TAXABLE YEAR

1994

Alternative Minimum Tax and Credit Limitations — Fiduciaries

CALIFORNIA SCHEDULE

P (541)

Attach this schedule to Form 541.

Name(s) as shown on Form 541	Federal employer identification number

Part I Fiduciary's Share of Alternative Minimum Taxable Income

1 Adjusted total income (or loss). Enter the amount from Form 541, line 17			**1**	
2 Net operating loss (NOL) deduction, if any, from Form 541, line 15a. Enter as a positive amount			**2**	
3 Total. Add line 1 and line 2			**3**	
4 **Adjustments** See instructions before completing:				
a Miscellaneous itemized deductions from Form 541, line 15b	**4a**			
b Personal and real property taxes	**4b**			
c Refund of personal and real property taxes	**4c**	( )		
d Interest	**4d**			
e Combine line 4a through line 4d			**4e**	
f Depreciation of tangible property placed in service after 1986	**4f**			
g Circulation and research and experimental expenditures paid or incurred after 1986	**4g**			
h Mining exploration and development costs paid or incurred after 1986	**4h**			
i Long-term contracts entered into after February 28, 1986	**4i**			
j Pollution control facilities placed in service after 1986	**4j**			
k Installment sales of certain property	**4k**			
l Adjusted gain or loss	**4l**			
m Incentive stock options	**4m**			
n Certain loss limitations	**4n**			
o Tax shelter farm activities	**4o**			
p Passive activities	**4p**			
q Beneficiaries of other estates and trusts	**4q**			
r Combine line 4f through line 4q			**4r**	
5 **Tax preference items** See instructions before completing:				
a Appreciated property charitable deduction	**5a**			
b Depletion	**5b**			
c Add line 5a and line 5b			**5c**	
d Accelerated depreciation of real property placed in service before 1987	**5d**			
e Accelerated depreciation of leased personal property placed in service before 1987	**5e**			
f Intangible drilling costs	**5f**			
g Add line 5d through line 5f			**5g**	
6 Combine line 3, line 4e, line 4r, line 5c and line 5g			**6**	
7 Alternative minimum tax NOL deduction. Do not enter more than 90% of line 6. See instructions			**7**	
8 Adjusted alternative minimum taxable income. Subtract line 7 from line 6			**8**	
9 Income distribution deduction from Part II, line 15			**9**	
10 Fiduciary's share of alternative minimum taxable income. Subtract line 9 from line 8			**10**	

If line 10 is $20,000 or less and you are not claiming any credits, do not complete Part III and Part IV of this schedule.

Part II Income Distribution Deduction on an Alternative Minimum Tax Basis

1	Adjusted alternative minimum taxable income from Part I, line 8	1	
2	Adjusted tax-exempt interest	2	
3	Net capital gains from Schedule D (541), line 9, column (a). If less than zero, enter -0-	3	
4	Capital gains allocable to corpus paid or set aside for charitable purposes from Schedule A (541), line 6	4	
5	Capital gains paid or permanently set aside for charitable purposes from current year's income from Schedule A (541), line 3	5	
6	Capital gains computed on an alternative minimum tax basis included in Part I, line 8	6	( )
7	Capital losses computed on an alternative minimum tax basis included in Part I, line 8. Enter as a positive amount	7	
8	Distributable net alternative minimum taxable income (DNAMTI). Combine line 1 through line 7	8	
9	Income required to be distributed currently	9	
10	Other amounts paid, credited or required to be distributed	10	
11	Total distributions. Add line 9 and line 10	11	
12	Tax-exempt income included on line 11	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	
14	Tentative income distribution deduction. Subtract line 2 from line 8	14	
15	Income distribution deduction on an alternative minimum tax basis. Enter the smaller of line 13 or line 14 here and on Part I, line 9	15	

