

1995

Alternative Minimum Tax and Credit Limitations – Fiduciaries

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

Table with 10 main rows and sub-rows (4a-4r, 5a-5f) for adjustments and tax preference items. Includes columns for line numbers and shaded areas for non-applicable items.

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 zero or less, 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 from Schedule B (541), line 10	9		
10	Other amounts paid, credited or required to be distributed from Schedule B (541), line 11	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 V, Section C 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 Exemption Credit Limitations — Tax in excess of tentative minimum tax

1	Enter regular tax from Form 541, line 20a	1		
2	Enter tentative minimum tax from Part III, line 8	2		
3	Subtract line 2 from line 1. If zero or less, enter -0-	3		
4	Exemption credit from Form 541, line 21. Do not enter more than the amount on line 3. If your exemption credit is greater than line 3, you must reduce the amount shown on Form 541, line 21, to the amount shown on line 3	4		

Part V Credits that reduce tax

5	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 3	5		
6	Tentative minimum tax from Part III, line 8	6		

	(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by credits	(d) Credit carryover
Section A – Credits that reduce excess tax				
7	Subtract line 6 from line 5. If zero or less, enter -0- and see instructions. This is your excess tax which may be offset by credits		7	
A1 Credits that reduce excess tax and have no carryover provisions				
8	Code: 162 Prison inmate labor credit	8		
9	Code: 166 Jobs credit	9		
10	Code: 169 Enterprise Zone employee credit	10		
A2 Credits that reduce excess tax and have carryover provisions.				
See instructions.				
11	Code: _____ Credit Name: _____	11		
12	Code: _____ Credit Name: _____	12		
13	Code: _____ Credit Name: _____	13		
14	Code: _____ Credit Name: _____	14		
15	Code: 188 Credit for prior year alternative minimum tax	15		
Section B – Credits that may reduce tax below tentative minimum tax				
16	If Part V, line 7 is zero, enter the amount from line 5. If line 7 is more than zero, enter the total of line 6 and the last entry in column (c)..		16	
B1 Credits that reduce net tax and have carryover provisions.				
See instructions.				
17	Code: _____ Credit Name: _____	17		
18	Code: _____ Credit Name: _____	18		
19	Code: _____ Credit Name: _____	19		
20	Code: _____ Credit Name: _____	20		
B2 Credits that reduce net tax and have no carryover provisions.				
21	Code: 187 Other state tax credit	21		
Section C – Credits that may reduce alternative minimum tax				
22	Enter your alternative minimum tax from Side 2, Part III, line 10		22	
23	Code: 180 Solar energy credit carryover from Section B1, column (d).	23		
24	Code: 181 Commercial solar energy credit carryover from Section B1, column (d)	24		
25	Adjusted AMT. Enter the balance from line 24, column (c) here and on Form 541, line 25		25	

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

Purpose of form

Fiduciaries must use Schedule P (541) to figure:

- the income distribution deduction on an alternative minimum tax (AMT) 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 and Part V.

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 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); estates or trusts must use Schedule P (541); and corporations must use Schedule P (100).

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, a shareholder of an S corporation, or a member of a limited liability company (LLC), 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 deprecia-

tion, 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

Under IRC Section 59(e), the estate or trust may elect to deduct certain adjustment and tax preference items ratably over a period of time. If this election is made, the optional write-off period is used for regular tax purposes and there is no AMT adjustment on Schedule P (541). The items for which this election can be made 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.

The election must be made 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 in 1995. Get form FTB 3510, Credit for Prior Year Alternative Minimum Tax – Individuals or Fiduciaries, to see if the estate or trust qualifies for a minimum tax credit.

Additional information

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

Specific Line Instructions

Part I

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

Line 4a – Miscellaneous itemized deductions subject to the 2 percent AGI limitation are not deductible for AMT purposes.

Line 4b – Personal property taxes 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 property taxes and real property taxes

Enter on this line any refunds of taxes the estate or trust received in 1995 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

In determining the alternative minimum taxable income, qualified residence interest (other than qualified housing interest defined in IRC Section 56(e)) is not allowed. Only home mortgage interest which meets the definition of “qualified housing interest” is deductible for AMT purposes.

