbusiness income must be figured separately for the MTCNOL using only nonbusiness income and deductions, taking into account only exclusion items. However, ignore the disallowance of the deduction for personal exemptions under section 172(d)(3) because it has already been taken into account in figuring AMTI using only exclusion items.

For loss years beginning before 1987, the amount of MTCNOL that may be carried forward to tax years beginning after 1986 is equal to the amount of regular tax NOL that may be carried from such loss years to the first tax year beginning after 1986.

To determine the amount of MTCNOL that may be carried to tax years other than 1996, apply sections 172(b)(2) and 172(d), with appropriate modifications to take into account exclusion items.

Line 4. If your filing status was married filing separately for 1996 and line 4 is more than \$165,000, you must include an additional amount on line 4. If line 4 is \$255,000 or more, include an additional \$22,500 on line 4. Otherwise, include 25% of the excess of the amount on line 4 over \$165,000. For example, if the amount on line 4 is \$185,000, enter \$190,000 instead—the additional \$5,000 is 25% of \$20,000 (\$185,000 minus \$165,000).

Line 9. If you are completing this form for a child who was under age 14 on January 1, 1997, and at least one of the child's parents was alive on December 31, 1996, do not follow the instructions on the form for line 9. Instead, if line 8 is equal to or more than line 5, enter zero. Otherwise, enter the smaller of (a) the amount by which line 5 exceeds line 8, or (b) the amount from line 17 of the worksheet for line 22 of the child's 1996 Form 6251, refigured to take into account only exclusion items.

Line 10. If you filed Form 1040NR for 1996 and had a net gain on the disposition of U.S. real property interests, line 10 cannot be less than the smaller of that net gain or line 4.

Line 12. Minimum tax foreign tax credit on exclusion items. Refigure your minimum tax foreign tax credit using only exclusion items attributable to sources outside the United States. To do this, use a separate 1996 Form 1116, Foreign Tax Credit, for each type of income and follow the steps below.

Step 1. Fill in Part I of Form 1116 using that part of your taxable income and exclusion items attributable to sources outside the United States.

Step 2. Fill in Part III of Form 1116. However, instead of entering the AMT foreign tax credit carryover on line 10 of Form 1116, use the foreign tax credit carryover, if any, figured on exclusion items. Enter the amount from line 4 of your 1997 Form 8801 on line 17 of Form 1116. Enter on line 19 of Form 1116 the amount from line 11 of your 1997 Form 8801.

Step 3. Complete Part IV of Form 1116. Enter the refigured credit from Form 1116, line 32, on Form 8801, line 12.

If line 13 of Form 1116 is greater than line 20 of Form 1116, keep a record of the difference between those two lines. This amount is carried forward and used to figure your foreign tax credit on exclusion items next year.

Line 20.—Enter the total of any nonconventional source fuel credit and qualified electric vehicle credit not allowed for 1996 solely because of the limitation under sections 29(b)(6)(B) and 30(b)(3)(B).

Line 21.—If line 21 is zero or less, you do not have a minimum tax credit or a minimum tax credit carryforward. Do not complete the rest of this form and do not file it.

Line 22. Follow the instructions below and refer to your 1997 income tax return to figure the amount to enter on line 22.

Form 1040. Subtract from the amount on line 39 (excluding any amount from Form 4972) the total of any credits on lines 40 through 44 (not including any credit for prior year minimum tax) and any write-in credit on line 45.

Form 1040NR. Subtract from the amount on line 38 (excluding any amount from Form 4972) the total of any credits on lines 39 through 42 (not including any credit for prior year minimum tax) and any write-in credit on line 43.

Form 1041, Schedule G. Subtract the total of any credits on lines 2a through 2c from line 1c (excluding any amount from Form 4972).

Line 25. Minimum tax credit. Enter the minimum tax credit on the following line of your 1997 tax return: Form 1040, line 44; Form 1040NR, line 42; Form 1041, Schedule G, line 2d.

Line 26. Carryforward of minimum tax credit. Keep a record of this amount because it can be carried forward and used in future years.

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**, 1 hr., 33 min.; **Learning about the law or the form**, 1 hr., 13 min.; **Preparing the form**, 1 hr.; **Copying, assembling, and sending the form to the IRS**, 17 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.