Part III Tentative Minimum Tax (TMT) and Alternative Minimum Tax Computation

1	Enter the amount from Part I, line 10			1	
2	Exemption amount	2	$20,000		
3	Phase-out of exemption amount	3	$75,000		
4	Subtract line 3 from line 1. If zero or less, enter -0-			4	
5	Multiply line 4 by 25% (.25)			5	
6	Subtract line 5 from line 2. If zero or less, enter -0-			6	
7	Subtract line 6 from line 1. If zero or less, enter -0-			7	
8	**Tentative minimum tax.** Multiply line 7 by 8.5% (.085)			8	
9 a	Regular tax before credits from Form 541, line 20a. See instructions	9a			
b	IRC Section 644 tax, if any, from Form 541, line 20b	9b			
c	Add line 9a and line 9b			9c	
10	**Alternative minimum tax.** Subtract line 9c from line 8. If zero or less, enter -0-. If there are no Part IV, Section D credits, also enter this amount on Form 541, line 25 or Form 109, line 19			10	

If line 8 is more than zero, continue to Part IV.

Part IV Credit Limitations

Section A — Tax in excess of tentative minimum tax

1 a	Regular tax from Form 541, line 20a	1a	
b	Tentative minimum tax from Part III, line 8	1b	
c	Subtract line 1b from line 1a. If less than zero, enter -0-	1c	
d	Exemption credit from Form 541, line 21. Do not enter more than the amount on line 1c. If your exemption credit is greater than line 1c, you must reduce the amount shown on Form 541, line 21, to the amount shown on line 1c	1d	
2 a	Enter the total of Form 541, line 20, minus Form 541, line 21, but not less than zero (use refigured amount if exemption credit is limited by line 1c)	2a	
b	Tentative minimum tax from Part III, line 8	2b	
3	Subtract line 2b from line 2a. If less than zero, enter -0-	3	

Section B — Credits that reduce excess tax

Code		Line	(a) Credit available	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
	4 Enter the amount from Part IV, Section A, line 3	4				
162	5 Prison inmate labor credit (FTB 3507)	5				
166	6 Jobs credit (FTB 3524)	6				
160	7 Low-emission vehicles credit	7				
171	8 Ridesharing credit: Carryover	8				
191	9 Ridesharing credit: Large employer program (FTB 3518)	9				
182	10 Energy conservation credit carryover	10				
186	11 Residential rental and farm sales credit carryover	11				
190	12 Employer child care contribution credit (FTB 3501)	12				
174	13 Recycling equipment credit (FTB 3527)	13				
197	14 Child adoption credit	14				
	15 Enter credit name ________ code no. _____	15				
	16 Enter credit name ________ code no. _____	16				
	17 Enter credit name ________ code no. _____	17				
	18 Enter credit name ________ code no. _____	18				
176	19 Enterprise zone hiring/sales and use tax credit (FTB 3805Z)	19				
177	20 Program area hiring/sales and use tax credit (FTB 3805Z)	20				
159	21 Los Angeles Revitalization Zone (LARZ) hiring/sales and use tax credit (FTB 3806)	21				
180	22 Solar energy credit carryover	22				
181	23 Commercial solar energy credit carryover	23				
196	24 Commercial solar electric system credit carryover	24				
183	25 Research credit (FTB 3523)	25				
185	26 Orphan drug credit carryover	26				
172	27 Low-income housing credit (FTB 3521)	27				
188	28 Credit for prior year alternative minimum tax (FTB 3510)	28				

Section C — Credits that may reduce tax below TMT

Code		Line	(a) Credit available	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
	29 If Part IV, Section A, line 3 is zero, enter the amount from Part IV, Section A, line 2a. If line 3 is more than zero, enter the total of line 1b and line 28, column (c)	29				
176	30 Enterprise zone hiring/sales and use tax credit from line 19, column (d)	30				
177	31 Program area hiring/sales and use tax credit from line 20, column (d)	31				
159	32 LARZ hiring/sales and use tax credit from line 21, column (d)	32				
180	33 Solar energy credit carryover from line 22, column (d)	33				
181	34 Commercial solar energy credit carryover from line 23, column (d)	34				
196	35 Commercial solar electric system credit carryover from line 24, column (d)	35				
183	36 Research credit from line 25, column (d)	36				
185	37 Orphan drug credit carryover from line 26, column (d)	37				
172	38 Low-income housing credit from line 27, column (d)	38				
187	39 Other state tax credit (Schedule S)	39				

Section D — Credits that may reduce alternative minimum tax (AMT)

	Line	(a) Credit available	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
40 Enter the alternative minimum tax from Part III, line 10	40				
41 Solar energy credit carryover from line 33, column (d)	41				
42 Commercial solar energy credit carryover from line 34, column (d)	42				
43 Adjusted AMT. Enter the balance from line 42, column (c), here and on Form 541, line 25	43				

Instructions for Schedule P (541)

Alternative Minimum Tax and Credit Limitations – Fiduciaries

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993,** and to the California Revenue and Taxation Code (R&TC).

