Advice has been requested as to whether the alternative minimum tax computed for a taxpayer’s 1998 U.S. Fiduciary Income Tax Return, Federal Form 1041, Schedule I, must be recalculated in order to compute the Nebraska income tax.

Nebraska law imposes a tax on the federal alternative minimum tax recomputed to take into account the adjustments required by the Nebraska Revenue Act of 1967, as amended. Section 77-2717 of the Nebraska Revised Statutes provides that the additional taxes shall be recomputed by substituting Nebraska taxable income for federal taxable income and adjusting the Nebraska alternative minimum tax calculations for any items which are reflected differently in the determination of federal taxable income for Nebraska purposes. This applies to any federal schedules or other forms whose results are used in calculating the federal alternative minimum tax. Section 77-2716 of the Nebraska Revised Statutes provides for the exclusion from adjusted gross income of interest or dividends from U.S. obligations as set forth in Revenue Ruling 23-97-2 and the inclusion of interest or dividends from non-Nebraska source state or local obligations.

The specific line entries and the required adjustments in recomputing the minimum tax for the 1998 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.

Use the amounts from the 1997 Federal Form 6251 recomputed pursuant to Revenue Ruling 23-97-1 on all lines referencing 1997 Federal Form 6251.

1998 Federal Form 1041, Schedule I:

Part I:

Line 1. Reduce the federal entry by the amounts on lines 3 and 7 of Form 1041N and add the line 5 amount from Form 1041N.

Line 2. Enter the net operating loss deduction as adjusted for Nebraska purposes.

Line 4p. Enter the tax-exempt interest only from Nebraska private activity bonds issued after August 7, 1986.

Line 7. Enter the alternative tax net operating loss deduction as adjusted for Nebraska purposes.

Part II:

Line 14. Enter the tax-exempt interest from Nebraska bonds (other than amounts included on line 4p).
Part III:

Line 35. If Part IV of Schedule I, 1998 Federal Form 1041, was used to make the line 35 entry, exclude any capital gains in the calculation that were excluded on Line 7 of Form 1041N.

Line 36. Enter zero.

Line 38. 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, is to be used. Enter the computed amount without subtracting any foreign tax credit.

Follow federal instructions to recompute the alternative minimum tax through Part III, line 39 of Schedule I, Federal Form 1041.

Enter line 39, Part III, of the recomputed Schedule I, 1998 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 10 of the 1998 Form 1041N.

The recomputed Schedule I, Federal Form 1041, must be attached to the 1998 Nebraska Fiduciary Income Tax Return, Form 1041N, when filed.

The add-on minimum tax and the alternative minimum tax 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:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Revenue Ruling Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>23-97-1</td>
</tr>
<tr>
<td>1996</td>
<td>23-96-1</td>
</tr>
<tr>
<td>1995</td>
<td>23-95-1</td>
</tr>
</tbody>
</table>

APPROVED:

[Signature]

M. Berri Balka
State Tax Commissioner

December 16, 1998