

Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries

2009

3510

Attach to your California tax return.

Table with 2 columns: Name(s) as shown on return, SSN, ITIN, or FEIN

Part I Net Alternative Minimum Tax (AMT) on Exclusions

Section A – Form 540, Long Form 540NR (complete sections A & B), and Form 541 Filers

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

Section B – Long Form 540NR Filers

Table with 3 columns: Description, Line Number, Amount. Rows 14-27 detailing AMT calculations for Long Form 540NR filers.

Part II Credit Computation

Table with 3 columns: Description, Line Number, Amount. Rows 28-39 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, 2005**, and to the California Revenue and Taxation Code (R&TC).

General Information

A Purpose

Use form FTB 3510, Credit for Prior Year Alternative Minimum Tax - Individuals or Fiduciaries, to figure your 2009 California credit for prior year alternative minimum tax (AMT) incurred in a taxable year beginning after 1986.

Round Cents to Dollars – Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, the Franchise Tax Board (FTB) will disregard the cents.

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 one of following applies:

- Had an AMT credit carryover from 2008.
- Paid AMT for 2008, and had 2008 adjustments and tax preference items other than exclusions.

Corporations must use Schedule P (100 or 100W), Alternative Minimum Tax and Credit Limitations – Corporations, Part III to claim the credit for prior year AMT.

C Exclusions and Deferral Preferences

The 2008 AMT you paid is attributable to two types of adjustments and tax preferences, exclusions and deferral preferences. The amount of AMT attributable to the deferral preferences is available as a credit in 2009.

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

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

Deferral preferences are adjustments and tax preference items that cause only a temporary difference in the amount of tax you pay. The deferral preferences are all the other items listed on your 2008 Schedule P (540, 540NR, or 541) that are not exclusions.

Use form FTB 3510, Part I, to figure the amount of 2008 AMT that was attributable to only the exclusions.

Use form FTB 3510, Part II, to figure the amount of 2008 AMT that was attributable to the deferral preferences and the amount available as a credit in 2009.

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, for AMT purposes follow the methods prescribed by the federal rules to adjust the depletion amounts deducted from income for purposes of computing the regular tax. Your California depletion costs may continue to differ from the federal amounts because of prior differences in the law and differences in basis.

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 II, line 24; Schedule P (540NR) through Part II, line 43; 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 2008 Schedule P (541), Part I and Part II. Enter only exclusion items from Schedule P (541), line 4a through line 4d and any other exclusion items on Schedule P (541), line 4p and line 4q. If the amount on Schedule P(541), Part I, line 10 is zero or less, enter -0- on line 4 of form FTB 3510.

Otherwise, enter on line 4 of form FTB 3510, the amount from line 10 of Schedule P (541) adjusted for the beneficiary's exclusion items.

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

Schedule P (540 and 540NR) filers, combine your 2008 Schedule P (540 and 540NR), Part I, line 1 through line 7, line 13a, line 13c, and line 13l. **Do not** include any amount from line 12 of your 2008 Schedule P (540 and 540NR). Instead, include the exclusion items from line 12e, column (d) of your Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc for 2008.

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

Line 3 – For taxable years 2008 and 2009, NOLs are suspended for taxpayers with a net business income of \$500,000 or more. Net business income is reflected on lines 12 and 18 of Schedule CA (540) as adjusted by column B (subtractions) and column C (additions) and the federal Schedule E, line 26, line 32, and line 40; and the federal Form 4797, line 9, using California amounts. Affected taxpayers may continue to compute

and carryover an AMT NOL during the suspension period. The carryover period is extended for two years for NOLs incurred during taxable year 2008 and one year for NOLs incurred in 2009.

Note: The NOL was also suspended beginning 2002 and 2003. As a result, the carryover period is extended by two years for NOLs incurred before January 1, 2002, and one year for NOLs incurred after January 1, 2002, and before January 1, 2003.

Your Alternative Minimum Tax Credit Net Operating Loss Deduction (AMTCNOLD) is the 2008 loss deduction 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).
- 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 taxable years other than 2008, 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 2008 AMT, all of the 2008 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 2009.

Married/RDP taxpayers filing separate California tax returns: Complete the following computation if line 4 is more than \$310,060:

1. Enter the amount from line 4. . . . _____
2. Maximum exemption amount . . . \$310,060
3. Subtract line 2 from line 1. _____
4. Multiply line 3 by 25% (.25) _____
5. Enter the smaller of line 4 or \$40,007. _____
6. Add line 1 and line 5. Enter the result here and replace the amount on form FTB 3510, line 4 with this amount _____

Line 9 – If you are completing this form for a child who was under age 14 at the end of 2008, and at least one of the child's parents was alive at the end of 2008, **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 Exemption Worksheet located in the 2008 Schedule P (540 and 540NR) or Schedule P (540NR), line 22 instructions.

Line 10 – If line 10 is -0- and you paid 2008 AMT, all of the 2008 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 2009.

Line 18 – Enter the adjustments and tax preference items treated as exclusions. Combine your Schedule P (540NR), Part II, lines 29a, 29h, and 29q. **Do not** include any amount from line 29f. Instead, include the exclusion items from your 2008 Schedule K-1 (541), line 12e, column (e).

Line 28 – Reduce the amount on line 28 by the same amount shown on one of the forms below if you reduced your 2008 AMT by any solar energy credit carryover or commercial solar energy credit carryover:

- Schedule P (540), Part III, line 23 and line 24, column (b).
- Schedule P (540NR), Part III, line 23 and line 24, column (b).
- Schedule P (541), Part IV, line 18 and line 19, column (b).

Enter the amount of the reduction in the space to the left of line 28.

Line 31 – Enter the amount of any unused AMT credit carryover from one of the following 2008 forms:

- Schedule P (540), Part III, line 11, column (d).
- Schedule P (540NR), Part III, line 11, column (d).
- Schedule P (541), Part IV, line 10, column (d).

Line 32 – If line 32 is zero or less, you do not have an AMT credit or an AMT credit to carry over. **Do not** complete the rest of this form. If line 32 is more than zero, enter the amount here and in column (a) of one of the following 2009 forms:

- Schedule P (540), Part III, line 11.
- Schedule P (540NR), Part III, line 11.
- Schedule P (541), Part IV, line 10.

Line 34 – Exemption and other allowable credits that cannot reduce regular tax below the tentative minimum tax.

Residents enter on line 34 the total of the following:

- The exemption credits from Form 540, line 32 (or Form 541, line 22).
- The amount of other allowable credits that are listed on your 2009 Schedule P (540 or 541), Section A1 and Section A2, column (b).

Nonresidents or Part-Year Residents enter on line 34 the total of the following:

- The exemption and other allowable credits from Long Form 540NR, line 39.
- The amount of other allowable credits that are listed on your 2009 Schedule P (540NR), Section A1 and Section A2, column (b).

See Schedule P (540, 540NR, or 541) for more information.

Line 36 – Enter the tentative minimum tax from one of the following 2009 forms:

- Schedule P (540), Part II, line 24.
- Schedule P (540NR), Part II, line 43.
- Schedule P (541), Part III, line 8.