General Information

California tax law gives special treatment to some items of income and allows special deductions and credits for some items of expense. Many taxpayers who benefit from these provisions must pay at least a minimum amount of tax, the alternative minimum tax (AMT), and/or limit the amount of their credits.

Individuals who were residents of California for the entire taxable year must use Schedule P (540); nonresidents and part-year residents must use Schedule P (540NR); and corporations must use Schedule P (100).

Purpose of form

Fiduciaries must use Schedule P (541) to figure:

- the income distribution deduction on an alternative minimum tax basis;
- the estate's or trust's alternative minimum taxable income; and
- the estate's or trust's AMT.

Fiduciaries must also use Schedule P (541) to:

- figure credits that must be limited by the tentative minimum tax (Part III, line 8);
- figure credits that may reduce the AMT (Part III, line 10); or
- claim more than one credit.

See Schedule P (541), Part IV.

Who must file

Every estate or trust that takes an income distribution deduction under IRC Section 651 or 661, must complete Schedule P (541), Part I, to figure the fiduciary's alternative minimum taxable income and complete Part II to figure the income distribution deduction on an alternative minimum tax basis. Part III should be completed by those estates or trusts that are liable for AMT (Part I, line 10 is more than $20,000) or that are claiming credits. In all instances, attach Schedule P (541) to Form 541.

Recordkeeping. To determine AMT for the estate or trust, you need to refigure some items that you figured for regular tax. It may be helpful to complete the applicable tax form a second time. If you do complete other forms in figuring AMT, please clearly write ''AMT schedule'' across the top of each form and attach them to the return.

For regular tax, some deductions may result in carryovers to future taxable years. Examples are investment interest expense, net operating loss and capital loss. Because you may have to refigure these items to determine AMT for the estate or trust, the carryover amount may be different for AMT than for regular tax. Although the carryovers that you figure for AMT do not affect the carryovers for regular tax, you must keep track of the AMT carryovers, in order to complete your Schedule P (541) in future years.

Partners, Shareholders, Etc. If the estate or trust is a partner in a partnership or a shareholder of an S corporation, take into account the estate's or trust's distributive share of income and deductions that enter into the computation of the estate's or trust's adjustments and tax preference items.

If the estate or trust is a beneficiary of another estate or trust, you must include the adjustment for AMT purposes shown on Schedule K-1 (541), line 8.

Allocation of deductions to beneficiaries

The distributable net alternative minimum taxable income of the estate or trust does not include amounts of depreciation, depletion and amortization that are allocated to the beneficiaries, just as the distributable net income of the estate or trust does not include these items for regular tax.

Report separately on Schedule K-1 (541), line 11, any adjustments or tax preference items attributable to depreciation, depletion and amortization that were allocated to beneficiaries.

Optional write-off for certain adjustment and tax preference items

For regular tax, the estate or trust may elect to deduct certain adjustment and tax preference items ratably over a period of time, rather than treat those items as adjustments or tax preference items on Schedule P (541). These items are:

- circulation expenditures under IRC Section 173;
- research and experimental expenditures under IRC Section 174(a);
- intangible drilling and developmental expenditures under IRC Section 263(c);
- development expenditures for mines and natural deposits under IRC Section 616;
- mining and exploration expenditures under IRC Section 617(a); and
- grapevines replanted as a result of phylloxera.

The estate or trust may elect to deduct circulation expenditures over 3 years and intangible drilling and developmental expenditures over 60 months. The estate or trust may elect to deduct the remaining items over 10 years. For intangible drilling and developmental expenditures, the write-off period begins with the month the expenditure was paid or incurred.

