

Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries Attach to your California tax return.

Table with 2 columns: Name(s) as shown on return, Social security number or FEIN

Part I Net Alternative Minimum Tax (AMT) on Exclusions

Section A - Form 540, Form 540NR, and Form 541 Filers

Table with 3 columns: Description, Line Number, Amount. Rows 1-13 detailing AMT exclusions.

Section B - Form 540NR Filers

Table with 3 columns: Description, Line Number, Amount. Rows 14-23 detailing adjustments for Form 540NR filers.

Part II Credit Computation

Table with 3 columns: Description, Line Number, Amount. Rows 24-35 detailing the credit computation process.

Instructions for Form FTB 3510

Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

General Information

A Purpose

Use this form to figure your 1999 California credit for prior year alternative minimum tax (AMT), if any, for AMT incurred in a taxable year beginning after 1986.

B Who Must File

To claim the credit for prior year AMT, individuals and fiduciaries must complete form FTB 3510. Individuals and fiduciaries qualify for the credit if they:

- Had an AMT credit carryover from 1998; or
- Paid AMT for 1998, and had 1998 adjustments and tax preference items other than exclusions.

Corporations must use Schedule P (100), Part III.

C Exclusions and Deferral Preferences

The 1998 AMT you paid is attributable to 2 types of adjustments and tax preferences, those called exclusions and those called deferral preferences. The amount of AMT attributable to the deferral preferences is available as a credit in 1999.

Exclusions are those adjustments and preference items that cause a permanent difference in the amount of tax you pay. The adjustments and preference items that are exclusions include:

- The standard deduction or itemized deductions;
- Charitable deduction for contributions of appreciated property;
- Depletion; and
- The exclusion for 50% of the gain on the sale of qualified small business stock described in R&TC Section 18152.5.

Deferral preferences are those adjustments and tax preference items that cause only a temporary difference in the amount of tax you pay. The adjustments and tax preference items that are deferral preferences are all the other items listed on your 1998 Schedule P that are not exclusions.

Use form FTB 3510, Part I, to figure the amount of 1998 AMT that was attributable to only the exclusions.

Use form FTB 3510, Part II, to figure the amount of 1998 AMT that was attributable to the deferral preferences and the amount available as a credit in 1999.

In 1993, California conformed to the federal repeal of the AMT depletion adjustment for independent oil and gas producers and royalty owners. As a result, depletion amounts deducted from income for purposes of computing the regular tax must be adjusted for AMT purposes using the methods prescribed by the federal rules. Your California depletion costs may continue to differ from the federal amounts because of prior differences in the law and differences in bases.

In 1994, California did not conform to the limit on the benefit of the exclusion preference for intangible drilling costs.

Specific Line Instructions

Complete Schedule P (540) through Part III, line 24; Schedule P (540NR) through Part III, line 26; or Schedule P (541) through Part III, line 8, before figuring this credit.

Line 1 – Estates and trusts: Skip line 1 through line 3. Complete a second 1998 Schedule P (541), Part I, and Part II. Enter only exclusion items from Schedule P, line 4a through line 4d and any other exclusion items on Schedule P, line 4p and line 4q. On Schedule P, line 7a, use the alternative minimum tax credit net operating loss deduction (AMTCNOLD) without the 90% limitation (see instructions for line 3 below). If the amount on Schedule P (541), Part I, line 10 is zero or less, enter -0- on line 4 of form FTB 3510.

Line 2 – Enter the adjustments and tax preference items treated as exclusions.

Schedule P (540) filers, combine your 1998 Schedule P (540), Part I, line 1 through line 7, line 13a, and line 13c.

Schedule P (540NR) filers, combine your 1998 Schedule P (540NR), Part I, line 1 through line 7, line 13a, and line 13c.

Schedule P (541) filers combine your 1998 Schedule P (541), Part I, line 4a through line 4d, line 4p, and line 4q.

Note: If you included any exclusions on a line other than those listed above, add these exclusions to the total.