Qualified housing interest. Qualified housing interest is interest paid or accrued by the trust or estate on debt incurred to acquire, construct or substantially rehabilitate a residence held by the estate or trust which secures the debt and is utilized by a beneficiary of the estate or trust as his or her primary residence or second home. The beneficiary must also have a present interest or an interest in the residuary of the estate or trust. The AMT adjustment is that portion of home mortgage interest deductible for regular tax purposes which is not qualified housing interest.

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 1994 disallowed investment interest expense on line 2, use the 1994 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

If you filed federal Schedule(s) C, E or F and have tangible property which you began depreciating after 1986, you must use the Alternative Depreciation System (ADS) to calculate AMT depreciation as follows:

Residential rental property and nonresidential real property: Use the straight line method over 40 years.

Other tangible property: If you used the straight line method for regular tax purposes, you must use that method over the property’s ADS life. For all other tangible property placed in service after March 1, 1986, use the 150% declining balance method over the property’s ADS life (switching to the straight line method in the first year it yields a larger

deduction). For tangible property not assigned a class life, use 12 years.

For more information, refer to federal Form 1041, Schedule I; IRS Publication 534, Depreciation, or IRC Section 168(g).

Certain grapevines: Grapevines that were replanted as a result of phylloxera infestation and are being depreciated over 5 years must be depreciated over 10 years.

Partners, LLC members or S corporation shareholders: Enter the amount shown on the Schedule K-1 (565, 568 or 100S) issued by your partnership, LLC or S corporation.

Enter on line 4f the difference between depreciation for regular tax and depreciation for AMT purposes. To figure the AMT adjustment on this line, subtract the depreciation figure calculated for AMT purposes from the depreciation allowed for regular tax purposes. If the depreciation calculated for AMT purposes is greater than the depreciation allowed for regular tax purposes, enter the adjustment as a negative amount. Do not include depreciation from:

- an activity for which the estate or trust is not at risk;
- amounts received from a partnership, LLC 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.

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.

Circulation expenditures. For regular tax purposes, IRC Section 173 allows a deduction for the full amount of circulation expenditures in the taxable year paid or incurred. For AMT purposes, 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 difference as a negative amount.

Research and experimental expenditures. For regular tax purposes, IRC Section 174(a) allows a deduction for research and experimental expenditures in the taxable year paid or incurred. For AMT purposes, these expenditures must be amortized over 10 years. To figure the AMT adjustment on line 4g, subtract the amortization figured for AMT purposes from the amortization allowed for regular tax purposes. If the AMT amortization figure is greater than the amortization allowed for regular tax purposes, enter the adjustment as a negative amount, otherwise, enter the difference as a positive number.

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 purposes, 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 purposes, 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 purposes, 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)).

To figure the AMT adjustment on line 4i, subtract the amount reported using the percentage of completion method from the amount allowed for regular tax purposes. If the amount for AMT purposes is less than the amount computed for regular tax purposes, enter the difference as a negative amount.

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

For regular tax purposes, the estate or trust may elect to amortize the basis of a certified pollution control facility over 60 months. For AMT purposes, 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. To figure the AMT adjustment on line 4j, subtract the amount figured for AMT purposes from the amount allowed for regular tax purposes. If the AMT pollution control facilities depreciation is more than the regular tax pollution control facilities amortization, enter the difference as a negative amount.

Line 4k – Installment sales of certain property

For either of the following kinds of dispositions in which the estate or trust used the installment method for regular tax purposes, refigure the income for AMT purposes without regard to the installment method:

1. Any disposition after March 1, 1986, of property used or produced in a farming business that was held primarily for sale to customers.
2. Any nondealer disposition of property that occurred after August 16, 1986, but before the first day of your tax year that began in 1990, if an obligation that arose from the disposition was an installment obligation to which the proportionate disallowance rule applied.

The AMT adjustment is the total gain on disposition less the amount that would be recognized under the installment method. Enter the difference between the income that was reported for regular tax purposes and the income for AMT purposes as an AMT adjustment on line 4k. If the amount reported for AMT purposes is less than that reported for regular tax purposes, enter the difference as a negative amount.

Line 4l – Adjusted gain or loss

The estate or trust will have an entry on this line only if it reported a gain or loss from the sale or exchange of business or income producing property on Schedule D (541), Schedule D-1 or federal Form 4684, Casualties and Theft. **Note:** Generally, if the estate or trust reported a gain or loss from the sale or exchange of mutual funds, stocks or bonds, there will not be an entry on this line.