Make the election in the year of the expenditure. The election may be revoked only with the consent of the Franchise Tax Board (FTB). If the estate or trust made the election for any of the above items, do not adjust for those items on this schedule. See IRC Section 59(e) for more information.

Credit for prior year alternative minimum tax

If the estate or trust paid AMT in a prior year, it may be able to claim the credit for prior year alternative minimum tax. Get form FTB 3510, Credit for Prior Year Alternative Minimum Tax – Individuals or Fiduciaries, to see if the estate or trust qualifies.

Additional information

For more information, get federal Form 1041, Schedule H, Alternative Minimum Tax – Fiduciaries.

Specific Line Instructions

Part I

Line 4 – For line 4a through line 4q, enter each adjustment as a positive amount unless instructed otherwise.

Line 4b – Personal and real property taxes

Enter on this line any:

- state and local personal property taxes; and
- state, local or foreign real property taxes that are included on Form 541, line 11.

Line 4c – Refund of personal and real property taxes

Enter on this line any refunds of taxes the estate or trust received in 1994 if:

- the taxes are those described in line 4b above;
- the taxes are attributable to a taxable year after 1986; and
- the taxes were deducted in a taxable year after 1986.

Line 4d – Interest

Home mortgage interest. Include on this line home mortgage interest from federal Form 1041, line 10 that is for a mortgage if the proceeds were not used to buy, build or substantially improve the trustor's or the decedent's main home or a qualified dwelling that is the trustor's or the decedent's second home.

Exception. If the mortgage was taken out before July 1, 1982, do not include on this line interest on the mortgage if it was secured by the property that was the trustor's or the decedent's main home or a qualified dwelling used by the trustor or the decedent or a member of their family at the time the mortgage was taken out.

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

Investment interest expense. Also enter on this line any investment interest expense adjustment. If you completed form FTB 3526, Investment Interest Expense Deduction, refigure the investment interest expense using another form FTB 3526. Complete that form as follows.

Complete line 1 through line 6. Follow the form FTB 3526 instructions for line 1 through line 6, except:

- when completing line 1, add to line 1 any interest expense on Schedule P (541), line 4d that was paid or accrued on indebtedness properly attributable to property held for investment within the meaning of IRC Section 163(d)(5). An example is interest on a home equity loan whose proceeds were invested in stocks or bonds. This interest might be deductible as home mortgage interest for the regular tax, but not for the AMT; and
- when entering the 1993 disallowed investment interest expense on line 2, use the 1993 AMT disallowed investment interest expense, and
- when completing line 4, refigure the gross investment income, any net gain from the disposition of property held for investment and any investment expenses, by taking into account all of the AMT adjustments and tax preferences that apply.

The adjustment is the difference between the AMT form FTB 3526, line 6 and the regular tax form FTB 3526, line 6. If the investment interest expense figured for AMT is more than that figured for the regular tax, enter the adjustment as a negative amount.

Line 4f – Depreciation of tangible property placed in service after 1986

Do not include on this line any depreciation adjustment from:

- an activity for which the estate or trust is not at risk;
- amounts received from a partnership or S corporation if the basis limitations under IRC Section 704(d) or 1366(d) apply;
- a passive activity; or
- a tax shelter farm activity.

Instead, include these depreciation adjustments when figuring the adjustments on line 4n, line 4o or line 4p, whichever applies.

For AMT, refigure the depreciation deduction using the alternative depreciation system (ADS) described in IRC Section 168(g).

For property other than real property and property for which the straight-line method was used to figure the depreciation, use the 150% declining balance method (switching to straight-line in the first taxable year that method gives a better result) over the property's class life.

For residential rental and nonresidential real property, use the straight-line method over 40 years. For personal property having no class life, use 12 years.

Use the same convention you used for regular tax.

Generally, no adjustment is made for property for which the 150% method was elected, property depreciated under the unit-of-production method, or any other method not expressed in a term of years. See IRC Section 168(f)(1), (2), (3) or (4).

When refiguring the depreciation deduction, be sure to report any adjustment from depreciation that was allocated to the beneficiary for regular tax separately on Schedule K-1 (541), line 11.

Grapevines that were replanted in a vineyard as a result of phylloxera infestation that are depreciated over 5 years for regular tax, must be depreciated over 10 years for AMT.