Line 3 – Your AMTCNOLD is the loss deduction for 1998 determined under R&TC Section 17276, 17276.2, or 17276.3, subject to the following rules:

- For loss years beginning after 1986, an NOL that has exclusion items is reduced by the amount of these exclusion items (see the instructions for line 2); and
- For loss years beginning before 1987, the amount of NOL that may be carried over to taxable years beginning after 1986 is equal to the amount that may be carried over from such loss years to the first taxable year beginning after 1986 for regular tax purposes.

To determine the amount of the AMTCNOLD that may be carried over to tax years other than 1998, apply R&TC Sections 17276, 17276.2, and 17276.3, with appropriate modifications to take into account exclusion items.

Line 4 – If line 4 is zero and you paid 1998 AMT, all of the 1998 AMT is attributable to the deferral preferences. Enter -0- on line 13, then complete Part I, Section B, if applicable and Part II to figure the credit available for 1999.

Married taxpayers filing separate returns: Complete the following computation if line 4 is more than \$221,882.

1. Enter the amount from line 4 _____
2. Maximum exemption amount \$221,882
3. Subtract line 2 from line 1 _____
4. Multiply line 3 by 25% (.25) _____
5. Enter the smaller of line 4 or \$28,630 _____
6. Add line 1 and line 5. Enter the result here and replace the amount on line 4 with this amount _____

Line 9 – If you are completing this form for a child who was under age 14 on January 1, 2000, and at least one of the child's parents was alive on December 31, 1999, do not follow the instructions on this form for line 9. Instead, if line 8 is equal to or more than line 5, enter -0- on line 9. Otherwise, enter the smaller of: (1) the amount by which line 5 exceeds line 8; or (2) the amount from line 9 of the line 22 Exemption Worksheet of the child's 1998 Schedule P (540) or Schedule P (540NR).

Line 10 – If line 10 is -0- and you paid 1998 AMT, all of the 1998 AMT is attributable to the deferral preferences. Enter -0- on line 13, then complete Part I, Section B, if applicable and Part II to figure the available credit for 1999.

Line 24 – If you reduced your 1998 AMT by any solar energy credit carryover or commercial solar energy credit carryover from your 1998:

- Schedule P (540), Part V, Section C, line 27 and line 28, column (b);
- Schedule P (540NR), Part VI, Section C, line 27 and line 28, column (b); or
- Schedule P (541), Part V, Section C, line 22 and line 23, column (b);

reduce the amount on this line by the same amount and enter the amount of the reduction in the space to the left of line 24.

Line 27 – Enter the amount of any unused AMT credit carryover from your 1998:

- Schedule P (540), Part V, Section A2, line 18, column (d);
- Schedule P (540NR), Part VI, Section A2, line 18, column (d); or
- Schedule P (541), Part V, Section A2, line 14, column (d).

Line 28 – If line 28 is zero or less, you do not have a minimum tax credit or a minimum tax credit to carry over. Do not complete the rest of this form. If line 28 is greater than zero, enter here and in column (a) of your 1999:

- Schedule P (540), Part IV, line 13;
- Schedule P (540NR), Part V, line 13; or
- Schedule P (541), Part IV, line 10.

Line 30 – Exemption credits and credits that cannot reduce regular tax below the tentative minimum tax. See Schedule P (540, 540NR, or 541) for more information.

Residents enter on line 30

- The exemption credits from Form 540, line 21 (or Form 541, line 22); and
- The amount of credits that are listed on your 1999 Schedule P (540 or 541), Section A1 and Section A2, column (b).

Nonresident or Part-Year Residents enter on line 30

- The exemption credits from Form 540NR, line 23 multiplied by the ratio from Form 540NR, line 25a; and
- The amount of credits that are listed on your 1999 Schedule P (540NR), Section A1 and Section A2, column (b).

Line 32 – Enter the tentative minimum tax from your 1999:

- Schedule P (540), Part III, line 24;
- Schedule P (540NR), Part III, line 26; or
- Schedule P (541), Part III, line 8.