

0600 ALTERNATIVE MINIMUM TAX

All corporations including banks and financial corporations are subject to tax on preference income through the computation of Alternative Minimum Tax (AMT). The applicable tax preference items include excess depreciation on real property and excess of percentage depletion over basis. See MATM 8530.

Prior to January 1, 2002, under R&TC Section 23457, former subdivision (b), the tax preference items of banks and financial corporations included the deduction allowable under R&TC Section 24348 for the taxable year. This allowed a deduction, the amount by which a reasonable addition to a reserve for bad debts exceeded the amount that would have been allowable had the taxpayer maintained its bad debt reserve for all taxable years on the basis of actual experience. In 2002, effective for taxable years beginning on or after January 1, 2002, A.B. 2065 repealed the bad debt reserve method for banks, financial corporations, and savings and loan associations. A.B. 2065 also repealed the tax preference item provision of R&TC Section 23457, former subdivision (b).