Refigure any inventory that includes depreciation, under the uniform capitalization rules, using the above rules.

For more information, refer to federal Form 1041, Schedule H or IRC Section 168(g).

The adjustment is the difference between the AMT depreciation and the regular tax depreciation. If the AMT depreciation exceeds the regular tax depreciation, enter the adjustment as a negative amount.

Line 4g – Circulation and research and experimental expenditures paid or incurred after 1986

If the estate or trust elected the optional 3-year write-off period for circulation expenditures or the optional 10-year write-off period for research and experimental expenditures under IRC Section 59(e), skip this line.

For regular tax, IRC Section 173 allows a deduction for the full amount of circulation expenditures in the taxable year paid or incurred. For AMT, these expenditures must be amortized over 3 years beginning with the year the expenditures were paid or incurred. Enter on this line the difference between the AMT circulation amortization and the regular tax circulation deduction. If the AMT circulation amortization is more than the regular tax circulation deduction, enter the adjustment as a negative amount.

For regular tax, IRC Section 174(a) allows a deduction for research and experimental expenditures in the taxable year paid or incurred. For AMT, these expenditures must be amortized over 10 years. Figure the adjustment to enter on this line the same as for circulation expenditures above.

Refer to IRC Section 56(b)(2)(B) for special rules that apply to losses related to circulation or research property.

Line 4h – Mining exploration and development costs paid or incurred after 1986

If the estate or trust elected the optional 10-year write-off under IRC Section 59(e), skip this line.

For regular tax, IRC Sections 616(a) and 617(a) allow a deduction for mining exploration and development costs in the taxable year you paid or incurred them. For AMT, these costs must be capitalized and amortized ratably over 10 years beginning with the taxable year the expenditures were paid or incurred. Enter on this line the difference between the AMT mining amortization and the regular tax mining deduction. If the AMT mining amortization is more than the regular tax mining deduction, enter the adjustment as a negative amount.

Refer to IRC Section 56(a)(2)(B) for special rules that apply to losses related to mining property.

Line 4i – Long-term contracts entered into after February 28, 1986

For AMT, the percentage of completion method of accounting described in IRC Section 460(b) generally must be used. This rule does not apply to ''home construction contracts'' (as defined in IRC Section 460(e)(6)).

Enter the difference between the amount reported for regular tax and the amount reported using the percentage of completion method. If the amount for AMT is less than the amount computed for regular tax, enter the difference as a negative amount.

Line 4j – Pollution control facilities placed in service after 1986

For regular tax, the estate or trust may elect to amortize the basis of a certified pollution control facility over 60 months. For AMT, figure depreciation under the alternative depreciation system (ADS) described in IRC Section 168(g). Use the federal Class Life Asset Depreciation Range System (ADR) under the straight-line method. Enter on this line the difference between the AMT pollution control facilities depreciation and the regular tax pollution control facilities amortization. If the AMT pollution control facilities depreciation is more than the regular tax pollution control facilities amortization, enter the adjustment as a negative amount.

Line 4k – Installment sales of certain property

For regular tax, you may use the installment method of accounting for sales of certain property. For AMT, you may not determine income from dispositions of inventory or other property described in IRC Section 1221(1) using the installment method, except for certain dispositions of timeshares or residential lots, if you elected to pay interest under IRC Section 453(l)(2)(B) (R&TC Section 17560).

Enter on this line the difference between the AMT installment sale taxable income and the regular tax installment sale taxable income. If the AMT installment sale taxable income is less than the regular tax installment sale taxable income, enter the figure as a negative amount.

If the installment method was used for regular tax, but AMT required reporting the entire gain in the year of disposition, there will be adjustments with respect to those dispositions. Enter on this line as a negative amount the income from such dispositions that were reported for regular tax this year.

Line 4l – Adjusted gain or loss

Enter any AMT adjustment resulting from the recomputation of gain or loss from the sale or exchange of property during the taxable year, or from the recomputation of a casualty gain or loss to business or income-producing property.

If gain or loss was reported on Schedule D (541), Schedule D-1 or federal Form 4684, Casualties and Theft Loss, for regular tax refigure the gain or loss using the AMT adjustments for items related to line 4f, line 4g, line 4h and line 4j.

