

Can You Claim a Credit for Paying AMT?

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If you had to pay alternative minimum tax (AMT) due to deferral (timing) adjustment items, you are entitled to a **minimum tax credit (MTC)** which you can claim in a year that your regular tax is greater than your AMT. The MTC prevents the double taxation of income and the disallowance of deductions due to the relationship between the regular tax structure and AMT structure. The MTC has an unlimited carryforward period.

Deferral adjustment items are usually the result of having a different basis (usually your cost less depreciation or commission plus improvements or other items) under the regular tax system than the AMT system. Deferral adjustment items can either increase or decrease alternative minimum taxable income (AMTI) and include:

- Depreciation after 1986
- Exercise of Incentive Stock Options (ISO)
- Gain or Loss on the sale of property
- Loss Limitations (limited due to at-risk rules and basis rules)
- Passive Activities
- Long-Term Contracts
- Intangible Drilling Costs (IDC)
- Circulation costs
- Electing large partnerships
- Mining Costs (other than oil and gas)
- Estates and Trusts
- Research and Experimental Costs

It is very important to keep track of both your regular tax basis in these items as well as your AMT basis, such that you do not overpay your taxes or miss out on the MTC.

There are other items, called AMT exclusion items which include claiming a large number of exemptions, the standard deduction, interest from private activity bonds or large itemized deductions that can cause you to have to pay AMT, but you don't get to claim MTC for these items.

Most taxpayers have a combination of deferral adjustment items and AMT exclusion items. This is an area of the tax code which is very complex and best left to your tax adviser to determine the exact amount of MTC you are entitled to receive.

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