Figure the AMT adjustment on this line as follows:

1. Refigure the adjusted basis of the asset sold by taking into account any AMT adjustments you made this year or in previous years for depreciation (see line 4f, line 5d and line 5e), incentive stock options (see line 4m), circulation and research and experimental expenditures

(see line 4g), pollution control facilities (see line 4j), and mining cost (see line 4h).

2. Refigure your gain or loss using the adjusted basis figured in step 1.
3. Figure the difference between the refigured gain or loss for AMT purposes and the gain or loss reported for regular tax purposes. Enter the result on line 4l. Enter the difference as a negative amount if:
 - the AMT gain is less than the regular tax gain;
 - the AMT loss is more than the regular tax loss; or
 - you have an AMT loss and a regular tax gain.

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

For regular tax purposes, 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 purposes. Instead, the estate or trust must 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.

For AMT purposes, 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 activity adjustment

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 4r – Other adjustments

Include on this line:

- **Patron's adjustment.** Distributions the estate or trust received from a cooperative may be includible in income. Unless the distributions are nontaxable, include on line 4r the total AMT patronage dividend and per-unit retain allocation adjustment reported to the estate or trust from the cooperative.
- **Related adjustments.** AMT adjustments and tax preference items may affect deductions that are based on an income limit other than AGI or modified AGI (e.g., farm conservation expenses). Refigure these deductions using the income limit as modified for the AMT. Include the difference between the regular tax and AMT deduction on line 4r. If the AMT deduction is more than the regular tax deduction, include the difference as a negative amount.

Note: Do not make an adjustment on line 4r for an item you refigured on another line of Schedule P (541).

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 purposes, if the AMT amount is more than that figured for regular tax purposes, do not enter an amount.

Line 5a – Appreciated property charitable deduction

For AMT purposes, 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 I, line 4q for more information.

In 1993, California conformed 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 purposes, 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 purposes, 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 allowable 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.

Note: In 1993, California conformed to the limited federal repeal of intangible drilling cost preferences for independent producers. The limit on the benefit of the exclusion of the preference for intangible drilling costs for this group is 30% of alternative minimum taxable income. California did not conform to the federal increase for the benefit to 40% in 1994. See instructions for federal Form 1041, Schedule I, 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 Capital gains and losses must take into account any & Line 7 – 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 – Exemption Credit Limitations

Use Part IV to determine if your exemption credits are limited.

Line 3 – If line 3 is zero or less, you cannot take your exemption credits. Enter zero here and on Form 541, line 21 and check the box labeled "Schedule P." If you have other credits, continue to Part V.

Part V – Credits that reduce tax

Complete Part V only if you have tax credits in addition to exemption credits.

Use Part V to determine:

- the amount of credit that may be used to offset tax;
- the tax that may be offset;
- the amount of credit, if any, that may be carried over to future years; and
- the order in which to claim credits, if you have more than one credit to claim.

Before you begin Part V:

- complete Form 541 through line 24; and
- figure the amount of your credit(s) using the credit form or worksheet identified in the Credit Table. Be sure to attach the credit form to your return, if applicable.

To complete Part V:

- Complete line 5 through line 7 to figure the amount of excess tax you may offset by credits.
- Identify in which section(s) of Part V you may take your tax credit(s). Credits without carryover provisions are listed on Schedule P in Section A1 and Section B2 and may be taken only in those sections. Credits with carryover provisions are listed on the Credit Table following. The table identifies the section(s) of Part V in which you may take these tax credits.
- If you have credit(s) in Section B, be sure to complete line 16 in addition to the line(s) for your credit(s).
- If your credit is taken in Section A2 or B1, enter the credit code and the credit name in the space provided. Refer to the Credit Table for the credit code.
- Complete column (a) through column (d) for each line on which you are taking a credit. Refer to specific column instructions below.
- If your credit(s) are taken in more than one section, complete each section before going to the next section.
- Once you have completed Part V, see "How to Claim Your Credits" on the next page.

Section A Instructions

Line 7 – Subtract line 6 from line 5. If the amount is zero or less than zero continue to Question 1. If the amount is greater than zero go to the Section A1 instructions.

1. Does the Credit Table show that you may take your credit ONLY in Section A1 or A2?

Yes. You may not take the credit this year. Go to question 2.

- No.** Go to Section B to figure the amount of credit you may take this year. Then continue to Section C if your credit is listed in that section.
2. Does the credit have carryover provisions?
- Yes.** Enter the credit code, credit name and credit amount (column (a)) in the section indicated by the table. Enter -0- in column (b). Enter the credit amount in column (d). This is the amount of the credit you may carry over and use in future years.
- No.** You may not take the credit this year or in future years.