Note: The basis in assets for AMT may be different due to AMT adjustments in prior years.

Enter on this line the difference between AMT gain or loss and regular tax gain or loss. Enter the adjustment as a negative amount if:

- the gain refigured for AMT is less than the gain figured for regular tax; or
- the loss refigured for AMT is more than the loss figured for regular tax; or
- you refigured a loss for AMT and figured a gain for regular tax.

Line 4m – Incentive stock options exercised after December 31, 1987

For regular tax, no income is recognized when an incentive stock option (as defined in IRC Section 422(b)) is granted or exercised. However, this rule does not apply for AMT. Instead, include the excess, if any, of:

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

Increase the AMT basis of any stock acquired through the exercise of an incentive stock option by the amount of the adjustments.

If the estate or trust acquired stock by exercising an incentive stock option and disposed of that stock in the same year, the tax treatment for regular tax and AMT is the same.

Line 4n – Certain loss limitations

Caution: If the loss is from a passive activity, use line 4p instead. If the loss is from a tax shelter farm activity (that is not passive), use line 4o.

Do not include any passive activities on this line. Instead, use line 4p. Also use line 4p for passive tax shelter farm loss. Use line 4p for non-passive tax shelter farm activities.

For AMT, refigure certain limited losses using the AMT adjustments and tax preference items. Refigure the gains and losses from activities for which the estate or trust is not at risk. Also, refigure the basis limitations that apply to partnerships and S corporations. Refer to IRC Sections 59(h), 465, 704(d) and 1366(d).

Enter on this line the difference between AMT limited losses (from activities reported on federal Schedules C, C-EZ, E, F or federal Form 4835) and the regular tax limited losses from these activities. If the AMT limited loss is less than the regular tax limited loss, enter the difference as a negative amount.

Line 4o – Tax shelter farm activities

Caution: To avoid duplication, if AMT adjustments or tax preference items are included on this line, do not include them on any other line of this schedule.

Complete this line only if the estate or trust has a gain or loss from a tax shelter farm activity (as defined in IRC Section 58(a)(2) that is not a passive activity. If the tax shelter farm activity is a passive activity, you must include the gain or loss with other passive activities on line 4p.

Refigure all gains and losses reported for regular tax from tax shelter farm activities using the AMT adjustments and tax preference items.

Figure the tax shelter farm activity gain or loss for AMT using the same rules used for regular tax except:

- do not take any recomputed loss unless the estate or trust is insolvent (see IRC Section 58(c)(1)); and
- do not offset gains with the recomputed loss.

Instead, suspend and carry over the loss to future taxable years until:

- there is a gain in a future taxable year from that same tax shelter farm activity; or
- the activity is disposed of.

Enter on this line the difference between the AMT tax shelter farm loss and the regular tax, tax shelter farm loss.

Line 4p – Passive activities

Caution: To avoid duplication, if AMT adjustments or tax preference items are included on this line, do not include them on any other line of this schedule.

The estate or trust may want to complete a second form FTB 3801, Passive Activity Loss Limitations, and the other forms or schedules on which passive activities are reported to figure this adjustment.

Several types of adjustments may be entered on this line.

Regular passive activities. Refigure the passive activity gains and losses for AMT by taking into account all AMT adjustments, tax preference items and AMT prior year unallowed losses that apply to the passive activity.

The adjustment that must be entered on this line is the difference between the AMT passive activity income or loss (from activities reported on federal Schedule C, C-EZ, E, F or federal Form 4835) and the regular tax passive activity income or loss from these activities.

Publicly traded partnership (PTP). If the estate or trust had a loss from a PTP, it will have to refigure the loss using any AMT adjustments, tax preference items 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, tax preference items and AMT prior year unallowed losses. If the amount is a gain, it can be included on the AMT form FTB 3801, but if it is a loss, the adjustment for tax shelter passive farm activity is the loss reported for regular tax. The AMT loss to carry over is the refigured AMT loss.

Note: If, at the end of the taxable year, the liabilities of the estate or trust exceed the fair market value of its assets (insolvency), increase the passive activity loss allowed by the excess (but not more than the total loss). See IRC Section 58(c)(1).

