

January 24, 2012

**COMPUTATION OF 2011 ALTERNATIVE MINIMUM TAX TO DETERMINE
NEBRASKA MINIMUM TAX FOR THE 2011 NEBRASKA RETURN**

ISSUE.

How should the alternative minimum tax (AMT) computed for a taxpayer's 2011 U.S. Fiduciary Income Tax Return, Federal Form 1041, Schedule I, be recalculated to compute the Nebraska income tax?

CONCLUSION.

The federal AMT must be recomputed using the adjustments required by [Neb. Rev. Stat. § 77-2717](#). This will facilitate the computation for items which are reflected differently in the determination of federal taxable income for Nebraska purposes. This applies to any federal schedules or other forms, the results of which are used in calculating the federal AMT.

ANALYSIS.

Among the adjustments provided by [Neb. Rev. Stat. § 77-2716](#) are the exclusion from taxable income of interest or dividends from U.S. obligations as set forth in [Fiduciary Income Tax Regulation 23-004.03A](#), and the inclusion of interest or dividends from non-Nebraska source state or local obligations. Neb. Rev. Stat. § 77-2716 also provides for the exclusion from Nebraska taxable income of any non-Nebraska income from an S corporation or limited liability company (LLC). Therefore, any associated preference item derived from the S corporation or LLC included in the AMT calculations should be excluded to the same extent in the Nebraska computation.

The specific line entries and the required adjustments in recomputing the minimum tax for the [2011 Nebraska Fiduciary Income Tax Return, Form 1041N](#), are provided below. **Recalculate all total or computation lines to reflect adjustments made pursuant to this ruling.** All other entries must be the same as for the federal minimum tax computation.

2011 U.S. Income Tax Return for Estates and Trusts, Federal Form 1041, Schedule I:

Part I –

- **Line 1.** Reduce the federal entry by the amounts on lines 3 and 5 of Nebraska Fiduciary Income Tax Return, Form 1041N, and add the line 4 amount from Form 1041N.
- **Line 7.** Enter the net operating loss deduction as adjusted for Nebraska purposes.
- **Line 8.** Enter the tax-exempt interest only from Nebraska private activity bonds issued after August 7, 1986.
- **Line 24.** Enter the alternative tax net operating loss deduction as adjusted for Nebraska purposes.

Part II –

- **Line 31.** Enter the tax-exempt interest from Nebraska bonds (other than amounts included on line 8).

Part III –

- **Line 52.** If Part IV of Schedule I, 2011 Federal Form 1041, was used to make the line 52 entry, exclude any capital gains in the calculation that were excluded on line 5 of Form 1041N.
- **Line 53.** Enter -0-.
- **Line 55.** Compute the regular federal income tax before credits on the line 1 income as entered above. The same federal tax method used to complete line 23, Federal Form 1041, must be used. Enter the computed amount without subtracting any foreign tax credit.

Follow federal instructions to recompute the AMT through Part III, line 56 of Schedule I, Federal Form 1041.

Enter line 56, Part III, of the recomputed Schedule I, 2011 Federal Form 1041, on line 1 of the Nebraska Minimum or Other Tax Worksheet. Complete the worksheet to determine the amount to enter on line 8 of the 2011 Form 1041N.

The recomputed Schedule I, Federal Form 1041, must be attached to the 2011 Nebraska Fiduciary Income Tax Return, Form 1041N, when filed.

The add-on minimum tax and the AMT are to be recomputed for all taxable years beginning after December 31, 1978. The specific line entries on Federal Form 1041, Schedule I, that are to be altered in the recomputation for Nebraska are provided for the following tax years:

2010 [23-10-1](#)
2009 [23-09-1](#)
2008 [23-08-1](#)

APPROVED:



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Tax Commissioner

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