Section A1 Instructions

Line 8 through line 10 – If you have any of the credits listed in this section, complete column (a) through column (c) for each credit in the order listed.

Section A2, Instructions

Line 11 through Line 15 – Follow the Credit Table Instructions to find out in which section to claim your credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Note: Generally it is to your advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, you may want to apply credits with no limitation on carryover first if that is more advantageous in your case.

Section B1 Instructions

Line 17 through Line 20 – Follow the Credit Table Instructions to find out in which section to claim your credit. Then complete column (a) through column (d) for each credit in each section before going to the next section.

Note: Generally it is to your advantage to apply credits with limited carryovers before credits with no limitation on the carryover. However, you may want to apply credits with no limitation on carryover first if that is more advantageous in your case.

Section B2 Instructions

Line 21 – If you have other state tax credit, complete column (a) through column (d) for each credit in the order listed.

Section C Instructions

Line 23 and Line 24 – If you have any of the credits listed in this section, complete column (a) through column (d) for each credit in the order listed.

Column Instructions – In column:

- (a) Enter the amount of credit available to offset tax;
- (b) Figure the amount of credit you are able to use this year by entering the smaller of the amount in column (a) or the amount in column (c) from the previous line;
- (c) Figure the amount of tax remaining to be offset by other credits by subtracting the amount in column (b) from the balance in column (c) of the previous line; and
- (d) Enter the amount of credit carryover available to use in future years by subtracting the amount in column (b) from the amount in column (a).

Credit Table Instructions

To use the table:

- 1. Find your credit(s) listed in the table.
- 2. See which sections are identified in the columns under "Offset tax in Section:".
- 3. Take the credit only in sections the table identifies for your credit.
- 4. Use the credit in the earliest section possible.
- 5. Complete each section before going to the next section.

Credit Table

Code	Current Credits	Form	Offset tax in Section:			
189	Employer Child Care Program	FTB 3501		A2		
190	Employer Child Care Contribution	FTB 3501		A2		
191 192 193	Employer Ridesharing	FTB 3518		A2		
169	Enterprise Zone Employee	FTB 3553	A1			
176	Enterprise Zone Hiring & Sales and Use Tax 1 = hiring credit 2 = sales and use tax credit	FTB 3805Z		A2 ₁ A2 ₂	B1 ₁ B1 ₂	
166	Jobs Credit	FTB 3524	A1			
159	Los Angeles Revitalization Zone (LARZ) Hiring & Sales and Use Tax	FTB 3806		A2	B1	
198	Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales and Use Tax	FTB 3807		A2		
160	Low-Emission Vehicles	N/A		A2		
172	Low-Income Housing	FTB 3521		A2	B1	
199	Manufacturers' Investment	FTB 3535		A2	B1	
187	Other State Tax Credit	Sch. S				B2
188	Prior Year Alternative Minimum Tax	FTB 3510		A2		
162	Prison Inmate Labor	FTB 3507	A1			
177	Program Area Hiring & Sales and Use Tax	FTB 3805Z		A2	B1	
174	Recycling Equipment	FTB 3527		A2		
183	Research	FTB 3523		A2	B1	
200	Salmon & Steelhead Trout Habitat Restoration	N/A		A2		
163	Senior Head of Household	Worksheet	A1			
Code	Expired credits with carryover provisions	Form	Offset tax in Section:			
175	Agricultural Products	FTB 3540		A2		
196	Commercial Solar Electric System	FTB 3540		A2	B1	
181	Commercial Solar Energy	FTB 3540		A2	B1	C
182	Energy Conservation	FTB 3540		A2		
185	Orphan Drug	FTB 3540		A2	B1	
184	Political Contributions	FTB 3540		A2		
186	Residential Rental & Farm Sales	FTB 3540		A2		
180	Solar Energy	FTB 3540		A2	B1	C
179	Solar Pump	FTB 3540		A2		
178	Water Conservation	FTB 3540		A2		

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), Part V on Form 541, line 22. If two or more credits are claimed, add the column (b) amounts from Part V, line 8 through line 21. Enter the total on Form 541, line 22.

Form 109 filers: Add the column (b) amounts from Part V, line 8 through line 21. Enter the total on Form 109, line 16.