Line 4q – Beneficiaries of estates and trusts

If the estate or trust is a beneficiary of another estate or trust, enter on this line the amount from Schedule K-1 (541), line 8. This is the estate's or trust's share of the distributable alternative minimum taxable income from the other estate or trust.

Line 5 – Enter all tax preference items on line 5a through line 5f as positive amounts. Also for these lines, when figuring an item for AMT, if the AMT amount is more than that figured for regular tax, do not enter an amount.

Line 5a – Appreciated property charitable deduction

For AMT, refigure the contribution deduction, including capital gain and IRC Section 1231 property, using the cost or other basis, rather than the fair market value.

Do not include property for which an election was made under IRC Section 170(b)(1)(C)(iii) to figure the contribution deduction using the property's adjusted basis rather than its fair market value.

Enter on this line the difference between the AMT charitable contribution and the regular tax charitable contribution.

Line 5b – Depletion

For AMT, if the depletion deduction for mines, wells and other natural deposits determined under IRC Section 611 exceeds the adjusted basis of the property at the end of the taxable year, the estate or trust has a depletion adjustment. To figure the adjusted basis, use the rules in IRC Section 1016. Do not reduce the adjusted basis by current year depletion. Figure the excess amount separately for each property. Enter on this line only the depletion amount that exceeds the adjusted basis. Get the instructions to federal Form 1041, Schedule H, line 4q for more information.

California conformed in 1993 to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. See federal Form 6251 and instructions. However, your California depletion costs may continue to be different from the federal amounts because of prior differences in law and different bases.

Line 5d – Accelerated depreciation of real property placed in service before 1987

For AMT, use the straight-line method to figure depreciation on this property. Figure the depreciation separately for each property.

For 15- or 18-year real property, use the straight-line method over the same number of years using the half-year convention and no salvage value.

For low-income housing property, use the straight-line method over 15 years.

Enter on this line the excess of the regular tax depreciation over the AMT depreciation.

Line 5e – Accelerated depreciation of leased personal property placed in service before 1987

For AMT, use the straight-line method to figure depreciation on this leased personal property. Figure the depreciation separately for each property.

For leased recovery property, other than 15- or 18-year real property or low-income housing, figure the depreciation using the straight-line method with a half-year convention, no salvage value and the following recovery period.

5-year property	8 years
10-year property.	15 years
15-year public utility property	22 years

Enter on this line the excess of the regular tax depreciation over the AMT depreciation.

Line 5f – Intangible drilling costs

If the estate or trust elected the optional 60-month write-off under IRC Section 59(e) for all property in this category, skip this line.

For AMT, intangible drilling costs (IDCs) from oil, gas and geothermal wells are preference items if the excess IDCs exceed 65% of the net income from the wells. Figure the tax preference item for oil and gas properties separate from geothermal properties. To figure excess IDCs:

A. Figure the amount of the IDCs allowed for regular tax under IRC Section 263(c). Do not include any deduction for nonproductive wells. Refigure the IDCs allowed for AMT by amortizing them over 120 months, starting with the month the well was placed in production. Then subtract the AMT IDCs from the regular tax IDCs to get the excess IDCs. The estate or trust may elect to use any other method that is allowed in determining cost depletion.

B. Figure net income by reducing the gross income, from all oil, gas and geothermal wells, that was received or accrued during the taxable year by any deductions allocable to these properties (reduced by the excess IDCs). Use only income and deductions allowed for AMT.

C. Multiply the net income by 65% (.65). Subtract this figure from the excess IDCs figured in step A. The result is the excess IDCs. Enter the result on line 5.

Exception: The preference for IDC's does not apply to taxpayers who are independent producers. However, this benefit may be limited. See the instructions for federal Form 1041, Schedule H, line 4t.

Line 7 – Alternative minimum tax NOL deduction

For loss years beginning after 1986, reduce any net operating loss (NOL) from a year after 1986 by any positive AMT adjustments in that year. Increase the NOL by negative adjustments. Also, reduce the NOL by any tax preference items, but only to the extent they increase the NOL figured for regular tax.

For loss years beginning before 1987, refigure the alternative minimum tax NOL deduction using the rules in IRC Section 56(d)(2)(B).

Enter on line 7 the smaller of the alternative minimum tax NOL deduction or 90% (.9) of the amount shown on line 6. If the 90% amount is smaller, carry over the difference. The treatment of the NOL for AMT does not affect the amount of the NOL for regular tax.

Part II – Income Distribution Deduction on an Alternative Minimum Tax Basis

Line 6 and Line 7 – Capital gains and losses must take into account any basis adjustments from Part I, line 4l.

Line 15 – Income distribution deduction on an alternative minimum tax basis

Allocate the income distribution deduction computed on an alternative minimum tax basis among the beneficiaries in the same manner as income was allocated for regular tax purposes. Report each beneficiary's share on the respective Schedule K-1 (541), line 6.

Part III – Tentative Minimum Tax and Alternative Minimum Tax Computation

Line 9a – Enter the total of the estate's or trust's regular tax from Form 541, line 20a plus any IRC Section 667(b) tax from form FTB 5870A entered on Form 541, line 20b.

Note: Do not include the tax from Schedule G1, Tax on Lump Sum Distributions, entered on Form 541, line 20b. For installment obligations subject to IRC Sections 453(l)(2)(B) (Timeshares and Residential Lots) and 453A (Nondealer dispositions greater than $150,000), do not include tax increases for interest on the deferred tax liability.

Part IV – Credit Limitations

Reminder: Figure the amount of each credit using the appropriate credit form or schedule. For more information about credits, see the instructions for Form 541.

Important: Credits must be claimed in the order listed in Part IV. To claim any of the following credits and codes:

- ridesharing credit (192 or 193); or
- water conservation credit carryover (178); or
- solar pump credit carryover (179); or
- employer child care program credit (189);

enter the credit name, code number and amount on line 15, line 16, line 17 or line 18.

Section A – Tax in excess of tentative minimum tax

Certain credits may reduce the tax down to, but not below, the tentative minimum tax. The calculation in Section A will result in the amount of tax that may be reduced using the credits in Section B.

Section B – Credits that reduce excess tax

Use these credits to reduce the trustor's or decedent's regular tax down to, but not below, the trustor's or decedent's tentative minimum tax. The credits that do not have shading in column (d) can be used in Section C or carried over to future years, after reducing the trustor's or decedent's excess tax down to their tentative minimum tax.

Column (a): enter the total amount of the credit available from the appropriate form or schedule.

Column (b): enter the smaller of: (1) the amount in column (a) or (2) the amount in column (c) from the previous line. **Note:** The amount in column (b) may not be larger than the amount in column (a).

Column (c): subtract the amount in column (b) from the balance on the previous line in column (c), and enter the result here.

Column (d): subtract the amount in column (b) from the amount in column (a), if applicable. This is the amount that may be used in Section C and Section D or carried over to future years.

Example:

(a) Credit amount	(b) Credit used this year	(c) Tax balance	(d) Credit carryover
		$5,000	
$ 500	$ 500	4,500	$ 0
0	0	4,500	0
6,000	4,500	0	1,500
200	0	0	200

Section C – Credits that may reduce regular tax below tentative minimum tax

Use these credits to reduce the regular tax below the tentative minimum tax. Carry over to future taxable years any credits remaining after reducing the tax to zero. If there is a tax balance and the credit can be used in Section D, apply the carryover in Section D.

Figure the credit and carryover amount using the same method as in Section B.

Section D – Credits that may reduce alternative minimum tax (AMT)

If the estate or trust has AMT and has a remaining commercial solar energy credit carryover or solar energy credit carryover after reducing the tax to zero, the estate or trust may reduce the AMT by these credits. Also carry over to future taxable years any credit remaining after reducing the AMT to zero.

Figure the credit and carryover amount using the same method as in Section B.

How to claim your credits:

Form 541 filers: If only one credit is claimed, enter the credit code number and amount of the credit from column (b) on Form 541, line 22. If two or more credits are claimed, add the column (b) amounts for line 5 through line 37. Enter the total on Form 541, line 22.

Form 109 filers: Add the column (b) amounts for line 5 through line 37. Enter the total on Form 109, line 16.